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Recommendation for a

## **COUNCIL RECOMMENDATION**

**on the economic, social, employment, structural and budgetary policies of Finland**

{SWD(2024) 600 final} - {SWD(2024) 626 final}

## COUNCIL RECOMMENDATION

### on the economic, social, employment, structural and budgetary policies of Finland

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Articles 121(2) and 148(4) thereof,

Having regard to Regulation (EU) 2024/1263 of the European Parliament and of the Council of 29 April 2024 on the effective coordination of economic policies and on multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97<sup>1</sup>, and in particular Article 3(3) thereof,

Having regard to the recommendation of the European Commission,

Having regard to the resolutions of the European Parliament,

Having regard to the conclusions of the European Council,

Having regard to the opinion of the Employment Committee,

Having regard to the opinion of the Economic and Financial Committee,

Having regard to the opinion of the Social Protection Committee,

Having regard to the opinion of the Economic Policy Committee,

Whereas:

- (1) Regulation (EU) 2021/241 of the European Parliament and of the Council<sup>2</sup>, which established the Recovery and Resilience Facility, entered into force on 19 February 2021. The Recovery and Resilience Facility provides financial support to the Member States for the implementation of reforms and investment, entailing a fiscal impulse financed by the EU. In line with the European Semester priorities, it helps achieve the economic and social recovery and implement sustainable reforms and investment, in particular, to promote the green and digital transitions and make the Member States' economies more resilient. It also helps strengthen public finances and boost growth and job creation in the medium and long term, improve territorial cohesion within the EU and support the continued implementation of the European Pillar of Social Rights.
- (2) The REPowerEU Regulation<sup>3</sup>, adopted on 27 February 2023, aims to phase out the EU's dependency on Russian fossil fuel imports. This would help achieve energy security and diversify the EU's energy supply, while increasing the uptake of

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<sup>1</sup> OJ L 2024/1263, 30.4.2024, ELI: <http://data.europa.eu/eli/reg/2024/1263/oj>.

<sup>2</sup> Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility (OJ L 57, 18.2.2021, p. 17), ELI: <http://data.europa.eu/eli/reg/2021/241/oj>.

<sup>3</sup> Regulation (EU) 2023/435 of the European Parliament and of the Council of 27 February 2023 amending Regulation (EU) 2021/241 as regards REPowerEU chapters in recovery and resilience plans and amending Regulations (EU) No 1303/2013, (EU) 2021/1060 and (EU) 2021/1755, and Directive 2003/87/EC (OJ L 63, 28.2.2023, p. 1), ELI: <http://data.europa.eu/eli/reg/2023/435/oj>.

renewables, energy storage capacities and energy efficiency. Finland added a new REPowerEU chapter to its national recovery and resilience plan in order to finance key reforms and investments that will help achieve the REPowerEU objectives.

- (3) On 16 March 2023, the Commission issued a Communication on the 'Long-term competitiveness of the EU: looking beyond 2030'<sup>4</sup>, in order to inform policy decisions and create the framework conditions for increasing growth. The Communication frames competitiveness along nine mutually reinforcing drivers. Among these drivers, access to private capital, research and innovation, education and skills, and the single market emerge as paramount policy priorities for reform and investment to address current productivity challenges as well as to build up the long-term competitiveness of the EU and its Member States. On 14 February 2024, the Commission followed this Communication with the Annual Single Market and Competitiveness Report<sup>5</sup>. The report details the competitive strengths and challenges of Europe's Single Market, tracking yearly developments according to the nine competitiveness drivers identified.
- (4) On 21 November 2023, the Commission adopted the 2024 Annual Sustainable Growth Survey<sup>6</sup>, marking the start of the 2024 cycle of the European Semester for economic policy coordination. The European Council endorsed the priorities of the survey around the four dimensions of competitive sustainability on 22 March 2024. On 21 November 2023, on the basis of Regulation (EU) No 1176/2011, the Commission also adopted the 2024 Alert Mechanism Report, in which it did not identify Finland as one of the Member States that may be affected or may be at risk of being affected by imbalances, and for which an in-depth review would be needed. On the same date, the Commission adopted an opinion on the 2024 draft budgetary plan of Finland. The Commission also adopted a recommendation for a Council recommendation on the economic policy of the euro area, which the Council adopted on 12 April 2024, as well as the proposal for the 2024 Joint Employment Report analysing the implementation of the Employment Guidelines and the principles of the European Pillar of Social Rights, which the Council adopted on 11 March 2024.
- (5) On 30 April 2024, the EU's new economic governance framework came into force. The framework includes the new Regulation of the European Parliament and of the Council (EU) No 2024/1263 on the effective coordination of economic policies and multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97. It also includes the amended Regulation (EC) No 1467/97 on the implementation of the excessive deficit procedure and the amended Directive 2011/85/EU on the budgetary frameworks of Member States<sup>7</sup>. The objectives of the new framework are public debt sustainability and sustainable and inclusive growth through gradual fiscal consolidation as well as reforms and investments. It promotes national ownership and has a greater medium-term focus, combined with more effective and coherent enforcement. Each Member State should submit to the Council and to the Commission a national medium-term fiscal-structural plan. National medium-term fiscal-structural plans contain the fiscal, reform and investment

