

Fiscal challenges and adjustment needs: can Finland learn from other EU Member States?

Presentation for the Finnish Parliamentary Working Group on Fiscal Policy on 3 December 2025

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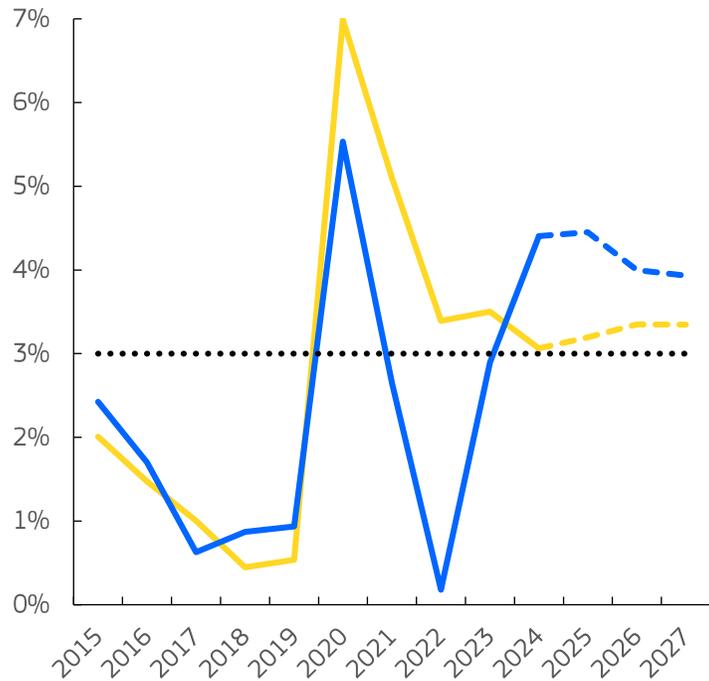
Some insights from

- 2024 European Commission study of past fiscal consolidations in the EU since 2000
- The **sustained** success of Member States that experienced Financial Assistance programmes
- Recent reforms supports by the Recovery and Resilience Facility (RRF)

