Council of the European Union

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NOTE

From:	General Secretariat of the Council
To:	Permanent Representatives Committee/Council
No. prev. doc.:	9894/25
Subject:	COUNCIL RECOMMENDATION on the economic, social, employment, structural and budgetary policies of Finland

Delegations will find attached the above-mentioned draft Council Recommendation, as revised and agreed by the Employment Committee and the Social Protection Committee, based on the Commission Proposal COM(2025) 226 final.

ANNEX

Recommendation for a

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 Article 121(2) and Article 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[1], 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,

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

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:

General considerations

(1) Regulation (EU) 2024/1263, which entered into force on 30 April 2024, specifies the objectives of the economic governance, which aims at promoting sound and sustainable public finances and sustainable and inclusive growth and resilience through reforms and investments, and preventing excessive government deficits. The Regulation stipulates that the Council and the Commission conduct multilateral surveillance in the context of the European Semester in accordance with the objectives and requirements set out in the TFEU. The European Semester includes, in particular, the formulation, and the surveillance of the implementation of country-specific recommendations. The Regulation also promotes national ownership of fiscal policy and emphasises its medium-term focus, combined with more effective and coherent enforcement. Each Member State must submit to the Council and the Commission a national medium-term fiscal-structural plan, containing its fiscal, reform and investment commitments, over 4 or 5 years, depending on the length of the national legislative term. The net expenditure[2] path in these plans has to comply with the Regulation's requirements, including the requirements to put or keep general government debt on a plausibly downward path by the end of the adjustment period, or for it to remain at prudent levels below 60% of gross domestic product (GDP), and to bring and/or maintain the general government deficit below the 3%-of-GDP Treaty 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 the Regulation, the adjustment period may be extended by up to three years.

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[2] Net expenditure as defined in Article 2, point (2), of Regulation (EU) 2024/1263: 'net expenditure' means government expenditure net of (i) interest expenditure; (ii) discretionary revenue measures; (iii) expenditure on programmes of the Union fully matched by revenue from Union funds; (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.

(2) Regulation (EU) 2021/241 of the European Parliament and of the Council[3], which established the Recovery and Resilience Facility (the 'RRF'), entered into force on 19 February 2021. The RRF provides financial support to Member States for implementing reforms and investments, delivering a fiscal impulse financed by the Union. In line with the priorities of the European Semester for economic policy coordination, the RRF fosters economic and social recovery while driving sustainable reforms and investments, in particular promoting the green and digital transitions and making 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 Union and support the continued implementation of the European Pillar of Social Rights.

(3) Regulation (EU) 2023/435 of the European Parliament and of the Council[4] (the 'REPowerEU Regulation'), which was adopted on 27 February 2023, aims to phase out the Union's dependence on Russian fossil-fuel imports. This helps achieve energy security and diversify the Union's energy supply, while increasing the uptake of 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.

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3 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).

4 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).

(4) 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 that Regulation, the Commission assessed the relevance, effectiveness, efficiency and coherence of the recovery and resilience plan, in accordance with the assessment guidelines set out in Annex V. On 29 October 2021, the Council adopted its Implementing Decision approving the assessment of the recovery and resilience plan for Finland[5], which was amended under Article 18(2) on 8 December 2023 to update the maximum financial contribution for non-repayable financial support, as well as to include the REPowerEU chapter[6]. The release of instalments is conditional on the adoption of a decision by the Commission, in accordance with Article 24(5), stating that Finland has satisfactorily achieved the relevant milestones and targets set out in the Council Implementing Decision. Satisfactory achievement requires that the achievement of preceding milestones and targets for the same reform or investment has not been reversed.

(5) On 21 January 2025, the Council, upon the recommendation of the Commission, adopted a recommendation endorsing the national medium-term fiscal-structural plan of Finland[7]. The plan was submitted in accordance with Article 11 and Article 36(1), point (a), of Regulation (EU) 2024/1263, covers the period from 2025 until 2028 and presents a fiscal adjustment spread over seven years.

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

6 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).

7 Council Recommendation of 21 January 2025 endorsing the medium-term fiscal-structural plan of Finland, OJ C/2025/656, 10.2.2025.

