

Towards successful sustainability transformation for Finland

Boundaries from nature, power from the people

The development of the Nordic welfare state calls for a rapid closure of intertwined sustainability gaps, i.e. sustainability transformation. Our social and ecological deficit is even more serious than the economic debt. We can secure our wellbeing by means of a dual strategy for sustainability transformation. We must improve the preconditions for wellbeing by investing in public services, education, learning and citizens' capacity to act, and, at the same time, we must phase out those structures and policies of the society that exceed the carrying capacity of the Earth. The essential task of the central government is to set binding targets whilst steering the transformation in a well-organised and fair manner, supporting participants' participation.

Recommendations of the Finnish Expert Panel for Sustainable Development to central government

Immediate and easy-to-implement measures

Harmful subsidies must be discontinued and redirected, and new operating models for sustainable economy must be introduced. For example:

- In addition to the GDP, a key set of indicators that link economic, social and ecological sustainability must be used in decision-making.
- Environmentally harmful subsidies must be phased out.
- Tax relief on dividends from unlisted companies must be phased out.

Measures that are slower or more difficult to implement

Legally binding and concrete limits must be set for overconsumption and inequality. For example:

- Citizens' sustainability initiatives in administration and decision-making must be advanced through new means of participation, such as citizens' panels.
- Central government must be reformed to respond to the sustainability transformation.
- Authorities must acquire sufficient sustainability competences.
- Role of the Parliament Committee for the Future must be developed into a Parliament Committee for the Children and the Future that safeguards the rights of future generations.

Measures requiring international negotiations and agreements

The structures of financial steering must be reformed through international negotiations. For example:

- International tax evasion of companies and private individuals must be curbed.
- Resource use and environmental impacts must be priced, for example by taxing international aviation.

Finland must adapt the welfare state to the boundaries of the planet

The Finnish welfare state has reached the age of renovation. The building of the welfare state gained momentum at the middle of the 20th century. The development created work opportunities and helped develop competencies and technologies, but at the same time, more natural resources were taken into use. The existing societal model is largely based on the premises of the previous century, and it partly fails to address harmful environmental changes, diminishing natural resources, growing social inequality and increasing instability. Therefore, society is unable to respond effectively and equally to the polycrisis we now face.

Both domestic and global analyses clearly show that the current actions are insufficient to meet the Sustainable Development Goals. Safeguarding the prerequisites for our wellbeing requires ability to identify and resolve acute crises, while consistently considering key long-term problems, such as growing social inequality, climate change or misuse of information.

As a leading country in the implementation of sustainable development, Finland has the opportunity and obligation to identify the problems relating to the current concept of wellbeing.

THE STARTING POINTS FOR DECISION-MAKING IN ACCORDANCE WITH THE NEW CONCEPT OF WELLBEING

- **Health and wellbeing of people is the most important objective of the economy.** Without prosperous, skilled people ready for a change, society has no resources to reform its activities.
- **Education and a rich culture are the human foundation for sustainability.** Those create enthusiasm, actions and widely accepted means to implement sustainability transformation.
- **Instead of GDP growth, the aim must be to improve quality of life, as economic growth does not always improve wellbeing.** GDP-based economic growth can damage the environment, increase health hazards, accumulate deprivation and unreasonably benefit only few people. Increasing inequality erodes democracy as the wealth of few gives them power also past democratic processes.

