



VALTIOVARAINMINISTERIÖ

# Sustainable development and the budget

Finance Ministers Coalition for Climate Action

Sherpa Meeting, Helsinki

(Feb 21-22, 2019)

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# Background

- The global 2030 Agenda for Sustainable Development sets common goals for sustainable development for all UN member states.
- Finland's Government report on the global 2030 Agenda for Sustainable Development was submitted to Parliament on 2 February 2017.
- The Government's national implementation of the 2030 Agenda is based on two focus areas: A carbon-neutral and resource-wise Finland and A non-discriminating, equal and competent Finland.
- The Government report is a key background document in our sustainable development budgeting.



# Sustainable development in the Finnish Budget

- Initiated by the Finance Minister, a text on sustainable development was included in each main expenditure title in the 2018 budget proposal.
- These texts are maintained in the 2019 budget proposal, covering all ministries and both focus areas of the government report.
- A new element in the 2019 budget proposal: 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.
- This chapter includes information on appropriations, taxes and environmentally harmful subsidies.



## Sustainable development, chapter 6 in the general strategy and outlook section of the budget – the appropriations



- Contains an overview of the appropriations relevant to the priority area of a carbon-neutral and resource-wise Finland.
- The identified appropriations will promote, among other things, biodiversity and the wellbeing of the environment and nature, reduce emissions, advance bioeconomy solutions, and develop Finland towards a low-carbon society.
- The appropriations are allocated, in particular, to the administrative branches of the Ministry of Economic Affairs and Employment, the Ministry of Agriculture and Forestry, the Ministry of Transport and Communications, the Ministry of the Environment and the Ministry for Foreign Affairs.

# Sustainable development, chapter 6 in the general strategy and outlook section of the budget – the appropriations

## Carbon neutral and resource-wise Finland – key actions

	2018 budget EUR million	2019 budget EUR million
1.1 Launch the implementation of the energy and climate strategy and 1.2 Prepare and implement a plan for medium-term climate policy	626,2	458,7
1.3 Create sustainable bioeconomy and cleantech solutions	728,1	702,6
1.4 Follow the road map to the circular economy alongside implementing organisations	2,0	2,5
1.5 Accelerate public procurement in central and local government	4,0	4,0
1.6 Support sustainable innovations	199,5	200,7
1.9 Promote carbon-neutrality and wise use of resources globally	228,1	296,6
<b>Total</b>	<b>1 787,9</b>	<b>1 665,1</b>

# Sustainable development, chapter 6 in the general strategy and outlook section of the budget – taxes



- Chapter 6 in the budget proposal examines taxes, that are significant in terms of the goal of a carbon-neutral and resource-wise Finland.
- These include, in particular, energy taxes, motor vehicle tax, car tax, excise duty on certain beverage packagings 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.
- Special focus on a number of changes in taxes.

# Carbon-neutral and resource-wise Finland

## Environmentally harmful subsidies



- The tax system, in particular, includes environmentally harmful subsidies. They are also present, however, among the appropriations. The harmful subsidies contained in the budget proposal and discussed in the section are based on previous studies.
- The largest tax subsidies are in the field of energy taxation, namely the lower than normal tax rate for diesel, which is adjusted by the motor vehicle motive force tax; the lower than normal tax rate for off-road work machines; the lower tax rate for peat; the lower electricity tax rate for industry and greenhouses; the tax refund for energy-intensive companies; and the energy tax refund for agriculture.
- In the appropriations, compensation for indirect costs of emissions trading and certain agricultural subsidies, for example, can be classified as 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).

# Lessons learnt

- Political support is vital.
- Cooperation among ministries as well as with relevant NGOs increases awareness and enhances commitment to process.
- Finding a balance between administrative burden and added value.
- For Finland, a pragmatic approach is important but everyone needs to find their own model.
- Our step by step approach has meant that the administrative burden is controllable but it will take more time to see the results and actual influence on political decision making.
- However, we can already conclude that this process has increased awareness and transparency regarding the link between budget and sustainability issues.