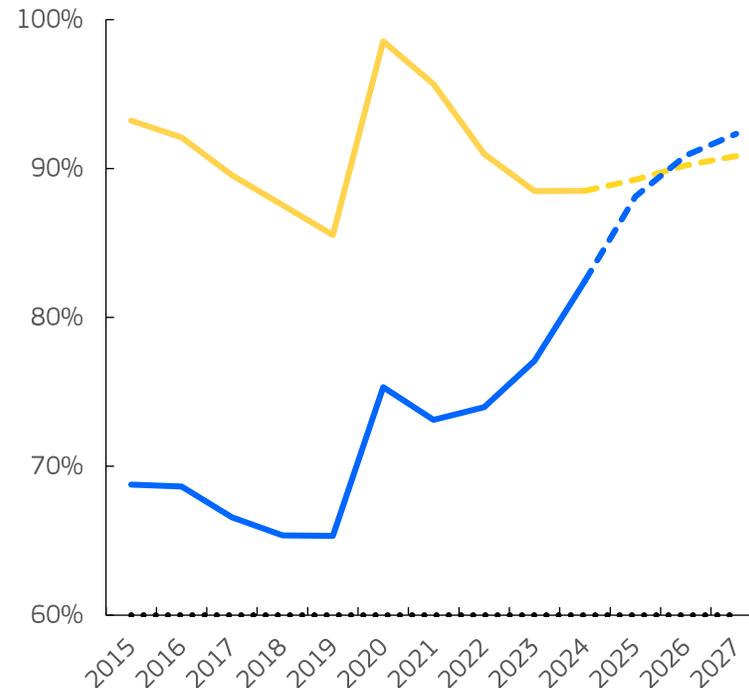


Worsening fiscal developments in FI compared to euro area

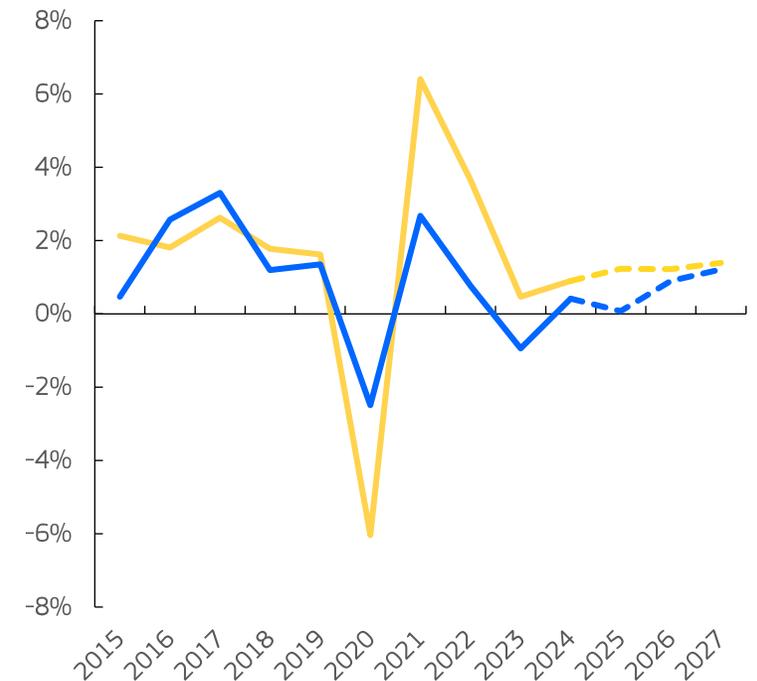
Government deficit



