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Recommendation for a

COUNCIL RECOMMENDATION

on the 2022 National Reform Programme of Finland and delivering a Council opinion on the 2022 Stability Programme of Finland

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Recommendation for a

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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 Council Regulation (EC) No 1466/97 of 7 July 1997 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies[1], and in particular Article 5(2) thereof,

Having regard to Regulation (EU) No 1176/2011 of the European Parliament and of the Council of 16 November 2011 on the prevention and correction of macroeconomic imbalances[2], and in particular Article 6(1) 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[3], which established the Recovery and Resilience Facility, entered into force on 19 February 2021. The Recovery and Resilience Facility provides financial support for the implementation of reforms and investment, entailing a fiscal impulse financed by the Union. It contributes to the economic recovery and to the implementation of sustainable and growth-enhancing reforms and investment, in particular to promote the green and digital transition, while strengthening the resilience and potential growth of the Member States' economies. It also helps strengthen sustainable public finances and boost growth and job creation in the medium and long term. The maximum financial contribution per Member State under the Recovery and Resilience Facility [was] updated on [XX] June 2022, in line with Article 11(2) of Regulation (EU) 2021/241.

1 OJ L 209, 2.8.1997, p. 1.
2 OJ L 306, 23.11.2011, p. 25.
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).

(2) On 24 November 2021, the Commission adopted the Annual Sustainable Growth Survey, marking the start of the 2022 European Semester for economic policy coordination. It took due account of the reaffirmed joint commitment of the Porto Social Summit of May 2021 to further implement the European Pillar of Social Rights proclaimed by the European Parliament, the Council and the Commission on 17 November 2017. The European Council endorsed the priorities of the 2022 Annual Sustainable Growth Survey on 25 March 2022. On 24 November 2021, on the basis of Regulation (EU) No 1176/2011, the Commission also adopted the Alert Mechanism Report, in which it did not identify Finland as one of the Member States for which an in-depth review[4] would be needed. On the same date, the Commission also adopted a recommendation for a Council recommendation on the economic policy of the euro area, which was adopted on 5 April 2022 by the Council, as well as the proposal for the 2022 Joint Employment Report analysing the implementation of the Employment Guidelines and the principles of the European Pillar of Social Rights, which was adopted by the Council on 14 March 2022.

(3) Russia's invasion of Ukraine, in the wake of the global pandemic, has significantly altered the geopolitical and economic context. The impact of the invasion on Member States' economies has been felt for example through higher energy and food prices and weaker growth prospects. The higher energy prices weigh particularly on the most vulnerable households experiencing or at risk of energy poverty. The EU is also seeing an unprecedented inflow of people fleeing Ukraine. In this context, on 4 March 2022, the Temporary Protection Directive was triggered[5] for the first time, granting displaced persons from Ukraine the right to legally stay in the EU, as well as access to education and training, labour market, healthcare, housing and social welfare.

(4) Taking account of the rapidly changing economic and geopolitical situation, the European Semester resumes its broad economic and employment policy coordination in 2022, while evolving in line with the implementation requirements of the Recovery and Resilience Facility, as outlined in the 2022 Annual Sustainable Growth Survey. The implementation of the adopted recovery and resilience plans is essential for the delivery of the policy priorities under the European Semester, as the plans address all or a significant subset of the relevant country-specific recommendations issued in the 2019 and 2020 Semester cycles. The 2019 and 2020 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, in addition to any country-specific recommendations issued up to the date of submission of the modified plan.

(5) The General Escape Clause has been active since March 2020[6]. In its Communication of 3 March 2021[7], the Commission set out its view that the decision on the deactivation or continued application of the general escape clause should be taken as an overall assessment of the state of the economy, with the level of economic activity

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4 Regulation (EU) No 1176/2011 of the European Parliament and of the Council of 16 November 2011 on the prevention and correction of macroeconomic imbalances, OJ L 306, 23.11.2011, p. 25.

5 Council Implementing Decision (EU) 2022/382 of 4 March 2022 establishing the existence of a mass influx of displaced persons from Ukraine within the meaning of Article 5 of Directive 2001/55/EC, and having the effect of introducing temporary protection, OJ L 71, 4.3.2022, p. 1.