(6) On 26 November 2024, the Commission adopted an opinion on the 2025 draft budgetary plan of Finland. On the same date, on the basis of Regulation (EU) No 1176/2011, the Commission adopted the 2025 Alert Mechanism Report, in which it did not identify Finland as one of the Member States for which an in-depth review would be needed. The Commission also adopted a recommendation for a Council recommendation on the economic policy of the euro area and a proposal for the 2025 Joint Employment Report, which analyses the implementation of the Employment Guidelines and the principles of the European Pillar of Social Rights. The Council adopted the Recommendation on the economic policy of the euro area[8] on 13 May 2025 and the Joint Employment Report on 10 March 2025.

[8] Council Recommendation of 13 May 2025 on the economic policy of the euro area (OJ C, C/2025/2782, 22.5.2025, ELI: http:// data.europa.eu/eli/C/2025/2782/oj).)

(7) On 29 January 2025, the Commission published the Competitiveness Compass, a strategic framework that aims to boost the EU's global competitiveness over the next five years. It identifies the three transformative imperatives of sustainable economic growth: (i) innovation; (ii) decarbonisation and competitiveness; and (iii) security. To close the innovation gap, the EU aims to foster industrial innovation, support the growth of start-ups through initiatives like the EU Start-up and Scale-up Strategy, and promote the adoption of advanced technologies like artificial intelligence and quantum computing. In pursuit of a greener economy, the Commission has outlined a comprehensive Affordable Energy Action Plan and a Clean Industrial Deal, ensuring that the shift to clean energy remains cost-effective, competitiveness-friendly, particularly for energy-intensive sectors, and is a driver for growth. To reduce excessive dependencies and increase security, the Union is committed to strengthening global trade partnerships, diversifying supply chains and securing access to critical raw materials and clean energy sources. These priorities are underpinned by horizontal enablers, namely regulatory simplification, deepening of the single market, financing competitiveness and a Savings and Investments Union, promotion of skills and quality jobs, and better coordination of EU policies. The Competitiveness Compass is aligned with the European Semester, ensuring that Member States' economic policies are consistent with the Commission's strategic objectives, creating a unified approach to economic governance that fosters sustainable growth, innovation and resilience across the Union.

(8) In 2025, the European Semester for economic policy coordination continues to develop alongside the implementation of the RRF. The full implementation of the recovery and resilience plans remains essential for delivering on 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. These country-specific recommendations remain equally relevant for the assessment of amended recovery and resilience plans in accordance with Article 21 of Regulation (EU) 2021/241.

(9) The 2025 country-specific recommendations cover the key economic policy challenges that are not sufficiently addressed by measures included in the recovery and resilience plans, taking into account the relevant challenges identified in the 2019-2024 country-specific recommendations.

(10) On 4 June 2025, the Commission published the 2025 country report for Finland. It assessed Finland's progress in addressing the relevant country-specific recommendations and took stock of Finland's implementation of the recovery and resilience plan. Based on this analysis, the country report identified the most pressing challenges Finland is facing. It also assessed Finland's progress in implementing the European Pillar of Social Rights and in achieving the Union's 2030 headline targets on employment, skills and poverty and social exclusion reduction, as well as progress in achieving the United Nations Sustainable Development Goals.

Assessment of the Annual Progress Report

(11) On 21 January 2025, the Council recommended the following maximum growth rates of net expenditure for Finland: 1.6% in 2025, 1.9% in 2026, 2.6% in 2027, and 2.6% in 2028, which correspond to the maximum cumulative growth rates calculated by reference to 2023 of 5.3% in 2025, 7.4% in 2026, 10.1% in 2027, and 13.0% in 2028. On 30 April 2025 Finland submitted its Annual Progress Report[9] on the adherence to the recommended maximum growth rates of net expenditure, the implementation of the set of reforms and investments underpinning the extension of the adjustment period and the implementation of reforms and investments responding to the main challenges identified in the European Semester country-specific recommendations. The Annual Progress Report also reflects Finland's biannual reporting on the progress made in achieving its recovery and resilience plan in accordance with Article 27 of Regulation (EU) 2021/241.

