



## Finland: a pioneer in sustainable development budgeting

With its population of 5.5 million and internationally-recognised education system,<sup>1</sup> Finland ranks in the top 20 for its standard of living (with per capita GDP of €39,065 in 2016) and was elected the “happiest country in the world” in the World Happiness Report 2018.<sup>2</sup> It enjoyed steady economic growth from 2001 to 2008, thanks to Nokia’s excellent economic performance. The Finnish economy was hit hard by the downturn in international trade. It began its recovery in 2015,<sup>3</sup> and growth in 2018 is expected in a range of 2.5-2.9%.<sup>4</sup>

Very early on, Finland understood the importance of preserving its natural resources and “placed climate change mitigation and green growth at the top of its priorities”.<sup>5</sup> In 1993, it set up a Commission on Sustainable Development,<sup>6</sup> led by the Prime Minister. In 2002, a national assessment of sustainable development was conducted. In June 2005, the “Kultu” programme was launched to foster sustainable consumption and production.<sup>7</sup> Various measures were implemented to encourage energy efficiency: higher energy taxes than the OECD average, pro-renewable energy measures, biofuel development, and research and innovation incentives for clean technologies. Lastly, Finland has become one of the first countries to integrate sustainable development into its budgeting.

### An initiative driven by the UN’s 2030 Agenda “Transforming our world”

In September 2015, an historic UN summit adopted the 17 Sustainable Development Goals (SDGs) for 2030. The SDGs answer the challenges facing our planet, including those related to poverty, inequality, the climate, environmental damage, as well as prosperity, peace and justice. Budget transparency and accountability have a key role in achieving these goals,<sup>8</sup> even though close monitoring of environmental expenditure is a complex task.<sup>9</sup> Paragraph 45 of the 2030 Agenda refers to the role of budgets in implementing the SDGs.

In 2017, Finland became one of the first countries to adopt a national plan for implementing the 2030 Agenda, with the main goals of being carbon neutral by 2045 and managing natural resources wisely. This plan was drafted in collaboration with all government ministries, along with civil society, the private sector and academia. The Finnish National Commission on Sustainable Development was created to ensure that all stakeholders would be

<sup>1</sup> <http://blogs.worldbank.org/education/finland-s-education-system-journey-success>

<sup>2</sup> [https://www.huffingtonpost.fr/2018/03/17/la-finlande-elue-pays-le-plus-heureux-pourquoi-les-pays-nordiques-nous-dament-toujours-le-pion\\_a\\_23387794/](https://www.huffingtonpost.fr/2018/03/17/la-finlande-elue-pays-le-plus-heureux-pourquoi-les-pays-nordiques-nous-dament-toujours-le-pion_a_23387794/)

<sup>3</sup> <https://www.tresor.economie.gouv.fr/Pays/FI/indicateurs-et-conjoncture>

<sup>4</sup> <https://www.tresor.economie.gouv.fr/Articles/f127149c-b6bb-4ab0-904a-d0db187099cf/files/ded1471c-695a-4e57-8fdd-b17e10892b86>

<sup>5</sup> [http://www.oecd.org/fr/eco/etudes/Synth%C3%A8se\\_Finlande\\_2014.pdf](http://www.oecd.org/fr/eco/etudes/Synth%C3%A8se_Finlande_2014.pdf)

<sup>6</sup> Sustainable development is “development that meets the needs of the present without compromising the ability of future generations to meet their own needs”, according to Ms Gro Harlem Brundtland, the former Prime Minister of Norway (1987).

