Council of the European Union

Brussels, 22 June 2026
(OR. en)

10198/26

ECOFIN 779
UEM 257
SOC 369
EMPL 196
COMPET 727
ENV 670
EDUC 251
ENER 369
JAI 785
GENDER 107
JEUN 149
SAN 447

NOTE

From:	General Secretariat of the Council
To:	Permanent Representatives Committee/Council
No. prev. doc.:	10143/26
Subject:	COUNCIL RECOMMENDATION on the economic, social, employment, structural and budgetary policies of Finland

Delegations will find attached the above-mentioned draft Council Recommendation, as revised and agreed by relevant Council committees, based on the Commission Proposal COM(2026) 226 final.

COUNCIL RECOMMENDATION

on the economic, social, employment, structural and budgetary policies of Finland

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 121(2) and Article 148(4) thereof,

Having regard to Regulation (EU) 2024/1263 of the European Parliament and of the Council of 29 April 2024 on the effective coordination of economic policies and on multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97[1], and in particular Article 3(3) 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,

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[1] Regulation (EU) 2024/1263 of the European Parliament and of the Council of 29 April 2024 on the effective coordination of economic policies and on multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97 (OJ L, 2024/1263, 30.4.2024, ELI: http://data.europa.eu/eli/reg/2024/1263/oj).

Whereas:

(1) Regulation (EU) 2024/1263 specifies the objectives of the economic governance framework, which aims at promoting sound and sustainable public finances, sustainable and inclusive growth and resilience through reforms and investments, as well as preventing excessive government deficits. The Regulation stipulates that the Council and the Commission conduct multilateral surveillance in the context of the European Semester in accordance with the objectives and requirements set out in the Treaty on the Functioning of the European Union (TFEU). The European Semester includes, in particular, the formulation and the surveillance of the implementation of country-specific recommendations.

(2) On 16 July 2025, the Commission adopted its proposal for a regulation establishing the European Fund for economic, social and territorial cohesion, agriculture and rural, fisheries and maritime, prosperity and security for the period 2028-2034 and amending Regulation (EU) 2023/955 and Regulation (EU, Euratom) 2024/2509. The proposal aims to increase the effectiveness of Union funding by reducing the fragmentation of the financial architecture and to support Member States in the coordination of their economic policy in line with Article 175 TFEU.

(3) On 25 November 2025, the Commission adopted an opinion on the 2025 draft budgetary plan of Finland. On the same date, on the basis of Regulation (EU) No 1176/2011, the Commission adopted the 2026 Alert Mechanism Report, in which it did not identify Finland as one of the Member States for which an in-depth review would be needed. The Commission also adopted a recommendation for a Council recommendation on the economic policy of the euro area, a recommendation for a Council recommendation on human capital in the European Union, and a proposal for the 2026 Joint Employment Report, which analyses the implementation of the Employment Guidelines and the principles of the European Pillar of Social Rights. The Council adopted the Recommendation on the economic policy of the euro area[2] on 21 April 2026 and the Joint Employment Report and the Recommendation on human capital on 9 March 2026.

(4) On 29 January 2025, the Commission published the Competitiveness Compass, a strategic framework that aims to boost the Union's global competitiveness over the next five years. It identifies the three transformational imperatives of innovation, decarbonisation and competitiveness, and security as critical pillars for sustainable economic growth The European Semester is aligned with the Competitiveness Compass, ensuring that Member States' economic policies are consistent with the Commission's strategic objectives, creating a unified approach to economic governance that fosters sustainable growth, innovation and resilience across the Union.

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[2] OJ C, C/2026/2434, 28.4.2026, ELI: http://data.europa.eu/eli/C/2026/2434/oj).

(5) In 2026, the European Semester for economic policy coordination continues to develop alongside the final stage of the Recovery and Resilience Facility (RRF) implementation[3]. Recovery and resilience plans (RRPs), along with cohesion policy funding, have been essential for delivering on the policy priorities under the European Semester, as the plans were required to effectively address all or a significant subset of challenges identified in the relevant country-specific recommendations issued in recent cycles, and programmes funded by the European cohesion policy were required to take country-specific recommendations into account. As the RRF approaches the end of its lifetime, it remains essential to sustain the reforms and investments supported and implemented under the RRF, in particular those that contribute to addressing challenges identified in the country-specific recommendations.