(12) Russia's war of aggression against Ukraine and its repercussions constitute an existential challenge for the European Union. The Commission recommended to activate the national escape clause of the Stability and Growth Pact in a coordinated manner to support the EU efforts to achieve a rapid and significant increase in defence spending and this proposal was welcomed by the European Council of 6 March 2025. Following the request of Finland on 30 April 2025, on [date] the Council, upon the recommendation of the Commission, adopted a recommendation allowing Finland to deviate from, and exceed, the recommended maximum growth rates of net expenditure[10].

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9 The 2025 Annual Progress Reports are available on: https://economy-finance.ec.europa.eu/economic-and-fiscal-governance/stability-and-growth-pact/preventive-arm/annual-progress-reports_en

10 Council recommendation allowing Finland to deviate from, and exceed, the recommended net expenditure path (Activation of the national escape clause), [To complete: OJ C/2025/xxx, x.x.2025].

(13) Based on data validated by Eurostat[11], Finland's general government deficit increased from 3.0% of GDP in 2023 to 4.4% in 2024, while the general government debt rose from 77.5% of GDP at the end of 2023 to 82.1% at the end of 2024. According to the Commission's calculations, these developments correspond to a net expenditure growth rate of 3.1% in 2024. In the Annual Progress Report, Finland estimates the net expenditure growth in 2024 at 3.2%. Based on the Commission's estimates, the fiscal stance[12], which includes both nationally and EU financed expenditure, was expansionary, by 0.6% of GDP, in 2024. On 4 June 2025, the Commission adopted a report under Article 126(3) of the TFEU[13]. That report assessed the budgetary situation of Finland, as its general government deficit in 2024 exceeded 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 does not at this stage intend to propose in June to open an excessive deficit procedure.

(14) According to the Annual Progress Report, the macroeconomic scenario underpinning the budgetary projections by Finland expects real GDP growth at 1.3% in 2025, while HICP inflation is projected at 1.9% in 2025. The Commission Spring 2025 Forecast projects real GDP to grow by 1.0% in 2025 and 1.3% in 2026, and HICP inflation to stand at 1.7% in 2025 and 1.5% in 2026.

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11 Eurostat-Euro Indicators, 22.4.2025.

12 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 including expenditure financed by non-repayable support (grants) from the Recovery and Resilience Facility and other Union funds.

13 Report from the Commission, prepared in accordance with Article 126(3) of the Treaty on the Functioning of the European Union, 4.6.2025, COM(2025) 615final.

(15) In the Annual Progress Report, the general government deficit is expected to decrease to 3.8% of GDP in 2025, while the general government debt-to-GDP ratio is set to increase to 85.3% by the end of 2025. These developments correspond to net expenditure growth of 1.6% in 2025. The Commission Spring 2025 Forecast projects a general government deficit of 3.7% of GDP in 2025. The decrease of the deficit in 2025 mainly reflects improving economic conditions and the impact of the consolidation measures implemented by the government in 2023 and 2024. According to the Commission's calculations, these developments correspond to net expenditure growth of 1.3% in 2025. Based on the Commission's estimates, the fiscal stance, which includes both nationally and EU financed expenditure, is projected to be contractionary, by 0.6% of GDP, in 2025. The general government debt-to-GDP ratio is set to increase to 85.6% by the end of 2025.

(16) General government expenditure amounting to 0.2% of GDP is expected to be financed by non-repayable support ("grants") from the Recovery and Resilience Facility in 2025, compared to 0.1% of GDP in 2024, according to the Commission Spring 2025 Forecast. Expenditure financed by Recovery and Resilience Facility non-repayable support enables high-quality investment and productivity-enhancing reforms without a direct impact on the general government balance and debt of Finland.

(17) General government defence expenditure in Finland amounted to 1.2% of GDP in 2021, 1.2% of GDP in 2022 and 1.4% of GDP in 2023[14]. According to the Commission Spring 2025 Forecast, expenditure on defence is projected at 1.5% of GDP in 2024 and 2.1% of GDP in 2025. This corresponds to an increase of 0.9 percentage points of GDP compared to 2021. The period when the national escape clause is activated (2025-2028) allows Finland to reprioritise government expenditure or increase government revenue so that lastingly higher defence expenditure would not endanger fiscal sustainability in the medium term.