6 Communication from the Commission to the Council on the activation of the general escape clause of the Stability and Growth Pact, Brussels, 20.3.2020, COM(2020) 123 final.

7 Communication from the Commission to the Council on one year since the outbreak of COVID-19: fiscal policy response, Brussels, 3.3.2021, COM(2021) 105 final.

in the EU or euro area compared to pre-crisis levels (end-2019) as a key quantitative criterion. Heightened uncertainty and strong downside risks to the economic outlook in the context of war in Europe, unprecedented energy price hikes and continued supply chain disturbances warrant the extension of the general escape clause of the Stability and Growth Pact through 2023.

(6) Following the approach in the Council opinion of 18 June 2021 on the 2021 Stability Programme, the fiscal stance is currently best measured as the change in primary expenditure (net of discretionary revenue measures), excluding COVID-19 crisis-related temporary emergency measures but including expenditure financed by non-repayable support (grants) from the Recovery and Resilience Facility and other EU funds, relative to medium-term potential growth[8]. Going beyond the overall fiscal stance, in order to assess whether national fiscal policy is prudent and its composition is conducive to a sustainable recovery consistent with the green and digital transitions, attention is also paid to the evolution of nationally-financed[9] primary current expenditure (net of discretionary revenue measures and excluding COVID-19 crisis-related temporary emergency measures) and investment.

(7) On 2 March 2022, the Commission adopted a Communication providing broad guidance for fiscal policy in 2023, aiming at supporting the preparation of Member States' Stability and Convergence Programmes and thereby strengthening policy coordination[10]. The Commission noted that, based on the macroeconomic outlook of the 2022 winter forecast, transitioning from an aggregate supportive fiscal stance in 2020-2022 to a broadly neutral aggregate fiscal stance would appear appropriate in 2023, while standing ready to react to the evolving economic situation. The Commission announced that the fiscal recommendations for 2023 should continue to differentiate across Member States and take into account possible cross-country spillovers. The Commission invited the Member States to reflect the guidance in their Stability and Convergence Programmes. The Commission committed to closely monitor the economic developments and adjust its policy guidance as needed and at the latest in its Semester spring package of late May 2022.

(8) With respect to the fiscal guidance provided on 2 March 2022, the fiscal recommendations for 2023 take into account the worsened economic outlook, the heightened uncertainty and further downside risks, and the higher inflation compared to the winter forecast. Against these considerations, the fiscal response has to expand public investment for the green and digital transition and energy security, and sustain the purchasing power of the most vulnerable households so as to cushion the impact of the energy price hike and help limit inflationary pressures from second round effects via targeted and temporary measures; fiscal policy has to remain agile so as to adjust to the rapidly evolving circumstances, and be differentiated across countries depending on their fiscal and economic situation, including as regards the exposure to the crisis and the inflow of displaced persons from Ukraine.

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8 The estimates on the fiscal stance and its components in this recommendation are Commission estimates based on the assumptions underlying the Commission 2022 spring forecast. The Commission's estimates of medium-term potential growth do not include the positive impact of reforms that are part of the Recovery and Resilience Plan and that can boost potential growth.

9 Not financed by grants from the Recovery and Resilience Facility and other EU funds.

10 Communication from the Commission to the Council: Fiscal policy guidance for 2023, Brussels, 2.3.2022, COM(2022) 85 final.

(9) 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. 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.

(10) On 13 April 2022, Finland submitted its 2022 National Reform Programme and its 2022 Stability Programme, in line with the deadline established in Article 4 of Regulation (EC) No 1466/97. To take account of their interlinkages, the two programmes have been assessed together. In accordance with Article 27 of Regulation (EU) 2021/241, the 2022 National Reform Programme also reflects Finland's bi-annual reporting on the progress made in achieving its recovery and resilience plan.

