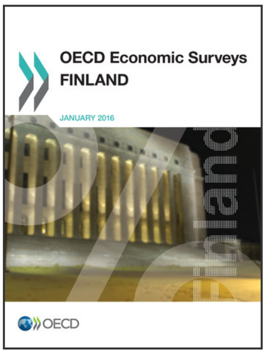
ANNEX 1

Progress in structural reform

This table reviews action taken on key recommendations from previous Surveys. *Recommendations that are new in this* Surveys *are listed at the end of the relevant chapter.*

Recommendations in previous Surveys	Action taken since February 2014
A. Fiscal framework	
Strengthen the fiscal framework by adopting a medium-term fiscal target for the general government balance (while allowing automatic stabilisers to work) that is consistent with a debt target. Contain spending growth, especially in municipalities, preferably by expanding the expenditure ceiling to cover a larger share of general government spending.	A new steering system for local government finances has been introduced in 2015. It is comparable to the central government spending limits procedure. The new system ensures that municipalities' tasks and obligations are consistent with balanced local government budgets.
B. Pension reform	
Increase the minimum pension age gradually, with some linking of both the retirement age and the benefits to life expectancy.	In September 2014, the social partners agreed on raising the retirement age to 65 by 2025, and thereafter to link it to life expectancy. The reform will take effect in 2017.
End part-time pensions and the extended period of eligibility to unemployment benefits for older people. Access to disability pensions should be based on medical reasons only.	Early retirement paths have been progressively narrowed. However, the years-of-service pension introduced by the pension reform could lead to an increase in early pensions if it is not subject to sufficiently strict eligibility criteria. Access to disability pensions is still not based on medical reasons only.
C. Local public finances and municipal reform	
Continue to promote the merger of municipalities or scale back their responsibilities in functions where economies of scale and scope can be achieved.	The large-scale merger plan has been abandoned. The government still supports voluntary mergers and a few have taken place. The government has committed to scaling back the responsibilities of municipalities.
D. Health care reform	
Rationalise the organisation of health services to achieve a better balance between primary and specialised care.	The government has announced the creation of 18 autonomous regions, of which 15 will organise healthcare and social services in their area themselves, while three will provide the services with the support of one of the other autonomous regions. The regions will be 15 social welfare and health care areas, managed by elected councils, probably with some (limited) power to collect taxes. The reform will enter into force on 1 January 2019.
Drawing on existing experiences in some municipalities, a purchaser-provider split should be adopted in areas where the population base and the level of complexity of treatment allow meaningful competition.	Municipalities have considerable autonomy in how they provide the required health services and the use of purchaser-provider split is expanding. The new social welfare and health care areas will be allowed to use private or third-sector service providers. Competitive neutrality between different providers will be emphasised. A scorecard will be prepared for assessing the efficiency and quality of service provision.
Continue to develop electronic tools to promote evidence-based medicine and health-provider benchmarking.	Progress is ongoing and digitalisation of public services is high on the government agenda.
Continue to encourage the development of home care to limit dependence on institutional care and explore possibilities to expand the use of vouchers for buying services needed to support independent living at home.	Developing home care for the elderly further is part of the government programme.
E. Labour market reform	
Strengthen active labour market policies to improve the labour force participation of youth, women of childbearing age and the long-term unemployed.	The geographical search area was widened in 2015. The government intends to make more use of private activation providers.
Adjust the temporary lay-off scheme so that the employer bears some of the costs of the programme.	No action taken.
Lower high replacement rates in the unemployment insurance and related benefit systems to improve work incentives. Work incentives for second earners in families with small children should also be improved.	The government plans to obtain €200m savings from the unemployment insurance, which would improve work incentives. No action taken for second earners.
Taper unemployment benefits over time as is currently done in many other OECD countries.	No action taken.

Recommendations in previous Surveys	Action taken since February 2014
F. Productivity-enhancing reforms	
Continue to support innovation using a broad approach. Monitor the impact of direct public funding to ensure efficient resource allocation and prioritise support to activities generating positive externalities, such as basic research and education.	No action taken. The government programme includes large cuts to education and research, even though a strategic investment programme will provide one-off funding for some priority projects.
Lower business subsidies and shrink the number of business supporting institutions. Lower or terminate government funding in areas (like venture capital) where markets nowadays provide equal or better services.	There have been no major changes to the system of business supporting institutions. However, Team Finland has been created to coordinate the activities of several institutions, with a focus on internationalisation. The government programme includes cuts on funding for innovation, and initiatives to attract more venture capital.
Pursue more structural reforms within network industries and open up government dominated sectors to private provision, e.g. in health, in order to increase productivity and provide stronger incentives for private sector R&D in those sectors.	No action taken. The government is considering opening up new areas to competition (e.g. rail passenger transport).
Loosen zoning and planning restrictions on retail development to encourage competition and increase store-level scale economies.	No action taken.
G. Green growth	
Phase out environmentally harmful subsidies, taking into consideration wider socioeconomic and competitiveness effects.	No action taken.
H. Tax reform	
Continue to lower the taxation of labour and increase taxes on recurrent personal immovable property and indirect taxes.	The share of receipts from indirect taxes and recurrent personal immovable property taxes has increased over recent years. The government plans to move further in that direction and more specifically to coordinate tax and social security measures to remove inactivity traps.
Raise property tax revenues by setting property assessment values (for tax purposes) equal to 100% of market valuations and by raising property tax rates.	In 2014, property assessment has come closer to market values. Mortgage interest deductibility is being reduced in steps.
Raise the revenue efficiency of the VAT by eliminating reduced VAT rates.	No action taken.



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