



Estonia

Project Appraisal & Selection: Domestic vs. External Funding

***STRENGTHENING GOVERNANCE OF
PUBLIC INFRASTRUCTURE***

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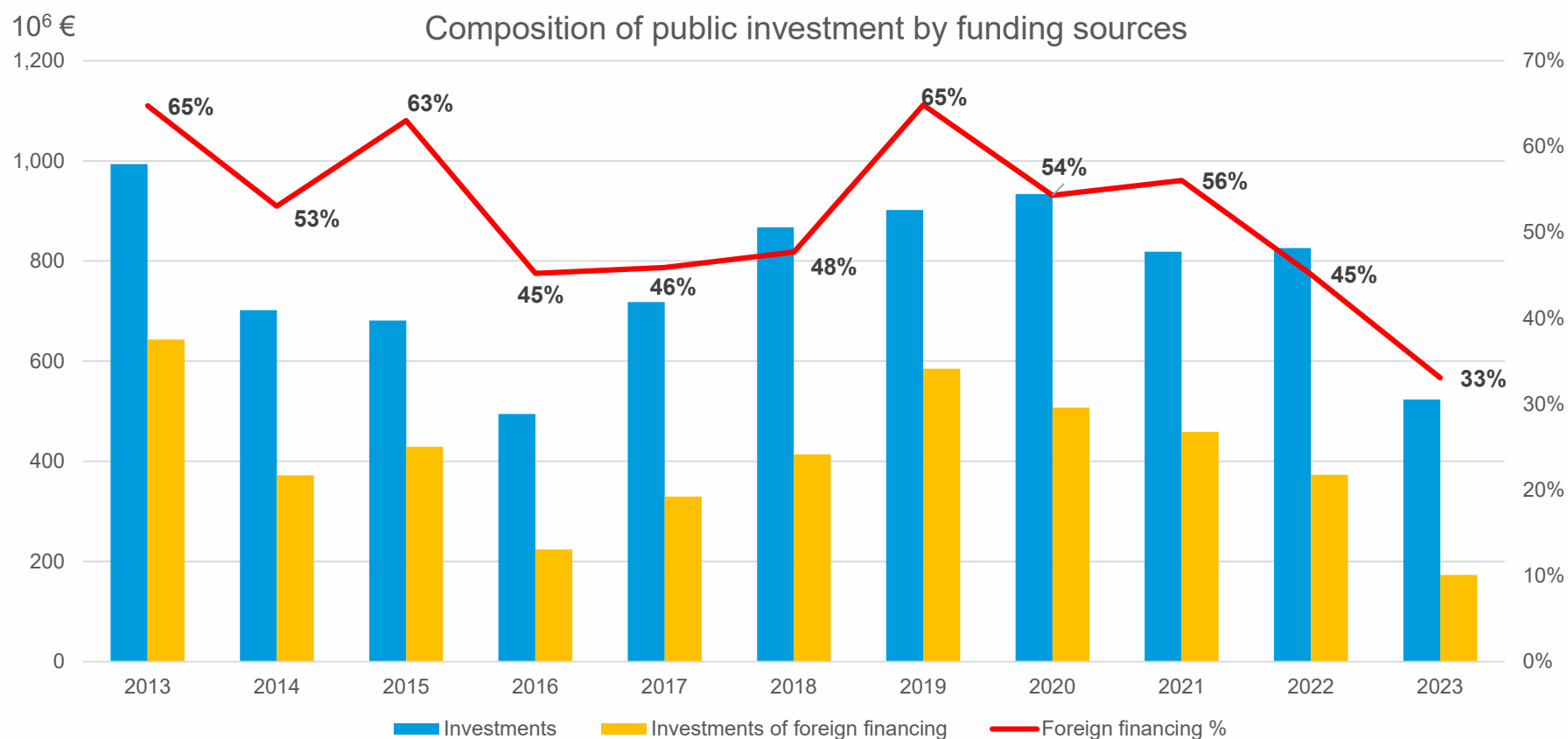
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Estonia—Funding structure of public infrastructure

■ Funding structure of public infrastructure

- ▶ Composition of public investment by funding sources: domestically vs. externally funded projects



Estonia—The role of external funding for infrastructure

▪ Project appraisal procedures

External funding	Domestic funding
<ul style="list-style-type: none">• Same principles for all sectors + sectorial specifications• Principles established by legislation• Appraisal by experts	<ul style="list-style-type: none">• Principles depending on sector• Some principles established by legislation• Appraisal on different levels:<ul style="list-style-type: none">○ line ministry○ line ministry + coordinating ministry

▶ **Different pipelines, but some projects may occur in both**

Estonia—The role of external funding for infrastructure

▪ Project selection procedures

External funding	Domestic funding
<ul style="list-style-type: none">• Transparent procedure and ranking system• Procedure and criteria established by legislation• Selection by experts• Only appraised projects can be selected	<ul style="list-style-type: none">• Each ministry has his own (but not always a stringent set of) selection criteria• Some guidelines established by legislation• Selection depending on financing:<ul style="list-style-type: none">○ line ministry○ coordinating ministry + government• Unapproved projects can be selected

Estonia—Managing Capital Budgeting

Issue

- **External funding can result in “dual” capital budgeting**
 - ▶ Project appraisal and selection criteria different for domestically and externally funded projects
 - ▶ Two different pipeline of projects competing for budget sources

Reform efforts

- **Apply standard appraisal methodology to all investment projects**
- **Formalize criteria for project selection**
- **Maintain an integrated project pipeline**