(11) The Commission published the 2022 country report for Finland[11] on 23 May 2022. It assessed Finland's progress in addressing the relevant country-specific recommendations adopted by the Council in 2019, 2020 and 2021, and took stock of Finland's implementation of the recovery and resilience plan, building on the Recovery and Resilience Scoreboard. 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, including those emerging from Russia's invasion of Ukraine. 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.

(12) On 23 May 2022, the Commission issued a report under Article 126(3) TFEU. This report discussed the budgetary situation of Finland, as its general government debt in 2021 exceeded the 60% of GDP Treaty reference value and did not respect the debt reduction benchmark. The report concluded that the debt criterion was not fulfilled. In line with the Communication of 2 March 2022, the Commission considered, within its assessment of all relevant factors, that compliance with the debt reduction benchmark would imply a too demanding frontloaded fiscal effort that risks to jeopardise growth. Therefore, in the view of the Commission, compliance with the debt reduction benchmark is not warranted under the current exceptional economic conditions. As announced, the Commission did not propose to open new excessive deficit procedures in spring 2022 and it will reassess the relevance of proposing to open excessive deficit procedures in autumn 2022.

(13) On 20 July 2020, the Council recommended Finland to take in 2020 and 2021 all necessary measures, in line with the general escape clause, to effectively address the pandemic, sustain the economy and support the ensuing recovery. It also recommended Finland to pursue, when economic conditions allow, fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt

[11] SWD(2022) 611 final.

sustainability, while enhancing investment. In 2021, based on data validated by Eurostat, Finland's general government deficit fell from 5.5% of GDP in 2020 to 2.6% in 2021. The fiscal policy response by Finland supported the economic recovery in 2021, while temporary emergency support measures declined from 2.8% of GDP in 2020 to 1.7% in 2021. The measures taken by Finland in 2021 have been in line with the Council Recommendation of 20 July 2020. The discretionary budgetary measures adopted by the government in 2020 and 2021 were temporary or matched by offsetting measures. Based on data validated by Eurostat, general government debt stood at 65.8% of GDP in 2021.

(14) The macroeconomic scenario underpinning the budgetary projections in the 2022 Stability Programme is realistic. The government projects real GDP to grow by 1.5% in 2022 and 1.7% in 2023. By comparison, the Commission's 2022 spring forecast projects a slightly higher real GDP growth of 1.6% in 2022 and 1.7% in 2023. In its 2022 Stability Programme, the Government expects that the headline deficit will decrease to 2.2% of GDP in 2022 and to 1.7% in 2023. The decrease in 2022 mainly reflects the strong growth in economic activity and the unwinding of most emergency measures. According to the Programme, the general government debt-to-GDP ratio is expected to increase to 66.2% in 2022 and to 66.9% in 2023. Based on policy measures known at the cut-off date of the forecast, the Commission 2022 spring forecast projects a government deficit for 2022 and 2023 of 2.2% of GDP and 1.7% respectively. This is in line with the deficit projected in the 2022 Stability Programme. The Commission 2022 spring forecast projects a similar general government debt-to-GDP ratio, of 65.9% in 2022 and 66.6% in 2023.

Based on the Commission spring 2022 forecast, the medium-term (10-year average) potential output growth is estimated at 1.2%. However, this estimate does not include the impact of the reforms that are part of the Recovery and Resilience Plan and can boost Finland's potential growth.

(15) In 2022, the government phased out the majority of measures taken in response to the COVID-19 crisis, such that the temporary emergency support measures are projected to decline from 1.7% of GDP in 2021 to 0.2% in 2022. The government deficit is impacted by the measures adopted to counter the economic and social impact of the increase in energy prices, which in the Commission spring 2022 forecast are estimated at 0.1% of GDP in 2022 and 0.0% of GDP in 2023.[12] These measures mainly consist of temporary tax measures (e.g. deduction for travel expenses). These measures have been announced as temporary. However, in case energy prices remain elevated also in 2023, some of these measures could be continued. The government deficit is also impacted by the costs to offer temporary protection to displaced persons from Ukraine, which in the Commission 2022 spring forecast are projected at 0.1% of GDP in 2022 and 0.2% in 2023[13], as well as the increased cost of defence expenditure by 0.3% of GDP in 2022 and 0.1% of GDP in 2023.