(6) On 3 June 2026, the Commission published the 2026 country report for Finland. It assessed Finland's progress in addressing the relevant country-specific recommendations and took stock of Finland's implementation of the RRP. On the basis of that analysis, the country report identified the most pressing challenges Finland is facing. It also assessed Finland's progress in implementing the European Pillar of Social Rights and in achieving the Union headline targets on employment, skills and poverty and social exclusion reduction, as well as progress in achieving the United Nations Sustainable Development Goals.

[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, ELI: http://data.europa.eu/eli/reg/2021/241/oj).

(7) On 20 January 2026, the Council adopted a Recommendation under Article 126(7) TFEU with a view to bringing an end to the situation of an excessive deficit in Finland[4]. The Council recommended the following maximum growth rates of net expenditure: 1.3% in 2026, 1.5% in 2027 and 1.8% in 2028, which correspond to the maximum cumulative growth rates calculated by reference to the base year of 2024 of 2.5% in 2026, 4.1% in 2027 and 5.9% in 2028. The corrective net expenditure path set out in that Recommendation supersedes the maximum growth rates of net expenditure for 2026 onwards established by the Recommendation of 21 January 2025 endorsing the medium-term fiscal-structural plan of Finland[5] [6]. However, the maximum growth rates of net expenditure set therein for the year 2025, which corresponded to 1.6% annually and 5.3% cumulatively by reference to the base year 2023, remain relevant to assess compliance until and including 2025. Based on the Commission's assessment on effective action of 3 June 2026[7], the excessive deficit procedure for Finland is held in abeyance.

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4 Council Recommendation of 8 July 2025 allowing Finland to deviate from the maximum growth rate of net expenditure as set by the Council under Regulation (EU) 2024/1263 (Activation of the national escape clause), (OJ C, C/2025/3966, 20.8.2025, ELI: http://eur-lex.europa.eu/eli/C/2025/3966/oj).

5 Council Recommendation of 21 January 2025 endorsing the national medium-term fiscal-structural plan of Finland (OJ C, C/2025/656, 10.2.2025, ELI: http://data.europa.eu/eli/C/2025/656/oj).

6 Point 2 and Annex II ("Set of reforms and investments that underpins an extension of the adjustment period to seven years") of the Recommendation of 21 January 2025 continue to apply.

7 Communication from the Commission to the European Parliament, the Council, the European Central Bank, the European Economic and Social Committee, the Committee of Regions and the European Investment Bank, 2026 European Semester – Spring Package, COM(2026) 200 final.

(8) Russia’s war of aggression against Ukraine and its repercussions constitute an existential challenge for the European Union. The Commission has invited Member States to request the activation of the national escape clause of the Stability and Growth Pact in a coordinated manner to support the EU efforts to achieve a rapid and significant increase in defence spending[8] and this proposal was welcomed by the European Council of 6 March 2025. Following the request of Finland, on 8 July 2025 the Council, upon a recommendation from the Commission, adopted a Recommendation allowing Finland to deviate from the recommended maximum growth rates of net expenditure[9]. The period when the national escape clause is activated (2025-2028) allows Finland to reprioritise government expenditure or increase government revenue so that lastingly higher defence expenditure would not endanger fiscal sustainability in the medium term.

(9) On 30 April 2026, Finland submitted its 2026 Annual Progress Report[10] on adherence to the recommended maximum growth rates of net expenditure, the implementation of the set of reforms and investments underpinning the extension of the adjustment period and the implementation of reforms and investments responding to the main challenges identified in the European Semester country-specific recommendations. The report on action taken under the excessive deficit procedure is integrated in the Annual Progress Report.

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8 Communication from the Commission, 'Accommodating increased defence expenditure within the Stability and Growth Pact’, Brussels, 19.3.2025, C(2025) 2000 final.