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<sup>4</sup> COM(2023) 168 final.

<sup>5</sup> COM(2024) 77 final.

<sup>6</sup> COM(2023) 901 final.

<sup>7</sup> Council Regulation (EU) 2024/1264 of 29 April 2024 amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure (OJ L, 2024/1264, 30.4.2024, ELI: <http://data.europa.eu/eli/reg/2024/1264/oj>) and Council Directive (EU) 2024/1265 of 29 April 2024 amending Directive 2011/85/EU on requirements for budgetary frameworks of the Member States (OJ L, 2024/1265, 30.4.2024, ELI: <http://data.europa.eu/eli/dir/2024/1265/oj>).

commitments of a Member State, covering a planning horizon of 4 years or 5 years depending on the regular length of the national legislature. The net expenditure<sup>8</sup> path in the national medium-term fiscal-structural plans should comply with the requirements of Regulation (EU) 2024/1263, including the requirements to put or keep general government debt on a plausibly downward path by the end of the adjustment period at the latest, or for it to remain at prudent levels below 60% of GDP, and to bring and/or maintain the government deficit below the 3% of GDP reference value over the medium term. Where a Member State commits to a relevant set of reforms and investments in accordance with the criteria set out in Regulation (EU) 2024/1263, the adjustment period may be extended by 3 years at most. For the purpose of supporting the preparation of those plans, on [21 June] 2024, the Commission is set to provide Member States with guidance on the content of the plans and the subsequent annual progress reports that they will need to submit and, in accordance with Article 5 of Regulation (EU) 2024/1263, will transmit to them technical guidance on the fiscal adjustments (reference trajectories and technical information, where applicable). Member States should submit their medium-term fiscal-structural plans by 20 September 2024, unless the Member State and the Commission agree to extend the deadline by a reasonable period of time. Member States should ensure the involvement of their national parliaments, and the consultation of independent fiscal institutions, of social partners and other national stakeholders, as appropriate.

- (6) In 2024, the European Semester for economic policy coordination continues to evolve in line with the implementation of the Recovery and Resilience Facility. The full implementation of the recovery and resilience plans remains essential for delivering the policy priorities under the European Semester, as the plans help effectively address all or a significant subset of challenges identified in the relevant country-specific recommendations issued in recent years. The 2019, 2020, 2022 and 2023 country-specific recommendations remain equally relevant also for recovery and resilience plans revised, updated or amended in accordance with Articles 14, 18 and 21 of Regulation (EU) 2021/241.
- (7) On 27 May 2021, Finland submitted its national recovery and resilience plan to the Commission, in accordance with Article 18(1) of Regulation (EU) 2021/241. Pursuant to Article 19 of Regulation (EU) 2021/241, the Commission assessed the relevance, effectiveness, efficiency and coherence of the recovery and resilience plan, in accordance with the assessment guidelines of Annex V to that Regulation. On 29 October 2021, the Council adopted its Decision on the approval of the assessment of the recovery and resilience plan for Finland<sup>9</sup>, which was amended on 14 March 2023 following Article 18(2) of Regulation (EU) 2021/241 to update the maximum financial contribution for non-repayable financial support, as well as on 8 December 2023 to

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<sup>8</sup> Net expenditure as defined in Article 2 of Council Regulation (EU) 2024/1263 of 29 April 2024 (OJ L 2024/1263, 30.4.2024, ELI: <http://data.europa.eu/eli/reg/2024/1263/oj>). Net expenditure means government expenditure net of (i) interest expenditure, (ii) discretionary revenue measures, (iii) expenditure on programmes of the Union fully matched by Union funds revenue, (iv) national expenditure on co-financing of programmes funded by the Union, (v) cyclical elements of unemployment benefit expenditure, and (vi) one-offs and other temporary measures.