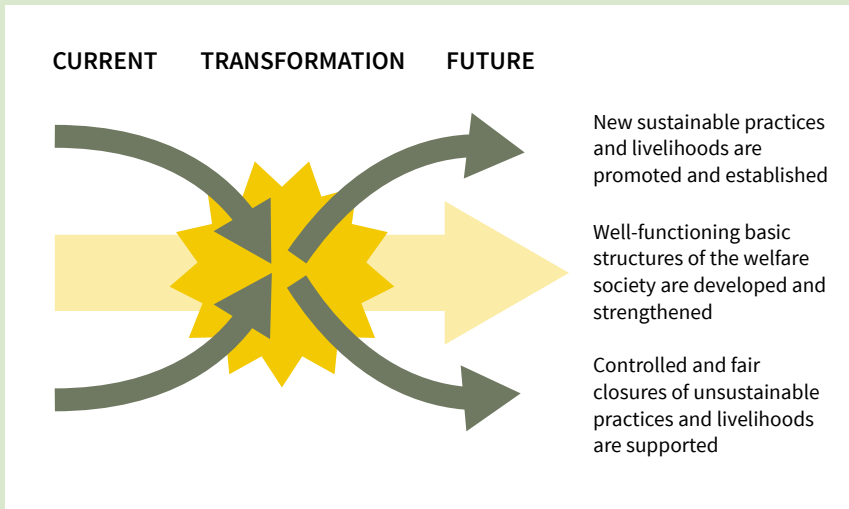
Finland must adapt to and be prepared for many of the ongoing global changes. The core of the welfare society can be maintained by means of determined, consistent and rapid policies working towards sustainability transformation. Implementing sustainability transformation requires changes in thinking, policies and structures, as well as new kind of economic competence. Decision-makers must set economy within the limits of natural resources and the resilience of ecosystems while also seeking new ways to finance public services necessary

for the citizens. Renewal of businesses and industries must be based on environmental sustainability. In addition to technological innovations, social innovations, such as regulatory structures supporting sustainable business, are needed. Economic policy goals must be opened for discussion as economic policy must be ready to respond to several challenges, including climate change, biodiversity loss and other global risks. Also, local concerns must be taken into account, grounding on research results and building mutual understanding.

TABLE 1. Key sustainability indicators proposed by the Finnish Expert Panel for Sustainable Development. These indicators can be introduced immediately, and they are based on existing and continuously updated information. The main key indicators are marked in bold. Source: Background Memorandum of the Finnish Expert Panel for Sustainable Development ([available in Finnish](#)).

| ECOLOGICAL SUSTAINABILITY | SOCIAL SUSTAINABILITY | ECONOMIC SUSTAINABILITY |
|------------------------------------|---|-------------------------|
| Material Footprint | Proportion of people living in poverty | GDP |
| Final energy consumption | Under 5 mortality rate | Gini coefficient |
| GHG emissions (CO ₂ eq) | Suicide mortality rate | Employment rate |
| | Proportion of youth (aged 15-24 years) not in education, employment or training | |

FIGURE 1. Dual strategy for sustainability transformation



Sustainability transformation requires politicians to make decisions that support developing new practices and technologies, and rapidly establishing and accelerating their use. Political decisions and coherent policies are also needed to prevent launching new harmful changes. An equally important part of sustainability transformation is to break away from established but socially unsustainable practices and technologies that place too much strain on nature, such as food and transport systems based on fossil energy. Questioning solutions optimised for the current conditions

requires long-sighted courage to meet the criticism of those who must give up their interests. Solutions must be implemented fairly. Supporting people's capability to change is important during the transformation, for example through education and opportunities to influence decision-making. Many of the current parts of the Finnish society will remain or become stronger in the successful sustainability transformation. These include a high-quality education system, public health care, well-functioning democracy. Trust and equality amongst people increase resilience in society.

Inspiring leadership creates a culture of sustainability

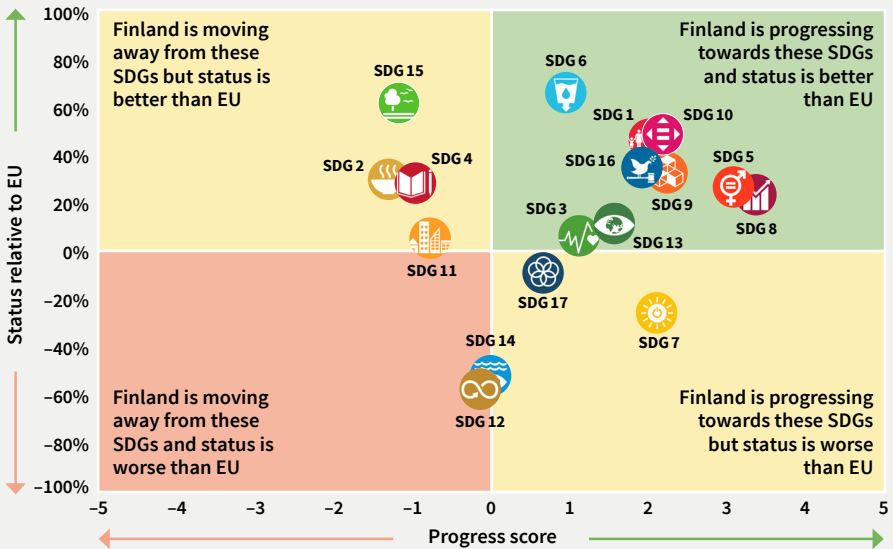
For decades, Finland has implemented sustainable development policy that has created strategies, monitored the development of society and promoted sustainability through various initiatives. Our success in many international comparisons of sustainable development