9 Council Recommendation of 8 July 2025 allowing Finland to deviate from the maximum growth rate of net expenditure as set by the Council under Regulation (EU) 2024/1263 (Activation of the national escape clause), (OJ C, C/2025/3966, 20.8.2025, ELI: http://eur-lex.europa.eu/eli/C/2025/3966/oj).

10 The 2026 Annual Progress Reports are available on: https://economy-finance.ec.europa.eu/economic-and-fiscal-governance/stability-and-growth-pact/preventive-arm/annual-progress-reports_en.

(10) Real GDP growth in 2025 was 0.2% and HICP inflation stood at 1.8%. The Commission Spring 2026 Forecast projects real GDP to grow by 0.8% in 2026 and 1.4% in 2027, and HICP inflation to stand at 2.4% in 2026 and 1.9% in 2027.

(11) Based on data provided by Eurostat[11], Finland's general government deficit decreased from 4.4% of GDP in 2024 to 3.4% of GDP in 2025. The decrease in the deficit in 2025 mainly reflects the impact of revenue-increasing measures such as the increase in the VAT rate implemented in late 2024 and modest expenditure growth. Based on policy measures known by the cut-off date of the forecast, the Commission Spring 2026 Forecast projects a deficit of 4.5% of GDP in 2026 and 4.6% of GDP in 2027. The increase in 2026 mainly reflects higher government investment related to the delivery of F53 fighter jets, partially postponed from 2025, and higher interest payments.

(12) Based on the Commission's estimates, the fiscal stance[12], which includes both nationally and EU financed expenditure, was contractionary, by 1.5% of GDP, in 2025. It is projected to be expansionary, by 0.7% of GDP, in 2026, and broadly neutral in 2027.

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[11] Eurostat-Euro Indicators, 22.04.2026.

[12] The fiscal stance is defined as a measure of the annual change in the underlying budgetary position of the general government. It aims to assess the economic impulse stemming from fiscal policies, both those that are nationally financed and those that are financed by the EU budget. The fiscal stance is measured as the difference between (i) the medium-term potential growth and (ii) the change in primary expenditure net of discretionary revenue measures and including expenditure financed by non-repayable support (grants) from the Recovery and Resilience Facility and other Union funds.

(13) Based on data provided by Eurostat[13], Finland's general government debt increased from 82.4% of GDP at the end of 2024 to 88.5% of GDP at the end of 2025. The increase in the debt ratio in 2025 mainly reflects a persistent government deficit and a large positive stock-flow adjustment, and a modest growth in nominal GDP. Based on policy measures known at the cut-off date of the forecast, the Commission Spring 2026 Forecast projects the debt-to-GDP ratio to increase to 91.2% by the end of 2026 and to further increase to 93.1% by the end of 2027. The increase in 2026 mainly reflects a higher government deficit, which is only partially offset by faster nominal GDP growth, while the stock-flow adjustment plays a marginal role.

(14) Based on the Eurostat data[14], total general government defence expenditure in Finland amounted to 1.7% of GDP in 2025, corresponding to an increase of 0.5 percentage points of GDP compared to the reference year 2021. According to the Commission Spring 2026 Forecast, it is projected at 2.6% of GDP in 2026, corresponding to an increase of 1.4 percentage points of GDP compared to 2021.

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[13] Eurostat-Euro Indicators, 22.04.2026.

[14] Eurostat, government expenditure by classification of functions of government (COFOG).

(15) The Union continues to face risks of energy supply disruptions and elevated price volatility, exacerbated by geopolitical tensions which affect global oil and gas markets. Experience from the 2022–2023 energy crisis has shown that broad and untargeted measures entail large fiscal costs and are socially and economically inefficient. Since the outbreak of the war in the Middle East in February 2026, Finland has not adopted new fiscal policy measures to mitigate the impact of high energy prices on households and firms[15].

(16) Based on the Commission's calculations, net expenditure in Finland fell by 0.7% in 2025 and increased by 2.6% cumulatively over 2024 and 2025. The net expenditure growth in 2025 is below the maximum growth rate recommended by the Council in January 2025. When considering 2024 and 2025 together, the cumulative growth rate of net expenditure is also below the recommended maximum growth rate.