<sup>9</sup> Council Implementing Decision of 29 October 2021 on the approval of the assessment of the recovery and resilience plan for Finland (12524/2021).

include the REPowerEU chapter<sup>10</sup>. The release of instalments is conditional on a decision by the Commission, taken in accordance with Article 24(5) of Regulation (EU) 2021/241, that Finland has satisfactorily fulfilled the relevant milestones and targets set out in the Council Implementing Decision. Satisfactory fulfilment presupposes that the achievement of preceding milestones and targets has not been reversed.

- (8) On 25 April 2024, Finland submitted its 2024 National Reform Programme and, on 25 April 2024, its 2024 Stability Programme, in line with Article 4(1) of Regulation (EC) No 1466/97. In accordance with Article 27 of Regulation (EU) 2021/241, the 2024 National Reform Programme also reflects Finland's biannual reporting on the progress made in achieving its recovery and resilience plan.
- (9) The Commission published the 2024 country report for Finland<sup>11</sup> on 19 June 2024. It assessed Finland's progress in addressing the relevant country-specific recommendations adopted by the Council between 2019 and 2023 and took stock of Finland's implementation of the recovery and resilience plan. Based on this analysis, the country report identified gaps with respect to those challenges that are not addressed or only partially addressed by the recovery and resilience plan, as well as new and emerging challenges. It also assessed Finland's progress on implementing the European Pillar of Social Rights and on achieving the EU headline targets on employment, skills and poverty reduction, as well as progress in achieving the UN's Sustainable Development Goals.
- (10) Based on data validated by Eurostat<sup>12</sup> Finland's general government deficit increased from 0.4% of GDP in 2022 to 2.7% in 2023, while the general government debt rose from 73.5% of GDP at the end of 2022 to 75.8% at the end of 2023. As announced in the fiscal policy guidance for 2024 (<sup>13</sup>), the Commission is taking the first step for the opening of deficit-based excessive deficit procedures, in line with existing legal provisions. On 19 June 2024, the Commission adopted a report under Article 126(3) of the TFEU (<sup>14</sup>). That report assessed the budgetary situation of Finland, as its planned general government deficit in 2024 exceeds the reference value of 3% of GDP. The report concluded that in the light of this assessment, and after considering the opinion of the Economic and Financial Committee as established under article 126(4) TFEU, the Commission intends to not propose in July to open an excessive deficit procedure for Finland.
- (11) On 12 July 2022, the Council recommended<sup>15</sup> that Finland take action to ensure in 2023 that the growth of nationally financed primary current expenditure is in line with an overall neutral policy stance<sup>16</sup> taking into account continued temporary and targeted

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<sup>10</sup> Council Implementing Decision of 8 December 2023 amending the Implementing Decision of 29 October 2021 on the approval of the assessment of the recovery and resilience plan for Finland (15836/2023).

<sup>11</sup> SWD(2024) 626 final.

<sup>12</sup> Eurostat-Euro Indicators, 22.4.2024.

<sup>(13)</sup> COM(2023) 141 final.

<sup>(14)</sup> Report from the Commission, prepared in accordance with Article 126(3) of the Treaty on the Functioning of the European Union, 19.6.2024, COM(2024)598 final.

<sup>15</sup> Council Recommendation of 12 July 2022 on the National Reform Programme of Finland and delivering a Council opinion on the 2022 Stability Programme of Finland, *OJ C 334*, 1.9.2022, p. 7.

<sup>16</sup> Based on the Commission 2024 spring forecast, the medium-term (10-year average) potential output growth of Finland in 2023 is estimated at 2.7% in nominal terms, based on the 10-year average real potential growth rate and the 2023 GDP deflator.