Government debt



Annual Real GDP growth



— Euro area (avg. EA20) — Finland



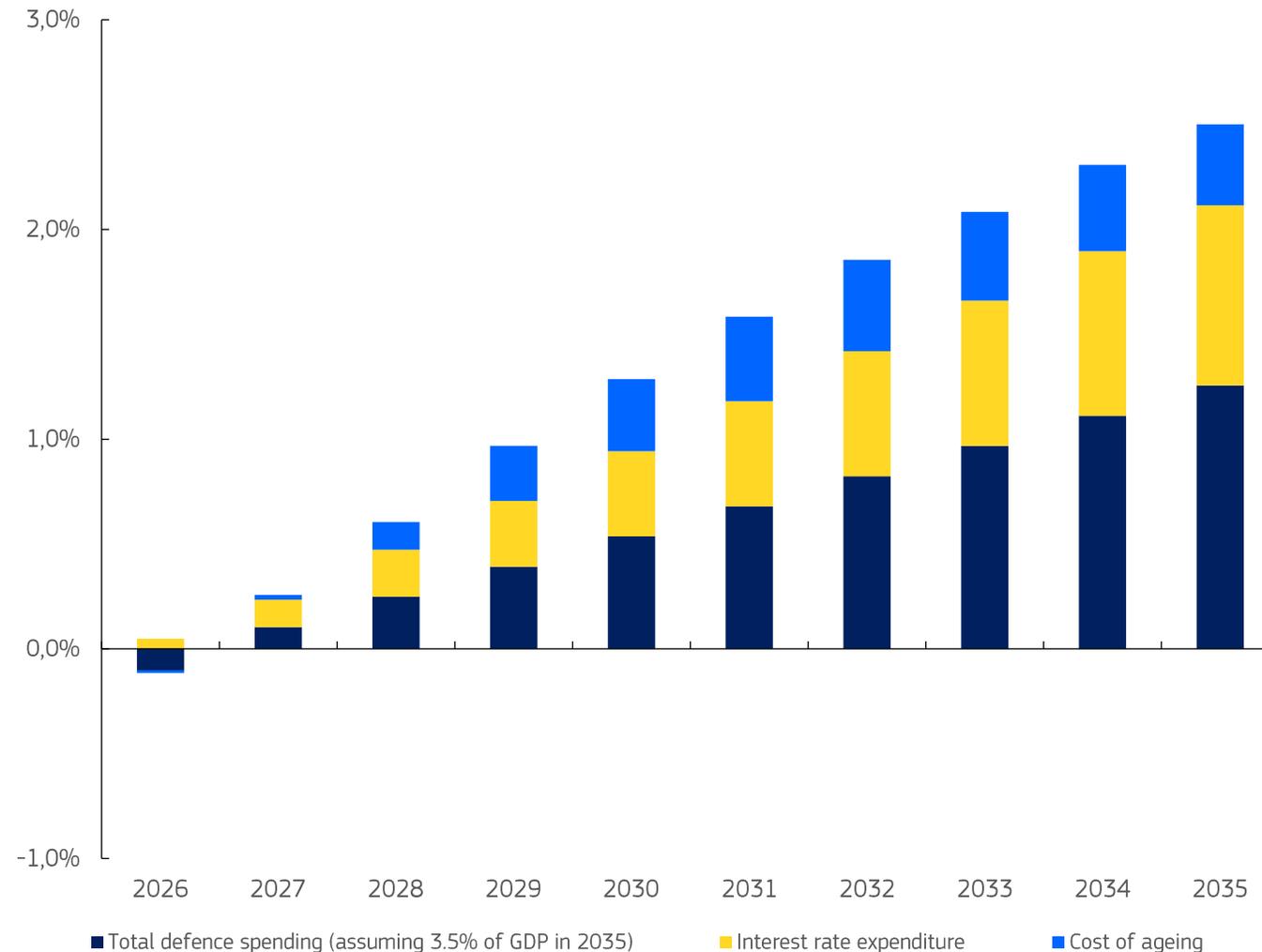
An Excessive Deficit Position (EDP)