(17) Based on the Commission's calculations, net expenditure in Finland is projected to grow by 4.1% in 2026, and 3.3% cumulatively over 2025 and 2026. The projected net expenditure growth in 2026 is above the maximum growth rate recommended by the Council in January 2026, corresponding to a deviation of 1.5% of GDP in annual terms. When considering 2025 and 2026 together, the projected cumulative growth rate of net expenditure is also above the recommended maximum growth rate, corresponding to a deviation of 0.5% of GDP in cumulative terms. However, the projected deviation is within the flexibility of the national escape clause based on current projections for defence spending.

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[15] This reflects the situation at the cut-off date of the Commission's Spring 2026 Forecast (4 May 2026).

(18) The recommendation endorsing the medium-term plan of Finland specifies the set of reforms and investments underpinning the extension of the adjustment period, together with a timeline for their implementation. Taking into account the information provided by Finland in its Annual Progress Report, the Commission finds that the implementation of the key steps of these reforms and investments that were due by 30 April 2026 seems to be broadly on track. As regards the correction of deficits of the wellbeing services counties, although expenditure growth has moderated, the accumulated deficits of some counties are considered too large to be corrected by the end of 2026 without jeopardising service provision. The government has therefore presented a proposal to extend the deadline to the end of 2029 for those regions with credible plans to address the deficit. The Commission considers that, overall, Finland has complied with its commitments in a satisfactory manner[16]. Finland faces persistent fiscal sustainability challenges. In 2025, the general government deficit reached 3.4% of GDP and government debt rose to 88.5% of GDP.

[16] Communication from the Commission to the European Parliament, the Council, the European Central Bank, the European Economic and Social Committee, the Committee of Regions and the European Investment Bank, 2026 European Semester – Spring Package, COM(2026) 200 final.

Although the government adopted sizeable consolidation measures in 2023 and 2024 and further measures are included in the 2026 budget, public debt is not expected to stabilise without additional interventions. Public expenditure, at 57.7% of GDP, remained the highest in the Union in 2024. Improving the efficiency of public spending is crucial to regain fiscal space, preserve room for necessary public investment and address expenditure pressures related to population ageing. Spending reviews can help identify avenues to increase the effectiveness of public expenditure. Annual targeted spending reviews are expected to be published for the first time in 2026, and a new comprehensive review is planned ahead of the 2027 elections. Finland would benefit from maintaining the practice of producing regular and detailed spending reviews with clear and actionable recommendations, and from systematically taking their results into account in the budget process. This is particularly relevant for the social protection system, where expenditure amounted to 26% of GDP in 2024, well above the Union average of 19% of GDP. Finland's social protection system is comprehensive but complex and could potentially disincentivise work. Since 2023, several reforms have been adopted to simplify and improve the efficiency of the system and strengthen work incentives, including the launch of the general social security benefit and the comprehensive reform of social assistance, both taking effect in 2026. While these two reforms are expected to improve efficiency and work incentives, their impact on fiscal sustainability is still uncertain. At the same time, the risk of poverty or social exclusion has increased, and impact assessments show that recent reforms appear to have affected vulnerable groups more than expected. Addressing the needs of vulnerable groups whilst improving spending efficiency deserves particular attention.

(19) The systematic, meaningful and timely involvement of local and regional authorities, social partners, civil society and other relevant stakeholders remains essential in order to ensure broad ownership for the successful implementation of the Union's funding instruments, as well as in the context of the European Semester.

(20) The implementation of cohesion policy programmes, which encompass support from the European Regional Development Fund (ERDF), the Just Transition Fund (JTF) and the European Social Fund Plus (ESF+) in Finland, is above EU average in terms of payments, although the project selection rate remains below EU average. It is important to keep current momentum and ensure the swift delivery of investments, while maximising the impact of investments on the ground. It is essential to ensure that the new investments identified by Finland in its mid-term review of the cohesion policy funds, notably those linked to the five priorities identified in the Mid-Term Review Regulation[17], are deployed rapidly and effectively. The geopolitical situation has also negatively affected Finland's socio-economic outlook, especially in its eastern border regions, and strengthening the regions' resilience and attractiveness would be important.