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12 The figures represent the level of annual budgetary costs of those measures taken since autumn 2021, including current revenue and expenditure as well as – where relevant – capital expenditure measures.

13 The total number of displaced persons from Ukraine to the EU is assumed to gradually reach 6 million by the end of 2022, and their geographical distribution is estimated based on the size of the existing diaspora, the relative population of the receiving Member State, and the actual distribution of displaced persons from Ukraine across the EU as of March 2022. For budgetary costs per person, estimates are based on the Euromod microsimulation model of the Commission's Joint Research Centre, taking into

(16) On 18 June 2021, the Council recommended that in 2022 Finland[14] maintains a supportive fiscal stance, including from the impulse provided by the Recovery and Resilience Facility, and preserves nationally-financed investment. It also recommended Finland to pursue, when economic conditions allow, a fiscal policy aimed at achieving prudent medium-term fiscal positions and ensuring fiscal sustainability in the medium term, and at the same time, to enhance investment to boost growth potential.

(17) In 2022, based on the Commission's 2022 spring forecast and including the information incorporated in Finland's 2022 Stability Programme, the fiscal stance is projected to be supportive at -0.6% of GDP.[15] Finland plans to provide continued support to the recovery by making use of the Recovery and Resilience Facility to finance additional investment as recommended by the Council. The positive contribution to economic activity of expenditure financed by Recovery and Resilience Facility grants and other EU funds is projected to increase by 0.2 percentage points of GDP compared to 2021. Nationally-financed investment is projected to provide an expansionary contribution to the fiscal stance of 0.2 percentage points in 2022.[16] Therefore, Finland plans to preserve nationally financed investment, as recommended by the Council. At the same time, the growth in nationally-financed primary current expenditure (net of new revenue measures) in 2022 is projected to provide a broadly neutral contribution of 0.1 percentage points to the overall fiscal stance. This includes the additional impact of the measures to address the economic and social impact of the increase in energy prices (0.1% of GDP) as well as the costs to offer temporary protection to displaced persons from Ukraine (0.1% of GDP).

(18) In 2023, the fiscal stance is projected in the Commission 2022 spring forecast at 0.3% of GDP on a no-policy change assumption.[17] Finland is projected to continue using the grants from the Recovery and Resilience Facility in 2023 to finance additional investment in support of the recovery. The positive contribution to economic activity of expenditure financed by Recovery and Resilience Facility grants and other EU funds is projected to increase by 0.2 percentage points of GDP compared to 2022. Nationally-financed investment is projected to provide an expansionary contribution to the fiscal stance of 0.1 percentage points in 2023.[18] At the same time, the growth in nationally-financed primary current expenditure (net of new revenue measures) in 2023 is projected to provide a contractionary contribution of 0.4 percentage points to the overall fiscal stance. This includes the impact from the phasing out of the measures addressing the increased energy prices (0.1% of GDP) and additional costs to offer temporary protection to displaced persons from Ukraine (0.1% of GDP).

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account both cash transfers people may be eligible for as well as in-kind benefits such as education and healthcare.

14 Council Recommendation of 18 June 2021 delivering a Council opinion on the 2021 Stability Programme of Finland, OJ C 304, 29.7.2021, p. 126.

15 A negative (positive) sign of the indicator corresponds to an excess (shortfall) of primary expenditure growth compared with medium-term economic growth, indicating an expansionary (contractionary) fiscal policy.

16 Other nationally-financed capital expenditure is projected to provide an expansionary contribution of 0.3 percentage points of GDP.

17 A negative (positive) sign of the indicator corresponds to an excess (shortfall) of primary expenditure growth compared with medium-term economic growth, indicating an expansionary (contractionary) fiscal policy.

18 Other nationally-financed capital expenditure is projected to provide a contractionary contribution of 0.2 percentage points of GDP.

(19) In the 2022 Stability Programme, the general government deficit is expected to gradually decline to 1.4% in 2024 and to 1.8% by 2025. Therefore, the general government deficit is planned to remain below 3% of GDP over the programme horizon. According to the Programme, the general government debt-to-GDP ratio is expected to increase by 2025, specifically with an increase to 68.0% in 2024, and a rise to 69.1% in 2025. Based on the Commission's analysis, debt sustainability risks appear medium over the medium term.