(18) According to the Commission Spring 2025 Forecast, net expenditure in Finland is projected to grow by 1.3% in 2025 and 4.4% cumulatively in 2024 and 2025. Based on the Commission Spring 2025 Forecast, the net expenditure growth of Finland in 2025 is projected to be below the recommended maximum growth rate, both annually and when considering 2024 and 2025 together.

(19) The Annual Progress Report does not include budgetary projections beyond 2025. Based on policy measures known at the cut-off date of the forecast, the Commission Spring 2025 Forecast projects a general government deficit of 3.4% of GDP in 2026. The decrease of the deficit in 2026 mainly reflects the increase in revenues thanks to stronger economic growth (which is however expected to be partly offset by planned tax cuts), and declining primary expenditure. These developments correspond to net expenditure growth of 1.5% in 2026. Based on the Commission's estimates, the fiscal stance, which includes both nationally and EU financed expenditure, is projected to be contractionary, by 0.5% of GDP, in 2026. The general government debt-to-GDP ratio is projected by the Commission to increase to 87.5% by the end of 2026.

[14] Eurostat, government expenditure by classification of functions of government (COFOG).

(20) The recommendation endorsing the medium-term plan of Finland specifies the set of reforms and investments underpinning the extension of the adjustment period, together with a timeline for their implementation. They include existing and stepped-up measures from the Recovery and Resilience Plan such as the introduction of the Nordic model of employment services, energy infrastructure investments, and introducing digital innovation in social and healthcare, as well as additional reforms and investments such as the reform introducing the general social security model and the reform of social assistance, related to the green transition, innovation, labour market, healthcare and social care. Taking into account the information provided by Finland in its Annual Progress Report, the Commission finds that all the reforms and investments underpinning an extension that were due by 30 April 2025 have been implemented.

Key policy challenges

(21) Finland has continuously registered public deficits in the last decade and general government debt as a percentage of GDP has been trending upward. In 2023 and 2024, the government adopted a fiscal consolidation package worth EUR 9 billion (around 3% of GDP), which aims to put government finances on a sustainable path. However, in 2024, partly due to adverse macroeconomic conditions, the general government deficit reached 4.4% of GDP, up from 3.0% in 2023, while general government debt reached 82%, up from 77.5% in 2023. Therefore, further action may be needed to improve the efficiency of public spending to regain fiscal space. This is particularly necessary to leave enough room to for the public investment needed and address the needs of an ageing society without weakening public finances. The government implemented the latest comprehensive spending review in 2023 and launched annual spending reviews to support the budget process. Finland has a comprehensive but complex social security system, which contains some incentive traps for work, thus putting a burden on public finances. The system is being reformed with several changes introduced since 2023 and two significant packages are due to be presented to Parliament in 2025. The changes in social assistance will strengthen the obligations for beneficiaries and its role as a last-resort assistance. The first step towards the general social security benefit simplifies minimum income protection by combining existing unemployment benefits in a single application framework. Increasing the efficiency of the social benefits system and providing better incentives to work would support the fiscal sustainability of the social security system. In addition, the reforms are expected to address the needs of the vulnerable groups, including those with limited access to labour market.

(22) In accordance with Article 19(3), point (b), of Regulation (EU) 2021/241 and criterion 2.2 of Annex V to that Regulation, 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, finalising the effective implementation of the recovery and resilience plan including the REPowerEU chapter, is essential to boost Finland's long-term competitiveness through the green and digital transitions, while ensuring social fairness. The systematic involvement of local and regional authorities, social partners, civil society and other relevant stakeholders remains essential in order to ensure broad ownership for the successful implementation of the recovery and resilience plan.