support to households and firms most vulnerable to energy price hikes and to people fleeing Ukraine. Finland should stand ready to adjust current spending to the evolving situation. Finland was also recommended to expand public investment for the green and digital transitions, and for energy security taking into account the REPowerEU initiative, including by making use of the Recovery and Resilience Facility and other Union funds. In 2023, according to the Commission estimates, the fiscal stance<sup>17</sup> was expansionary, by 0.9% of GDP, in a context of high inflation. The growth in nationally financed primary current expenditure (net of discretionary revenue measures) in 2023 provided an expansionary contribution to the fiscal stance of 0.8% of GDP. This includes higher costs to offer temporary protection to displaced persons from Ukraine (by 0.2% of GDP). The expansionary contribution of nationally financed net primary current expenditure in 2023 was therefore only partly due to people fleeing Ukraine. The expansionary growth in nationally financed primary current expenditure (net of discretionary revenue measures) was also driven by the continued and rapid rise in prices and costs – especially those of purchased services and personnel expenses in local government, as well as the rise in preparedness-related expenses that were taken in response to Russia's war of aggression against Ukraine. In sum, the growth of nationally financed primary current expenditure in 2023 was not in line with the Council recommendation. Expenditure financed by Recovery and Resilience Facility grants and other EU funds amounted to 0.4% of GDP in 2023. Nationally financed investment amounted to 4.0% of GDP in 2023, representing a decrease of 0.2 percentage points as compared to 2022. Finland financed additional investment through the Recovery and Resilience Facility and other EU funds. Finland financed public investment for the green and digital transitions, and for energy security, such as renewable energy infrastructure and low-emission hydrogen, which are partly funded by the Recovery and Resilience Facility and other EU funds.

- (12) The key projections in the 2024 Stability Programme can be summarised as follows. The macroeconomic scenario underpinning the budgetary projections foresees real GDP growth at 0% in 2024 and 1.6% in 2025, while it projects HICP inflation at 1.3% in 2024 and 1.9% in 2025. The general government deficit is expected to increase to 3.4% of GDP in 2024 and decline to 2.7% of GDP in 2025, while the general government debt-to-GDP ratio is set to increase to 80.8% by the end of 2024 and 82.3% by the end of 2025. After 2025, the general government deficit is projected to decrease to 1.9% of GDP in 2026. Therefore, the general government deficit is planned to go below the 3% of GDP deficit reference value in 2025. In turn, after 2025, the general government debt ratio is projected to increase gradually to 82.4% in 2026.
- (13) The Commission Spring 2024 Forecast projects real GDP to grow by 0.0% in 2024 and 1.4% in 2025, and HICP inflation to stand at 1.4% in 2024 and 2.1% in 2025.
- (14) The Commission Spring 2024 Forecast projects a government deficit of 3.4% of GDP in 2024, while the general government debt-to-GDP ratio is set to increase to 80.5%

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<sup>17</sup> The fiscal stance is defined as a measure of the annual change in the underlying budgetary position of the general government. It aims to assess the economic impulse stemming from fiscal policies, both those that are nationally financed and those that are financed by the EU budget. The fiscal stance is measured as the difference between (i) the medium-term potential growth and (ii) the change in primary expenditure net of discretionary revenue measures (and excluding temporary emergency measures related to the COVID-19 crisis) and including expenditure financed by non-repayable support (grants) from the Recovery and Resilience Facility and other Union funds. A negative (positive) sign of the indicator indicates an expansionary (contractionary) fiscal policy.

by the end of 2024. The increase of the deficit in 2024 mainly reflects slow growth on the revenue side, both in taxes and social security contributions, but also increases in expenditure, especially on social benefits and wages. Based on the Commission's estimates, the fiscal stance is projected to be expansionary by 0.7% of GDP in 2024.

- (15) Expenditure amounting to 0.2% of GDP is expected to be financed by non-repayable support ("grants") from the Recovery and Resilience Facility in 2024, compared to 0.1% of GDP in 2023, according to the Commission Spring 2024 Forecast. Expenditure financed by Recovery and Resilience Facility grants will enable high-quality investment and productivity-enhancing reforms without a direct impact on the general government balance and debt of Finland.
- (16) On 14 July 2023, the Council recommended<sup>18</sup> that Finland ensure a prudent fiscal policy, in particular by limiting the nominal increase in net nationally financed primary expenditure<sup>19</sup> in 2024 to not more than 2.2%. When executing their 2023 budgets and preparing their Draft Budgetary Plans for 2024, Member States were invited to take into account that the Commission would propose to the Council the opening of deficit-based excessive deficit procedures based on the outturn data for 2023. According to the Commission Spring 2024 Forecast, Finland's net nationally financed primary expenditure is projected to increase by 4.0% in 2024, which is above the recommended maximum growth rate. This excess spending over the recommended maximum growth rate in net nationally financed primary expenditure corresponds to 0.9% of GDP in 2024. This risks being not in line with what was recommended by the Council.
- (17) Moreover, the Council recommended that Finland take action to wind down the emergency energy support measures in force, using the related savings to reduce the government deficit, as soon as possible in 2023 and 2024. The Council further specified that, should renewed energy price increases necessitate new or continued support measures, Finland should ensure that these were targeted at protecting vulnerable households and firms, fiscally affordable, and preserve incentives for energy savings. According to the Commission Spring 2024 Forecast, the net budgetary cost<sup>20</sup> of emergency energy support measures is estimated at 0.2% of GDP in 2023 and projected at 0.0% in 2024 and 2025. If the related savings were used to reduce the government deficit, as recommended by the Council, these projections would imply a fiscal adjustment of 0.2% of GDP in 2024, whereas net nationally financed primary expenditure<sup>21</sup> provides an expansionary contribution to the fiscal stance of 0.7% of GDP in that year. The emergency energy support measures are projected to be wound down as soon as possible in 2023 and 2024. This is in line with what was recommended by the Council. However, the related savings are not projected to be

