



Estonia

Link between Strategic Planning and Budgeting

***STRENGTHENING GOVERNANCE OF
PUBLIC INFRASTRUCTURE***

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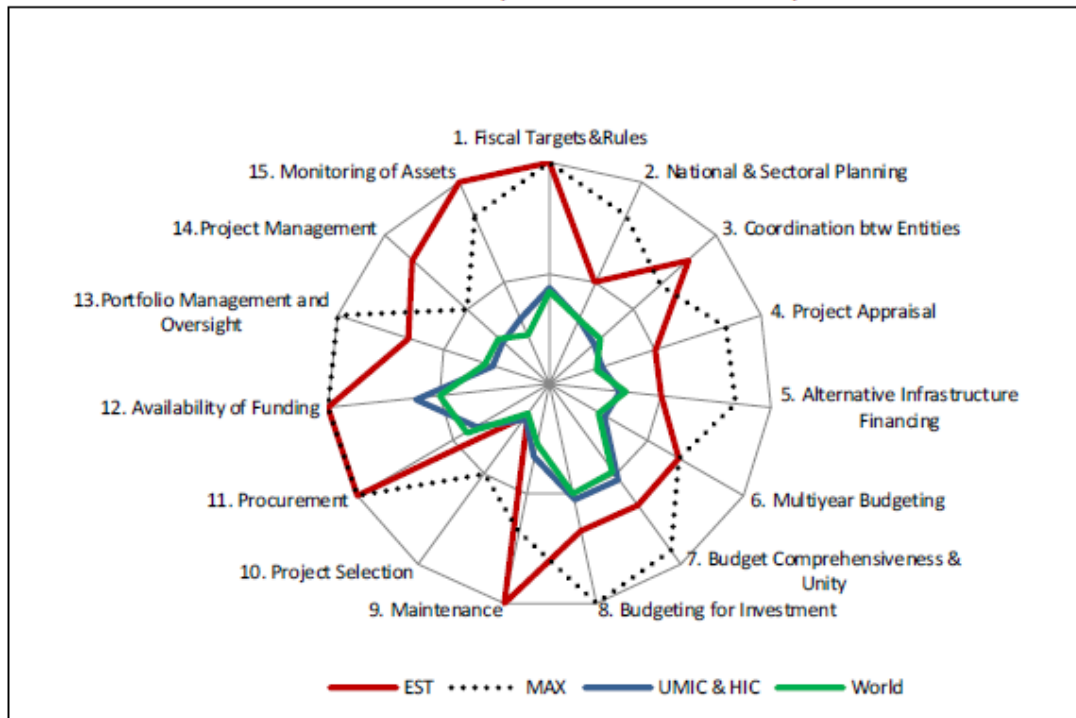
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Estonia—PIMA assessment

B. Effectiveness

(30 countries in sample, without G20 and Spain)



• Summary of Estonia PIMA assessment

Estonia's public investment is relatively efficient

- Institutions generally perform well
- Investment implementation is strong
- Effectiveness is not always based on Institutional Design

• Focus on institutions

National and sectoral planning

Multiyear budgeting

PIMA report

Estonia—Strategic Investment Planning

▪ Summary of Estonia planning framework

Parliament

- ▶ Long-term vision
- ▶ Approves state budget

Government

- ▶ Horizontal strategy
- ▶ (Most) sectoral plans (usually 7 years)
- ▶ State Budget Strategy (3 + 1 year)
- ▶ Prepares Annual State Budget

▪ Issues, challenges, reform efforts

- ▶ Lack of common goals, fragmentation of development plans
- ▶ Long-term perspective vs short term decisions – limited guidance for specific public investments
- ▶ Goal: Long-term comprehensive strategy “Estonia 2035” - the objectives and reforms to be achieved (drafting has begun)

Estonia—Multiyear Budgeting

- **Summary of Estonia multiyear budgeting**

- ▶ Budgeting period: the following year + 3 years
- ▶ Identifying investment plans within the framework

Public authorities



Line ministry



MoF & Government



What we **want** to do?

What we **need** to do?

What we **can**
BUDGET
do?

- **Issues, challenges, reform efforts**

- ▶ Budgeting period too short for bigger projects
- ▶ Regular expenditure overruns
- ▶ No formal mechanism to protect funding of ongoing projects

Estonia—PIMA findings

Issue 1

- **Strategic planning is fragmented and not reconciled with fiscal space projections**

Recommendations 1

- 1.1 Strengthen the realism of long-term (15 – 20 years) strategic plans, by identifying key investment projects required to implement the strategy, with indicative costing and reconciliation with available fiscal space.
- 1.2 Establish 10-year public investment plans to strengthen and consolidate medium-term capital planning to ensure consistent treatment of all investment projects, regardless of potential funding source.

Estonia—PIMA findings

Issue 2

- **Appraisal of projects is not done uniformly and does not support stringent and consistent project selection**

Recommendations 2

- Adopt a standard methodology for project appraisal

Issue 3

- **There is no consolidated project pipeline across sectors, no comprehensive criteria for selection of budget-funded projects**

Recommendations 3

- Establish a unified pipeline of appraised projects in order to compare projects within and across sectors in a transparent and competitive manner

Estonia—Discussion

▪ Follow up on PIMA recommendations

- ▶ Progress so far
- ▶ „Estonia 2035“ will include investment projects, indicative costing and reconcile the strategy with fiscal space - *to be introduced 2020*
- ▶ 10-year public investment plan comprising all funding sources - *to be introduced 2020*
- ▶ A standardized methodology for the appraisal and selection of all projects – *primary theses to be introduced 2019*
- ▶ Developing a methodology for unified pipeline of projects - *primary theses to be introduced 2019*

- ▶ Challenges
- ▶ Ongoing performance based budgeting reform
- ▶ Political consensus is required