(23) The implementation of cohesion policy programmes, which encompass support from the European Regional Development Fund (ERDF), the Just Transition Fund (JTF) and the European Social Fund Plus (ESF+), has accelerated in Finland. It is important to continue efforts to ensure the swift implementation of these programmes, while maximising their impact on the ground. Finland is already taking action under its cohesion policy programmes to boost competitiveness and growth while enhancing social cohesion. At the same time, Finland continues to face challenges, including the need to foster the competitiveness, economic and social resilience on matters including skills mismatches, structural unemployment and the delivery of social and healthcare services, with a particular focus on its eastern border regions. In accordance with Article 18 of Regulation (EU) 2021/1060, Finland is required – as part of the mid-term review of the cohesion policy funds – to review each programme taking into account, among other things, the challenges identified in the 2024 country-specific recommendations. The Commission proposals adopted on 1 April 2025[15] extend the deadline for submitting an assessment – for each programme – of the outcome of the mid-term review beyond 31 March 2025. They also provide flexibilities to help speed up programme implementation and incentives for Member States to allocate cohesion policy resources to five strategic priority areas of the Union, namely competitiveness in strategic technologies, defence, housing, water resilience and energy transition, and to investments in skills in priority sectors while maintaining the focus on persons in most vulnerable situations in ESF+ programmes.

[15] Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Regulations (EU) 2021/1058 and (EU) 2021/1056 as regards specific measures to address strategic challenges in the context of the mid-term review - COM(2025) 123 final.

(24) The Strategic Technologies for Europe Platform (STEP) provides the opportunity to invest in a key EU strategic priority by strengthening the EU's competitiveness. STEP is channelled through 11 existing EU funds. Member States can also contribute to the InvestEU programme supporting investments in priority areas. Finland could use these initiatives to support the development or manufacturing of critical technologies, including clean and resource-efficient technologies.

(25) Beyond the economic and social challenges addressed by the recovery and resilience plan and other EU funds, Finland faces several additional challenges related to the commercialisation of innovation, decarbonisation, employment and skills, and the implementation of the reform of social and healthcare services.

(26) Finland ranks among the EU's leading performers in innovation, with a high share of firms developing and marketing new products, and widespread use among the population of digital tools. Moreover, increasing expenditure on R&D, with the government setting a target of 4% of GDP by 2030, and a supportive business environment help encourage innovation. Despite this strong innovation performance, productivity stagnated in the last decade, in part due to legacy effects such as the decline of the electronics sector in the early 2010s. Moreover, the most productive firms are not large enough to lift aggregate productivity. In recent years, the number of companies cooperating with higher-education establishments or research institutes diminished, likely hampering the commercialisation of innovation. Moreover, research outcomes often remain confined within universities, as researchers lack the entrepreneurial skills and guidance to transform their findings into marketable products. Therefore, while moving towards the 2030 R&D target, it would be beneficial to redouble efforts to provide further incentives for academia-business cooperation and support researchers in acquiring entrepreneurial skills, thus improving the commercialisation of innovation.

(27) Finland has an abundant supply of clean low-cost energy. This could prove to be a significant competitive advantage for industry, which used 44% of Finland's total final energy consumption in 2023. This advantage should be fully leveraged by further increasing the rate of electrification and decarbonisation of industry to accelerate the reduction of industrial greenhouse gas emissions. The ongoing reform of environmental permitting procedures is expected to help speed up major investments in renewable energy and decarbonisation.

(28) Transport remains a crucial sector for Finland in achieving its climate targets, with major potential for further emissions reductions. Through its national roadmap for fossil-free transport, Finland has put forward legislative changes, incentive schemes and investments. Rolling out the planned measures will be key to achieving the country's ambitious targets. Accelerating investment in areas like private vehicle electrification, public transport connections to reduce car-dependency, and long-haul transportation can deliver a competitive advantage for Finland while supporting decarbonisation of the sector in a socially fair and inclusive way.

(29) Boosting investment in green technologies, including onshore and offshore wind power and green research & development would strengthen Finland's competitiveness. The adoption of an ambitious Circular Economy Act could help improve the efficiency of industry by reducing industrial waste and increasing reuse and recycling rates in industrial processes. This could also help make Finland less dependent on imported raw materials and intermediate goods.