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[17] Regulation (EU) 2025/1914 of the European Parliament and of the Council of 18 September 2025 amending Regulations (EU) 2021/1058 and (EU) 2021/1056 as regards specific measures to address strategic challenges in the context of the mid-term review.

(21) Finland faces several challenges related to competitiveness, decarbonisation, employment, and the implementation of the reform of social and healthcare services.

(22) Finland is among the Union's strongest innovation performers, supported by a highly skilled population, a large pool of ICT specialists, widespread use of digital technologies by firms, strong international research collaboration, venture capital activity and a dynamic start-up ecosystem, notably in deep-tech. R&D expenditure has continued to increase towards the national target of 4% of GDP by 2030. However, this strong innovation performance has not translated into stronger productivity growth, which has remained weak since the decline of the electronics sector in the early 2010s. In order for innovation to contribute more effectively to growth, research results need to be commercialised and diffused more widely across the economy. Cooperation between businesses and academia is an important channel to commercialise innovation. In Finland, collaboration between innovation-active firms and universities and research institutions has declined over time, while business funding of higher education R&D has stagnated. SMEs in particular face difficulties in cooperating with universities and research organisations and in accessing relevant funding instruments. Support for innovation activities other than R&D has also weakened, which may hamper the market uptake of innovation. While additional funding for collaboration between companies and research organisations has increased, further stepping up joint industry-university projects would help strengthen knowledge transfer. Improving the commercialisation of innovation also requires stronger entrepreneurship skills and support for researchers. Although Finland has introduced entrepreneurship education at different levels, there is still no comprehensive strategy to strengthen researchers' entrepreneurial capabilities. Overall, while respecting the limited fiscal space, Finland would benefit from maintaining favourable conditions for the R&D ecosystems to thrive, also by ensuring strategic use of regional and local innovation strategies.

(23) Finland has a dynamic start-up ecosystem. While venture capital investment per GDP is above the EU average, scaling up remains a persistent challenge as domestic funds are often too small to lead or co-invest in later-stage funding rounds. Bank lending is broadly available, but this is not the right instrument to finance start-ups expansion. As a result, innovative firms – especially those in capital-intensive sectors – may struggle to secure growth financing and could relocate abroad or seek funding in foreign markets. Although access to finance is generally adequate and, among other measures, a recent strategy review of the state-owned investment company TESI has helped address gaps in large-scale funding, further action is needed to ensure sufficient capital flows to high-innovation firms. Broadening access to scale-up financing would support firm growth, innovation diffusion and job creation as well as boost aggregate productivity growth. These policies could usefully include: i) expanding retail investors participation in growth markets, such as by enhancing the attractiveness and flexibility of OST equity savings accounts to channel household savings towards high-growth companies; ii) streamlining cross-border investment procedures for investors; iii) introducing targeted tax incentives for investments in scale-ups and high-growth companies by reforming the tax treatment of venture capital; and iv) reforming the taxation of dividends from unlisted companies.

(24) Finland is a small, open economy that faces economic security challenges especially due to its reliance on global value chains. In terms of securing its critical economic flows, it is important for Finland to continue developing its capabilities to prevent, react and adjust to possible disruptions, including cyber and hybrid dimensions and critical infrastructure that are vital for the economy. A high share of enterprises in Finland has reported ICT security incidents with consequences. Furthermore, the series of incidents affecting subsea critical infrastructure in the Baltic Sea Region demonstrate the vulnerability of the critical infrastructure for carrying data, gas, and electricity. Finland would benefit from supporting strategic value chains and economic flows through measures such as the protection of critical infrastructure and upholding cutting-edge cybersecurity.

(25) Finland has legislated its 2035 target for carbon neutrality into law. Achieving the target requires accelerating progress on the reduction of net carbon emissions. Finland has acted decisively to reduce emissions from energy production, while major investment has taken place to speed up the decarbonisation of industry.