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<sup>18</sup> Council Recommendation of 14 July 2023 on the 2023 National Reform Programme of Finland and delivering a Council opinion on the 2023 Stability Programme of Finland, OJ C 312, 1.9.2023, p. 243.

<sup>19</sup> Net primary expenditure is defined as nationally financed expenditure net of (i) discretionary revenue measures, (ii) interest expenditure, (iii) cyclical unemployment expenditure, and (iv) one-offs and other temporary measures.

<sup>20</sup> The figure represents the level of the annual budgetary cost of those measures, including revenue and expenditure and, where applicable, net of the revenue from taxes on windfall profits of energy suppliers.

<sup>21</sup> This contribution is measured as the change in general government primary expenditure, net of (i) the incremental budgetary impact of discretionary revenue measures, (ii) one-offs, (iii) cyclical unemployment expenditure and (iv) expenditure financed by non-repayable support (grants) from the Recovery and Resilience Facility and other EU funds, relative to the medium-term (10-year) average potential nominal GDP growth rate, expressed as a ratio to nominal GDP.



fully used to reduce the government deficit. This risks being not in line with the Council recommendation.

- (18) In addition, the Council also recommended that Finland preserve nationally financed public investment and ensure the effective absorption of Recovery and Resilience Facility grants and other EU funds, in particular to foster the green and digital transitions. According to the Commission Spring 2024 Forecast, nationally financed public investment is projected to increase to 4.1% of GDP in 2024 from 4.0% of GDP in 2023. This is in line with what was recommended by the Council. In turn, public expenditure financed from revenues from EU funds, including Recovery and Resilience Facility grants, is expected to remain stable at 0.4% of GDP in 2024.
- (19) Based on policy measures known at the cut-off date of the forecast and on a no-policy-change assumption, the Commission Spring 2024 Forecast projects a government deficit of 2.8% of GDP in 2025. The decrease of the deficit in 2025 mainly reflects the hike in the general VAT rate as well as cuts in expenditures. The general government debt-to-GDP ratio is set to increase to 82.4% by the end of 2025, on the back of a slower economic growth and rising interest expenditure.
- (20) Finland has an effective and inclusive social welfare system with a high level of social protection, but it is complex and may create disincentives to work. In 2020, a dedicated parliamentary committee was tasked with designing a reform of the social security system by 2027. In March 2023, the committee presented its interim report, which contained 31 proposals for studies, draft legislation and development projects for future governments. The reform aims to streamline the social welfare system and increase incentives to work, while preserving effective and inclusive social protection and raising the employment rate. The reform of the social security system is expected to help improve the long-term sustainability of public finances.
- (21) In accordance with Article 19(3), point (b), and Annex V, criterion 2.2 of Regulation (EU) 2021/241, the recovery and resilience plan includes an extensive set of mutually reinforcing reforms and investments to be implemented by 2026. These are expected to help effectively address all or a significant subset of challenges identified in the relevant country-specific recommendations. Within this tight timeframe, proceeding swiftly with the effective implementation of the plan, including the REPowerEU chapter, is essential to boost Finland's long-term competitiveness through the green and digital transition, while ensuring social fairness. To deliver on the commitments of the plan by August 2026, it is essential for Finland to continue the implementation of reforms and investments by addressing emerging delays. In particular, it is important to ensure the timely submission of the second and third payment requests. The systematic involvement of local and regional authorities, social partners, civil society and other relevant stakeholders remains essential to ensure broad ownership for the successful implementation of the recovery and resilience plan.
- (22) As part of the mid-term review of the cohesion policy funds, in accordance with Article 18 of Regulation (EU) 2021/1060, Finland is required to review each programme by March 2025, taking into account, among other things, the challenges identified in the 2024 country-specific recommendations, as well as its national energy and climate plan. This review forms the basis for the definitive allocation of the EU funding included in each programme. Finland has made progress in implementing cohesion policy and the European Pillar of Social Rights, but challenges remain. In particular, there continue to be disparities between the capital region and the rest of Finland in terms of GDP per capita and labour productivity. Accelerating the