<sup>7</sup> <https://grandsorganismes.gouv.qc.ca/fileadmin/Fichiers/Veilles%20strat%c3%a9giques/D%c3%a9veloppement%20durable/DD%20Finlande.pdf>

<sup>8</sup> <https://www.internationalbudget.org/international-advocacy/sustainable-development/>

<sup>9</sup> <https://www.fels.upenn.edu/recap/posts/1449>

represented. More recently, this became a standing commission with a broader remit and monitoring system. In addition, the Prime Minister's Office assigned new staff resources to help implement the national plan.<sup>10</sup>

This plan includes measures to incorporate the SDGs into the budget forecasting and preparation process.<sup>11</sup>

## A budget serving sustainable development goals

The OECD promotes “green budgeting”, highlighting the expenditure that has a positive impact on climate change and directing tax policy choices to reduce the economy's carbon footprint.<sup>12</sup> In addition, incorporating the SDGs into the budgeting process has three major advantages: it makes policies more coherent, makes governments more accountable, and fosters comparisons between different countries.<sup>13</sup>

In November 2017, the Finnish Ministry of Finance, under the leadership of Minister Petteri Orpo, organised an initial seminar to launch a sustainable budget process. This event brought together more than a hundred experts and identified the first potential approaches for introducing the concept of sustainable development into the budget.<sup>14</sup>

The 2018 budget bill included a specific section for each ministry on how its policies took ecological measures into consideration.<sup>15</sup>

The SDGs are clearly visible in the 2019 budget bill. Several innovations have been included:

- Appropriations are clearly linked to national sustainable development goals (carbon neutrality and a sensible use of natural resources) and to the 2030 Agenda SDGs. This will be visible in the justification for spending titles.
- An analysis of these appropriations is included in the general strategy outlook section of the budget.
- Ecological goals are included in fiscal policy.
- The negative impact of certain budget measures is assessed.
- Examination of the budget will include a sustainable development dimension.<sup>16</sup>

Budget appropriations and their implications for tackling climate change, managing natural resources, supporting the circular economy, innovations in clean technologies and sustainable government contracts, as well as international environmental agreements, development cooperation and climate-related investments will be studied carefully. The initial and revised budgets for 2019 will also examine the main tax issues and will include a quality-based evaluation of public funding initiatives that harm the environment or run counter to sustainable development.<sup>17</sup>

This is only the beginning, and Finland will have to continue along this promising path, notably by challenging tax incentives in favour of fossil fuels and other activities that are not consistent with the SDGs.<sup>18</sup> Another possible way forward might be to adopt a universal budget classification system for the SDGs.<sup>19</sup>

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<sup>10</sup> <http://www.socialwatch.org/sites/default/files/2018-Finland-eng.pdf>

<sup>11</sup> <http://www.helsinkitimes.fi/columns/columns/15728-sustainable-development-is-everyone-s-business.html>

<sup>12</sup> <https://medium.com/@OECD/green-budgeting-2b6400edc224>

<sup>13</sup> <https://www.iddri.org/sites/default/files/PDF/Publications/Catalogue%20iddri/Etude/201807-ST0518-SDGs-budget-EN.pdf>

<sup>14</sup> [https://ym.fi/en/article/-/asset\\_publisher/suomi-toimii-edellakavijana-kestavan-kehityksen-budjetoinnissa](https://ym.fi/en/article/-/asset_publisher/suomi-toimii-edellakavijana-kestavan-kehityksen-budjetoinnissa)

<sup>15</sup> <https://www.iddri.org/sites/default/files/PDF/Publications/Catalogue%20iddri/Etude/201807-ST0518-SDGs-budget-EN.pdf>

<sup>16</sup> [https://valtioneuvosto.fi/en/article/-/asset\\_publisher/10623/kestavan-kehityksen-rahoitusta-voidaan-jatkossa-seurata](https://valtioneuvosto.fi/en/article/-/asset_publisher/10623/kestavan-kehityksen-rahoitusta-voidaan-jatkossa-seurata)

<sup>17</sup> <http://www.helsinkitimes.fi/columns/columns/15728-sustainable-development-is-everyone-s-business.html>

<sup>18</sup> <http://www.socialwatch.org/sites/default/files/2018-Finland-eng.pdf>

<sup>19</sup> <https://www.iddri.org/sites/default/files/PDF/Publications/Catalogue%20iddri/Etude/201807-ST0518-SDGs-budget-EN.pdf>