(20) Finland's social security system provides ample coverage and effective protection against poverty, but it is also characterised by high complexity and some inherent inefficiencies. In particular, this concerns combining work income and social benefits and tackling long-term unemployment. A comprehensive reform of social security will be key to streamline the system, increase incentives to work while preserving social protection, and raise the employment rate, in line with the government's long-term objectives. It should increase government revenues from income taxes and enhance efficiency of social protection spending, thus supporting the sustainability of public finances. In 2020, a dedicated parliamentary committee was tasked with designing the reform by 2027. In January 2022, the committee published the results of its problem-mapping work and the next stage consists in developing possible solutions to the identified problems and proposing alternative ways of organising social security. Adopting a government roadmap for the social security reform, based on the committee's work, should foster the progress in the preparation of the reform and pave the way for its implementation.

(21) In accordance with Article 19(3), point (b), and Annex V, criterion 2.2, to 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 help address all or a significant subset of the economic and social challenges outlined in the country-specific recommendations addressed to Finland by the Council in the European Semester in 2019 and 2020, in addition to any country-specific recommendations issued up to the date of adoption of a plan. In particular, the plan comprises updating the Climate Change Act and the ongoing continuous learning and social and healthcare reforms. It also includes measures to boost employment, as well as measures to reinforce anti-money laundering and to support the establishment of a positive credit registry.

(22) The implementation of the recovery and resilience plan of Finland is expected to contribute to making further progress on the green and digital transition. Measures supporting the climate objectives in Finland account for 50.1% of the plan's total allocation, while measures supporting digital objectives account for 27.5% of the plan's total allocation. The fully-fledged implementation of the recovery and resilience plan, in line with the relevant milestones and targets, will help Finland swiftly recover from the fallout of the COVID-19 crisis, while strengthening its resilience. The systematic involvement of social partners and other relevant stakeholders remains important for the successful implementation of the recovery and resilience plan, as well as other economic and employment policies going beyond the plan, to ensure broad ownership of the overall policy agenda.

(23) The Commission approved the cohesion policy programming documents[19] for Finland, except for the Just Transition Fund and the cohesion policy programme for the Åland Islands, on 5 May 2022. The Åland Islands have submitted the cohesion policy programme on 4 April 2022. In line with Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021, Finland has taken into account the relevant country-specific recommendations in the programming of the 2021-2027 cohesion policy funds. This is a prerequisite for improving the effectiveness and maximising the added value of the financial support to be received from cohesion policy funds, while promoting the coordination, complementarity and coherence between these funds and other Union instruments and funds. The successful implementation of the Recovery and Resilience Facility and cohesion policy programmes also depends on the removal of bottlenecks to investment to support the green and digital transition and balanced territorial development.

(24) In response to the mandate by the EU Heads of State or Government set out in the Versailles Declaration, the REPowerEU plan aims to phase out the European Union's dependence on fossil fuel imports from Russia as soon as possible. For this purpose, the most suitable projects, investments and reforms at national, regional and EU level are being identified in dialogue with the Member States. These measures aim to reduce overall reliance on fossil fuels and shift fossil fuel imports away from Russia.

(25) While the Finnish economy is one of the most energy-intensive in the EU, Finland set the objective to become carbon-neutral and the first fossil-free welfare society by 2035. Energy, industry, transport and buildings are the main sectors that will need to contribute to major reductions in greenhouse gas emissions. Challenges to achieve this objective include a significant private and public investment gap as well as delays for renewable energy investments caused by a backlog of environmental permits in need of processing. According to 2020 data, Finland is highly dependent on Russia for its imports of gas (67% vs 44% in the EU), oil (84% vs 26% in the EU) and coal (55% vs 54% in the EU).[20] However, the Finnish economy only has a limited dependency on gas imports (which accounted for 6.9% of the energy mix in 2020), and imports of all three resources can be substituted to a large extent by other fuels or imports from other countries. Finland has contingency measures in place to ensure that sectors dependent on these fuels can continue operating in case of supply disturbances and is taking action to diversify its energy imports away from Russia. Finland uses minimal amounts of gas for heating homes, while power plants can generally replace their use of gas with other fuels. Finland does not have access to domestic gas storage facilities, but the Balticconnector bi-directional gas pipeline became operational in 2020 and the country expects to complete its third LNG terminal during the second half of this year. Together with two already existing LNG terminals and potential future projects, total gas import capacity is soon expected to cover a significant share of Finnish gas import needs. New infrastructure and network investments related to gas are recommended to