indicates that most social aims in the construction of the welfare state have also supported the Sustainable Development Goals. However, our wellbeing is built on excessive consumption of natural resources, hence, we need new ways to produce wellbeing.

FIGURE 2. Finland as an implementer of the Sustainable Development Goals.

Source: Eurostat 2023.

Finland is committed to implementing the 17 UN Sustainable Development Goals by 2030. Compared to other EU countries, Finland is performing better in promoting social goals, but more determined efforts are needed in particularly to achieve environmental goals.



- SDG1** No poverty
- SDG2** Zero hunger
- SDG3** Good health and well-being
- SDG4** Quality education
- SDG5** Gender equality
- SDG6** Clean water and sanitation
- SDG7** Affordable and clean energy
- SDG8** Decent work and economic growth
- SDG9** Industry, innovation and infrastructure
- SDG10** Reduced inequalities
- SDG11** Sustainable cities and communities
- SDG12** Responsible consumption and production
- SDG13** Climate action
- SDG14** Life below water
- SDG15** Life on land
- SDG16** Peace, justice and strong institutions
- SDG17** Partnerships for the goals

Finland's sustainable development policy has not been effective enough. It has lacked cross-sectoral drivers for change, and decision-makers have not shown sufficient leadership in this respect.

Sustainable development policy must be promoted simultaneously in multiple ways. First, legally binding regulation is needed to implement the environmental objectives of the EU – namely climate, biodiversity and pollution prevention – and legislation is needed to promote circular economy. These will ensure that the minimum level of sustainability is reached. Second, market and pricing mechanisms must be steered to help identify the most economically efficient practices that also consider the social and ecological advantages

and disadvantages. In addition, guidance by information is needed, such as recommendations, voluntary product labelling, and education and new skills that improve awareness and enable changing the mindset.

During sustainability transformation, both awareness and active action must be increased. Structures and routines must be changed so that people and companies can promote sustainability in everyday life easily.

Managing sustainability transformation requires ability to simultaneously inspire desired activities and set limits for harmful activities. Plenty of research-based information exists on limits and politically set goals.

GLOBAL BOUNDARIES ARE ABOUT TO BE CROSSED

- The 1.5 °C global warming limit, set to avoid the greatest risks, is already being exceeded.
- The loss of biodiversity in Finland could not be halted by the previous target years 2010 and 2020, and the current measures are not succeeding in achieving the targets by 2030. Only mitigating biodiversity loss is not enough, restoration of nature is also needed.
- Raw material consumption per capita in Finland is the highest in Europe and Finland falls short by approximately half of the target level in plastic recycling.

Many changes in lifestyles and consumption that **promote the sustainability transformation** also **improve the health and wellbeing** of individuals and communities.

There are many unused means to promote sustainability transformation and inspire people. One of the biggest obstacles to sustainability transformation is the misconception that other people are not interested or willing to act. In reality, broad support exists for measures promoting sustainability transformation both in Finland and globally. Decision-makers are expected to take more measures to promote, for example, actions for the climate.

It is also essential to face and acknowledge the difficulties and challenges in promoting a systemic change. Many changes in lifestyles and consumption that promote sustainability transformation improve mental and physical health as well as the wellbeing of individuals and communities.

Sustainability transformation can be promoted by a wide range of actors: consumers and citizens through their own decisions, experts in their work and employees through their everyday practices, companies, municipalities and other organisations through their own actions and cooperation with consumers or public authorities.

Sustainability transformation requires an ambitious and fair approach, which means changing many of the operating rules of the legislation. Sustainable development policy must be strengthened by putting sustainability assessment at the heart of law-making. The key is to define the limits of ecological and social sustainability, within which other obligations and objectives defined in the legislation are set.