implementation of cohesion policy programmes is crucial. The priorities agreed in the programme are still relevant, in particular for northern sparsely populated and eastern regions. Particular attention should also be paid to strengthening R&D and innovation, digitalisation, and competitiveness of small to medium-sized enterprises, accelerating the green and just transition. In addition, a focus should remain on addressing labour and skills shortages, strengthening social inclusion and active labour market participation, particularly for vulnerable groups, and supporting social innovation measures and improving child protection services. Finland could also make use of the Strategic Technologies for Europe Platform initiative to support the transformation of industry, for instance in the areas of artificial intelligence, cybersecurity and robotics, energy and resource efficiency, and medical technologies vital for health security.

- (23) Beyond the economic and social challenges addressed by the recovery and resilience plan and other EU funds, Finland faces several additional challenges related to labour and skills shortages, and the implementation of the reform of social and healthcare services.
- (24) Employment remained above 78% in 2023, but unemployment increased from 6.8% in 2022 to 7.2% in 2023, and structural unemployment persists. Skills mismatches, i.e. the inability to fill vacant positions with workers possessing the skills demanded by employers, pose challenges, in particular in education, healthcare and social care. Moreover, labour shortages in fields relevant to the green transition risk limiting progress towards Finland's climate target of carbon neutrality by 2035. Labour and skills shortages also threaten Finland's competitiveness and long-term growth, and are further aggravated by population ageing.
- (25) The share of people in Finland reporting unmet needs for medical care is high. The ongoing reform of public health and social services aims to ensure more equal access to services while containing the rising costs of service delivery. The administrative reform has been completed, but the different well-being services counties are in varying stages of preparedness in terms of reorganising and optimising their service delivery.
- (26) In view of the close interlinkages between the economies of euro area Member States and of their collective contribution to the functioning of the Economic and Monetary Union, in 2024 the Council recommended that the euro area Member States take action, including through their recovery and resilience plans, to implement the recommendation on the economic policy of the euro area. For Finland, recommendations (1), (2) and (3) help the first, second, third and fourth euro area recommendations.

HEREBY RECOMMENDS that Finland take action in 2024 and 2025 to:

1. Submit the medium-term fiscal-structural plan in a timely manner. In line with the requirements of the reformed Stability and Growth Pact, limit the growth in net expenditure<sup>22</sup> in 2025 to a rate consistent with putting the general government debt on a plausibly downward trajectory over the medium term and reducing the general government deficit below the 3% of GDP Treaty reference value. Pursue the reform

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<sup>22</sup> According to Article 2(2) of Regulation (EU) 2024/1263, 'net expenditure' means government expenditure net of interest expenditure, discretionary revenue measures, expenditure on programmes of the Union fully matched by revenue from Union funds, national expenditure on co-financing of programmes funded by the Union, cyclical elements of unemployment benefit expenditure, and one-offs and other temporary measures.

of the social security system in order to increase the efficiency of the social benefits system, which would improve incentives to work and support the long-term sustainability of public finances.

2. Address emerging delays to allow for continued, swift and effective implementation of the recovery and resilience plan, including the REPowerEU chapter, ensuring completion of reforms and investments by August 2026. Accelerate the implementation of cohesion policy programmes. In the context of the mid-term review continue focusing on the agreed priorities, while considering the opportunities provided by the Strategic Technologies for Europe Platform initiative to improve competitiveness.
3. Address labour and skills shortages by reskilling and upskilling the workforce and widening the higher education offer, in particular for the study fields most in demand in the labour market. Ensure that the reform of social and healthcare services improves access to and delivery of services and tackles inefficiencies.

Done at Brussels,

*For the Council  
The President*