(30) The unemployment rate in Finland sharply increased to 8.4% in 2024 from 7.2% in 2023, following two consecutive years of decline in GDP (-1% in 2023 and -0.1% in 2024). The employment rate fell to 77.0% in 2024, from 78.2% in 2023, jeopardising Finland's ability to reach its national target of 80% by 2030. On 1 January 2025, municipalities and municipal employment areas took over the responsibility for organising public employment services, including the Nordic model of employment services, which aims to support jobseekers through active labour market policies. Skills mismatches, i.e. the inability to fill vacant positions with workers possessing the skills required by employers, pose challenges, especially in social and healthcare services, where demand for workers is expected to increase as the population ages. Moreover, specific skills shortages in fields relevant for the green transition risk limiting the progress Finland is making towards achieving its climate target of carbon neutrality by 2035. Skills shortages also threaten Finland's competitiveness and long-term growth. In 2024, the tertiary educational attainment rate in Finland was 39.1%, below the EU average of 44.2%, the EU-level target of 45%, and far behind the Finnish ambition of reaching 50% by 2030. Increasing the number of tertiary graduates and expanding the higher-education offer closely aligned with labour market demand are crucial for addressing skills shortages in the long term.

(31) In Finland, the share of people reporting unmet needs for medical care increased from 7.9% in 2023 to 8.5% in 2024 and was well above the EU average of 2.5%. The Finnish social and healthcare system was fundamentally restructured in 2023 with the creation of 'wellbeing services counties', which are responsible for organising social, healthcare and rescue at regional level. Two years after their creation, the wellbeing services counties are at different stages of implementation reflected by regional disparities in access to social services, healthcare and long-term care. In 2023 and 2024, there were sizeable budget overruns in the wellbeing services counties due to inflation, remaining inefficiencies, rising demand from an ageing population, and labour shortages requiring recourse to private-sector providers. Tighter financial steering, an extended use of digital services and improving data for decision making are expected to boost productivity and efficiency. Ensuring that the reform of healthcare and social services improves cost efficiency, while guaranteeing access and quality, will be fundamental to ensuring the sustainability of the social and healthcare services in the long run.

(32) In view of the close interlinkages between the economies of euro-area Member States and their collective contribution to the functioning of the economic and monetary union, in 2025, the Council recommended that the euro-area Member States take action, including through their recovery and resilience plans, to implement the 2025 Recommendation on the economic policy of the euro area. For Finland, recommendations (2), (3), (4) and (5) help implement the first euro-area recommendation on competitiveness, while recommendations (1), (4) and (5) help implement the second euro-area recommendation on resilience, and recommendation (1) helps implement the third euro-area recommendation on macroeconomic and financial stability set out in the 2025 Recommendation.

HEREBY RECOMMENDS that Finland take action in 2025 and 2026 to:

1. Reinforce overall defence spending and readiness in line with the European Council conclusions of 6 March 2025. Adhere to the maximum growth rates of net expenditure recommended by the Council on 21 January 2025, while making use of the allowance under the national escape clause for higher defence expenditure. Implement the set of reforms and investments underpinning the extended adjustment period as recommended by the Council on 21 January 2025. Improve the efficiency of public spending by taking into account the results of the spending reviews. Pursue the reform of the social security system to increase the efficiency of the social benefits system, improve incentives to work and support the long-term sustainability of public finances, while addressing the needs of the vulnerable groups.

2. In view of the applicable deadlines for the timely completion of reforms and investments under Regulation (EU) 2021/241, ensure the effective implementation of the recovery and resilience plan, including the REPowerEU chapter. Accelerate the implementation of cohesion policy programmes (ERDF, JTF, ESF+), building, where appropriate, on the opportunities offered by the mid-term review. Make optimal use of EU instruments, including the scope provided by the InvestEU and the Strategic Technologies for Europe Platform, to improve competitiveness.

3. Pursue the R&D target of 4% by 2030 and improve the commercialisation of innovation by i) stepping up the cooperation between businesses and academia through joint industry-university projects, and ii) improving the entrepreneurship skills and support for researchers.

4. Reduce reliance on fossil fuels by boosting public and private investment in the decarbonisation of industry and transport, including through electrification, as well as in the development of green technologies.

5. Strengthen active labour market policies for all and address skills shortages by reskilling and upskilling the workforce and widening the higher-education offer, in particular for the skills most in demand in the labour market. Ensure that the reform of social and healthcare services: i) improves the delivery and cost-effectiveness of and access to social and healthcare services, including long-term care, and ii) addresses inefficiencies.

Done at Brussels,

For the Council
The President