Genuine consideration of the perspective of the future and the sustainability issues in legislation must be implemented, for example, by strengthening the role of the Committee for the Future in the Parliament of Finland. In addition, administration must build bridges between different ministries, sectors and programmes and, where necessary, existing structures and practices must be fundamentally changed, for example by reorganising ministerial portfolios.

Friction in implementation can be reduced by setting clear targets and timetables, seeking concrete mutual benefits and openly discussing conflicting objectives and obligations.

Reorientation of taxation and subsidies strengthens public finance

Developing ecologically sustainable welfare state requires changes in public revenue streams. The state must give up some sources of financing, redirect taxation and introduce entirely new streams of financing. Production and business operations in line with linear or fossil economy must be taxed more than circular or low-carbon production. For example, tax revenue collected from the use of fossil fuels will cease completely when the burning of oil, coal and natural gas for energy ends. For this reason, especially in transport, we must shift from fuel taxation to other types of steering, such as taxation of passenger cars based on the ownership, weight, place of use or kilometres driven.

In a rapidly changing environment, a continuous review of the public revenue streams is needed so that the tax base remains sufficient and comprehensive and, at the same time, steers development in the desired direction. The implementation of sustainability

transformation requires and enables the introduction of entirely new sources for financing. Subsidies that are harmful to the environment or socially inequal can be phased out in the short term. In the long term, new sources of financing can be developed by reforming taxation structures, however, this often requires international agreements to reduce, for example, tax avoidance and shadow economy.

The largest cost savings relating to sustainability transformation come from prevention, avoiding financially expensive problems, such as physical inactivity, unhealthy diets or biodiversity loss. The following table contains examples of different types of national measures with which government can simultaneously promote sustainability transformation and improve economy. The structural changes and innovations of the sustainability transformation enable significant financial savings and cost prevention, especially in the long term.

TABLE 2. Examples of funding opportunities for sustainability transformation.

Source: Background Memorandum of the Finnish Expert Panel for Sustainable Development, April 2024 ([available in Finnish](#)).

| | MEASURE | DESCRIPTION | ANNUAL SIZE CATEGORY (€) AND NATURE OF IMPACT |
|--|---|---|---|
| Prevention of expenditure | Costs of sedentary lifestyles | Developing walking and cycling opportunities, public transport. Workplace, school and everyday physical activity. | Several billion (savings potential) |
| | Costs of mental health disorders | Preventive mental health services, rehabilitation, including nature-based care. | Several billion (savings potential) |
| | Costs of climate change | Mitigation and adaptation: For example, flood and storm damage, global displacement, disease risks | Several billion (savings potential especially in the long term) |
| | Costs of biodiversity loss | Nature conservation. Restoration of degraded ecosystems, replacement of lost ecosystem services with technical solutions. | Several billion (savings potential especially in the long term) |
| A comprehensive funding base and new sources of funding | Capital taxation reducing differences in wealth | Asset tax, asset transfer tax on securities, capital income tax increase | One billion (increase in tax revenue) |
| | Expanding tax base, particularly on the basis of health and environment | Energy taxation of wood burning, health-based taxes on use of sugar, salt and fat | Hundreds of millions of euros (increase in tax revenue) |
| | Making tax avoidance and aggressive tax planning more difficult | Tax on exiting the country, intensified combating of the shadow economy | Hundreds of millions of euros (increase in tax revenue) |

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| | MEASURE | DESCRIPTION | ANNUAL SIZE CATEGORY (€) AND NATURE OF IMPACT |
|---|-------------------------|--|--|
| Reorientation or reduction of direct payments and discontinuation of tax reliefs | Agricultural subsidies | Reform of area-based payments, national payments to become environmentally based | One billion (realignment of subsidies) |
| | Subsidies for transport | Subsidies for air transport, water and land transport, overcompensation for commuting expenses | One hundred million (savings from cuts in subsidies) |
| | Taxation of companies | Abolishing tax relief for dividends of unlisted companies and VAT exemption for the financial sector | Hundreds of millions (increase in tax revenue) |

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Finnish Expert Panel for Sustainable Development

is an independent expert body that supports effective decision-making and societal dialogue in Finland on sustainable development. The Expert Panel provides research-based understanding and promotes integration of environmental, economic and social issues.

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