[19] Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021 laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime, Fisheries and Aquaculture Fund and financial rules for those and for the Asylum, Migration and Integration Fund, the Internal Security Fund and the Instrument for Financial Support for Border Management and Visa Policy. OJ L 231, 30.6.2021, p. 159.

[20] Eurostat (2020), share of Russian imports over total imports of natural gas, crude oil and hard coal. For the EU27 average, the total imports are based on extra-EU27 imports. For Finland, total imports include intra-EU trade. Crude oil does not include refined oil products.

be future-proof where possible, in order to facilitate their long-term sustainability through future repurposing for sustainable fuels. Approximately a third of Finland's energy mix still consists of oil and coal, although Finland is also diversifying its imports of oil and coal away from Russia. Nuclear power represented 17% in the energy mix in 2020, with Russia being an important source of nuclear fuel. Finland's electricity interconnection rate is currently 29%, but this is expected to increase in the medium term. Finland's national transmission of electricity could be strengthened. Overall, while Finland is moving away from its limited dependency on fossil fuel imports from Russia, the current circumstances demand speeding up and increasing investment in decarbonisation and ensuring energy efficiency and security of supply. This includes further streamlining permitting procedures to clear the backlog of pending energy projects and to facilitate additional priority investments. Further increase in ambition for reducing greenhouse gas emissions and increasing renewables and energy efficiency will be needed for Finland to be in line with the 'Fit for 55' objectives.

(26) While the acceleration of the transition towards carbon neutrality and away from fossil fuels will create significant restructuring costs in several sectors, Finland can make use of the Just Transition Mechanism in the context of cohesion policy to alleviate the socio-economic impact of the transition in the most affected regions. In addition, Finland can make use of the European Social Fund Plus to improve employment opportunities and strengthen social cohesion.

(27) In the light of the Commission's assessment, the Council has examined the 2022 Stability Programme and its opinion[21] is reflected in recommendation (1) below.

(28) 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, 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, this is reflected in particular in recommendations (1) and (2) below.

HEREBY RECOMMENDS that Finland take action in 2022 and 2023 to:

1. In 2023, ensure that the growth of nationally-financed current expenditure is in line with an overall neutral policy stance, taking into account continued temporary and targeted support to households and firms most vulnerable to energy price hikes and to people fleeing Ukraine. Stand ready to adjust current spending to the evolving situation. Expand public investment for the green and digital transition and for energy security, including by making use of the RRF, RePowerEU and other EU funds. For the period beyond 2023, pursue a fiscal policy aimed at achieving prudent medium-term fiscal positions. Present policy proposals for the social security reform, aiming to increase the efficiency of the system of social benefits, improving incentives to work, and also supporting long-term sustainability of public finances.

2. Proceed with the implementation of its recovery and resilience plan, in line with the milestones and targets included in the Council Implementing Decision of 29 October 2021. Proceed with the implementation of the agreed 2021-2027 cohesion policy programme for Finland, and swiftly finalise the negotiations with the Commission of the 2021-2027 cohesion policy programming documents for the

[21] Under Article 5(2) of Council Regulation (EC) No 1466/97.

Åland Islands and the Just Transition Fund with a view to starting their implementation.

3. Reduce overall reliance on and diversify imports of fossil fuels by accelerating the deployment of renewables, including by further streamlining permitting procedures, and boost investment in the decarbonisation of industry and electrification transport. Develop energy infrastructure to increase security of supply.

Done at Brussels,

For the Council
The President