



VALTIOVARAINMINISTERIÖ

# How does the Finnish Government integrate the SDGs into the budget process?

Annika Lindblom

Secretary General, National Commission on Sustainable Development,  
Prime Minister's Office



# Government Implementation Plan for 2030 Agenda

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## FOCUS AREAS

Sustainable  
economy



Carbon-neutral and resource-wise Finland

Non-discriminating, equal and competent Finland

## POLICY PRINCIPLES

Long-term action and  
transformation

Policy coherence and  
global partnership

Ownership and  
Participation

## FOLLOW-UP AND REVIEW



# Process was the key to success:

## Strong ownership and participatory approach

- After HLPF2017 a call by the Finance Minister for better integration of sustainable development into the state budget
- Ministries contributing to the 2018 state budget already in autumn 2017; quick pilot
- In autumn 2018, a workshop was organised together with officials, stakeholders including civil society organisations: how to implement a more comprehensive consideration of sustainable development in the 2019 state budget
- On the basis of the workshop the Ministry of Finance, together with other Ministries, launched a process to integrate Agenda2030 into the 2019 state budget



# How sustainable development features in the 2019 budget proposal



1. In the justifications for the **main expenditure titles**, the connections between the appropriations and sustainable development are brought out more clearly. The main title justifications cover **both of Finland's priority areas** (a carbon-neutral and resource-wise Finland, and a non-discriminating, equal and highly skilled Finland)
2. A new element in the 2019 budget proposal is a whole **new separate chapter in the general strategy and outlook** of the budget proposal, focusing especially on the priority area of a carbon-neutral and resource-wise Finland in the budget.
3. Also the separate, popularized **Budget Review publication** emphasises sustainable development issues as one main topic

# Carbon-neutral and resource-wise Finland

## Appropriations



- The goals of the carbon-neutral and resource-wise Finland focus area will be promoted with a total of approximately **EUR 1.7 billion in the 2019 budget proposal.**
- This represents a decrease of approximately EUR 95 million from the amount budgeted for corresponding measures in the actual 2018 budget
- The largest package of measures is associated with the implementation of the **energy and climate strategy**, biggest amount going to production subsidy for renewable energy.
- The other big appropriation is proposed to sustainable **bioeconomy and cleantech solutions**, large part allocated to greening of agriculture and the environmental compensation scheme.

# Carbon-neutral and resource-wise Finland

## Taxes



- examines taxes, that are significant for achieving a carbon-neutral and resource-wise Finland.
- These include, in particular, **energy taxes, motor vehicle tax, car tax, excise duty on certain beverage packages and waste tax.**
  - Although these may be considered to be taxes in accordance with sustainable development objectives, they may also include individual tax structures that are both in accordance with and contrary to the objectives.

# Carbon-neutral and resource-wise Finland

## Environmentally harmful subsidies



- The environmentally harmful subsidies in the 2019 budget proposal are estimated, based on previous studies, to amount to approximately **EUR 3.5 billion**.
- Environmentally harmful subsidies are mainly directed at three sectors: **energy** (just over EUR 1 billion), **transport** (EUR 1.4 billion) and **agriculture** (just over EUR 1 billion).
- The largest tax subsidies are in the field of **energy taxation**, namely the lower than normal tax rates for many unsustainable energy sources like diesel and peat
- The largest single environmental harmful subsidy in the 2019 budget proposal consists of the **lower electricity tax rate for industry and greenhouses**.



# Lessons learned from the Finnish experience

- Political leadership and commitment crucial
- Ownership, initiative and coordination of the Finance Ministry key to success
- Budget directors in each Ministry need SDG capacity building and need to be included closely to the process
- Engaging the stakeholders and civil society organization enable a whole-of-society approach to budgeting and increases legitimacy
- Pragmatic approach: don't seek the master piece at once
- Funding need to be part of the governance cycle: planning > resourcing > implementing > reporting to the Parliament > identifying financial gaps >
- Phenomenon-based budgeting to be piloted in areas like prevention of youth segregation, sustainable urban development, prosperity investments