(26) Continued efforts towards the decarbonisation of industry are not only important to reduce emissions, but also as a source of competitiveness. Clean industrial development is at the core of Finland's future business model. Finland has the lowest electricity prices in the EU, which provides a significant advantage for industries that have already replaced the use of fossil fuels. This goes hand in hand with stepped-up investment in green technologies and the circular economy. While Finland is a frontrunner in the development of green technologies such as onshore wind power, sustainable energy systems, battery infrastructure and green hydrogen, further investment is needed to develop these technologies into marketable sectors supporting Finland's future economy. To reduce the dependence on imports of key materials and industrial inputs, Finland needs to improve its circular material use rate and resource productivity, which remain among the lowest in the EU. Ensuring the availability of green skills will be crucial to support the green transition in industry.

(27) The transport sector's role in achieving Finland's climate targets is crucial, given its significant potential for further emissions reductions. Following a sustained period of declining emissions the latest figures indicate a reversal of this trend, with emissions increasing in most recent years. Meeting Finland's 2030 targets for the decarbonisation of transport requires accelerating investment in areas including private vehicle electrification and zero-emission mobility, public transport connections to reduce car-dependency, and decarbonising long-haul transportation, as well as reforms to further incentivise this transition. Such measures can deliver a competitive advantage for Finland while supporting decarbonisation of the sector in a socially fair and inclusive way.

(28) Increased pressures on forest and emissions from drained peatlands contribute to the erosion of the carbon sink. Finland’s forests traditionally acted as a major carbon sink but recent developments have declined the sinks significantly. Measures have been proposed to increase forest growth and to strengthen the resilience of forests. However, these measures are limited in scope and are expected to take a long time to have an impact. Forest growth and resilience is needed to ensure that natural sinks are enhanced in the medium and long term in order to be compatible with the achievement of Finland's carbon-neutrality target. Besides harvesting, forest growth rates have also reduced as a result of forest age and climate-change related reasons including droughts and historically high temperatures. Moreover, the gap between planned net removals and Finland’s LULUCF target for 2030 is the second-largest projected shortfall among EU Member States however projections include large uncertainty. Improving the carbon sink requires strengthened sustainable land management practices and reinforced climate resilience investments. Decisive further action is needed to strengthen the carbon sink and to keep Finland’s carbon-neutrality target achievable.

(29) The unemployment rate increased to 9.7% in 2025, partly due to increased labour force participation, while the employment rate fell to 76.3%. The long-term unemployment rate rose to 2.4% in 2025, exceeding the EU average. The youth unemployment rate reached 21.8% in 2025, considerably above the EU average, with the percentage of young people neither in employment nor in education and training rising to 11.0%. Finland has introduced several measures to activate the labour force, including the reform of the social security system and the establishment of municipal employment areas. However, national statistics indicate that participation in active labour market policies has declined since 2022.[18] Municipalities face high costs from unemployment benefit payments as well as the provision of public employment services, with the demand for both being exceptionally high during the cyclical downturn. Efforts to improve the targeting of active labour market policies towards groups with higher need for services, such as the youth and long-term unemployed, would help to improve spending efficiency and better support transitions to work in the exceptional labour market situation.

(30) In light of the crucial role of human capital in enhancing the Union's competitiveness and strategic autonomy, in 2026 the Council recommended that Member States take action to urgently address human capital-related structural challenges in the areas of skills, education and training, which hamper competitiveness. The 2026 country-specific recommendations addressed to Finland can contribute to the implementation of the Council Recommendation on human capital in the Union.

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[18] The fall in the participation rate may be overestimated, as only statutory employment services are monitored and evaluated nationally. Municipalities also provide non-statutory services which are not monitored nationally.