General government balance, % of GDP

	Outturn	Autumn notification	European Commission Autumn 2025 Forecast			EDP conclusion
	2024	2025	2025 <i>(and 2025 w/o increase in defence expenditure)</i>	2026	2027	
Germany	-2.7%	-3.3%	-3.1% (-2.6%)	-4.0%	-3.8%	<u>Not warranted</u>
Finland	-4.4%	-4.3%	-4.5% (-3.4%)	-4.0%	-3.9%	Warranted

Deficit(s) above 3% of GDP triggering the report marked in *red*.

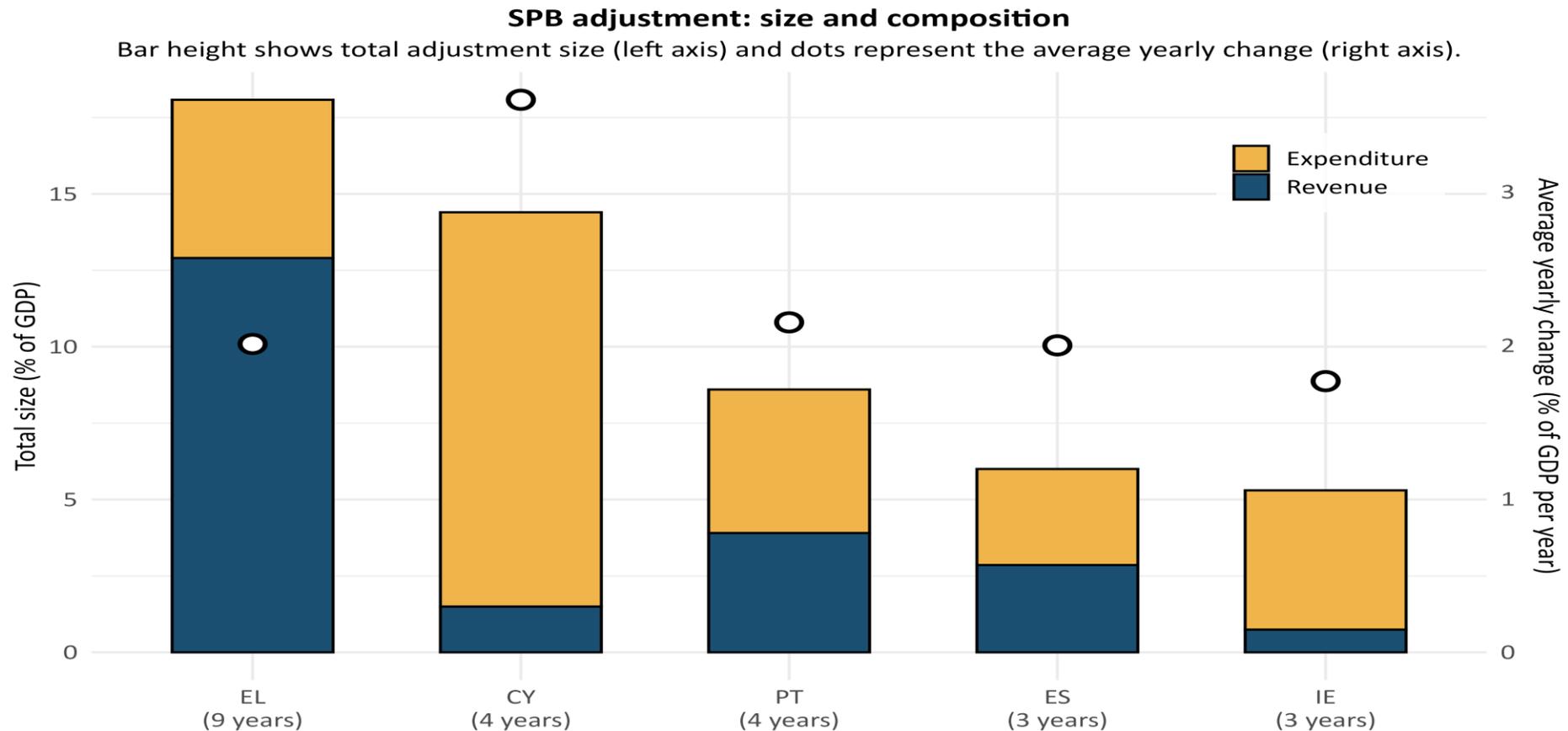
Spending pressures will add to fiscal adjustment needs: expected increase as of 2025 (% GDP)



Source: Commission services



Successful consolidations over the past decade



Source: AMECO

Member States with large fiscal adjustment after 2010

Source: Commission Autumn 2025 Forecast



Critical success factors from past consolidations

- Recognition of challenge, broad ownership and clear communication
- Appropriate composition of between revenues and expenditures
- Frontloaded adoption - phased implementation
- Quality matters! Making tax and revenue measures more growth friendly
- Long-term and distributional impacts catered for
- Combine with growth-enhancing reforms, e.g labour markets, business environment
- Don't overestimate short-term or underestimate long-term impacts of improvements to public sector, e.g. tax administration, SOE governance



Some EU policy guidance to consider

2025 Country Specific Recommendations (fiscal-structural):

- 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.

Medium-term fiscal-structural plan:

- Adjustments to the functions and procedures of the established **wellbeing services counties**
- Comprehensive reform of **social assistance**
- Introduction of **general security benefit**



Examples from other Member States: spending reviews

Improved scope and frequency	Clearer results and links with budgets	Improved governance and alignment with other strategies
<ul style="list-style-type: none"> • More comprehensive (EE, LT) • New pilot studies (CZ, PL) • More frequent reviews (FI, FR) 	<ul style="list-style-type: none"> • Clearer targets up front (HU, IT) • Identifiable savings results (LV, SK) • Results feeding into budgets (DK, FR, PT) <ul style="list-style-type: none"> ❖ BE: at least <u>0,1% of GDP by 2026</u> and at least <u>0,3% of GDP by 2029</u> ❖ ES: at least <u>0,1% of GDP by 2028</u> ❖ FR: <u>EUR 8bn by 2027</u> (savings from expenditure reviews AS WELL AS rationalisation/reduction in tax and social expenditures) 	<ul style="list-style-type: none"> • Dedicated units / task forces (DK, ES, SK) • Legal basis (FR, IT, PT, RO) • Transparency, e.g. evaluation, publication, monitoring (AT, ES, FR) • More alignment with other budgetary strategies (AT, EE)

Thank you



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