(31) Strengthening the supply of skilled workers, including through formal education and adult upskilling and reskilling, would benefit Finland's productivity, competitiveness and economic growth. In 2025, the tertiary educational attainment rate in Finland fell to 38.2%, below the EU average of 44.8% and far behind the Finnish ambition of reaching 50% by 2030. At the same time, the unemployment rate for people with lower secondary education or less reached 22.9%, highlighting that skills shortages are a severe barrier to employment. Despite high enrolment rates in science, technology, engineering, and mathematics, labour shortages continue to emerge in several high-skilled professions. Expanding the higher education offer closely aligned with labour market demand and increasing the number of tertiary graduates are crucial for addressing skills shortages in the long term.

(32) The reform of the social and healthcare services, which introduced the new service delivery system in the beginning of 2023, has slowed the growth in costs and improved the equitable access to primary healthcare services. Nevertheless, disparities in financial sustainability and service delivery persist between wellbeing services counties. Self-reported unmet medical needs remain among the highest in the union. At the same time, the ageing population challenges the resilience and fiscal sustainability of Finland's social and healthcare sector, including elderly care system. Strengthening steering of the social and healthcare services and the funding model for the wellbeing services counties, along with integration of the various IT systems and leveraging data and AI, could support efforts addressing unmet needs, reducing disparities and further reducing the inefficiencies in the service delivery system. Addressing these challenges would also contribute to supporting upward social convergence, in line with the Commission services' second-stage country analysis of the Social Convergence Framework[19].

[19] SWD(2026)122 – Second-stage country analysis on social convergence in line with the Social Convergence Framework (SCF), 2026.

(33) 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, in 2026, the Council recommended that the euro-area Member States take action, including through their RRPs, to implement the 2026 Recommendation on the economic policy of the euro area. For Finland, the recommendation (1) helps implement the first, the second, the third and the fifth recommendations on the euro area, recommendation (2) helps implement the fourth recommendation on economic policy of the euro area, recommendation (3) and (4) help implement the seventh recommendation on the euro area, and the recommendation (5) helps implement the fifth recommendation on the euro area.

HEREBY RECOMMENDS that Finland take action in 2026 and 2027 to:

1. Adhere to the maximum growth rates of net expenditure recommended by the Council on 20 January 2026, with a view to bringing an end to the situation of an excessive deficit, while making use of the flexibility under the national escape clause for higher defence expenditure. Reinforce defence spending and readiness while ensuring spending efficiency and gradually adapting the budget to sustain structurally higher defence spending. Ensure that any measures taken to mitigate the impact of the hike in energy prices resulting from the crisis are temporary, targeted at protecting vulnerable households or at addressing the needs of energy-intensive firms, preserve incentives for energy savings while ensuring that their fiscal cost is compatible with the commitments under the EU fiscal framework. Implement the set of reforms and investments underpinning the extended adjustment period as recommended by the Council on 21 January 2025. Improve the efficiency of public spending by carrying out regular and detailed spending reviews with clear and actionable recommendations to be considered in the budget process, including reviews of the social security system to support the long-term sustainability of public finances, while addressing the needs of vulnerable groups.

2. Ensure continuity of reforms and investments implemented under the Recovery and Resilience Facility. Sustain implementation momentum under cohesion policy programmes building, where appropriate, on the reallocation to strategic priorities agreed in the context of the mid-term review and the flexibilities provided in the cohesion policy framework. Address the unique socio-economic, security and civil preparedness challenges particularly affecting regions on the EU's external eastern border.

3. Support the R&D ecosystem and improve the commercialisation of innovation by i) stepping up the cooperation between businesses and academia through joint industry-university projects, and ii) improving the entrepreneurship skills and support for researchers. Broaden access to scale-up financing for innovative start-ups and high-growth firms and strengthen the equity financing ecosystem. Strengthen economic security, including in critical infrastructure and cyber security.

4. Reduce carbon emissions by boosting public and private investment in the decarbonisation of industry and transport (including through electrification), in green technologies and circular economy solutions and by strengthening the sustainable use of land and forest resources.

5. Improve the targeting of active labour market policies. Address skills shortages and mismatches by reskilling and upskilling the workforce and widening the higher education offer for the skills most in demand in the labour market. Continue improving the efficiency of the social and healthcare services while pursuing efforts to enhance access to services, including elderly care.

Done at Brussels,

For the Council
The president