



REPUBLIC OF ESTONIA  
MINISTRY OF FINANCE

# **Introduction Estonia and Ministry of Finance**

## **Financing relations between central and local government**

**Veiko Tali**

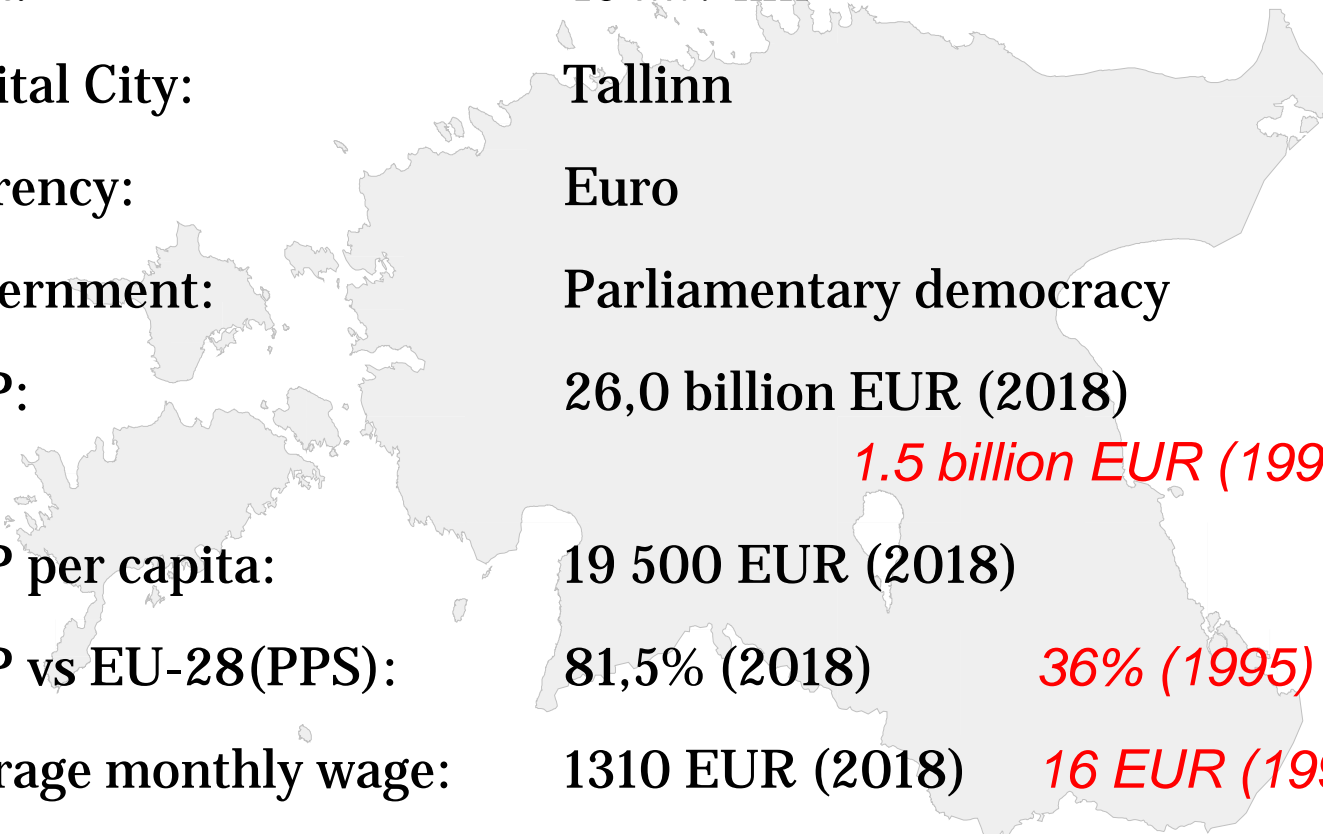
Secretary-General of Ministry of Finance, Estonia

24.09.2019



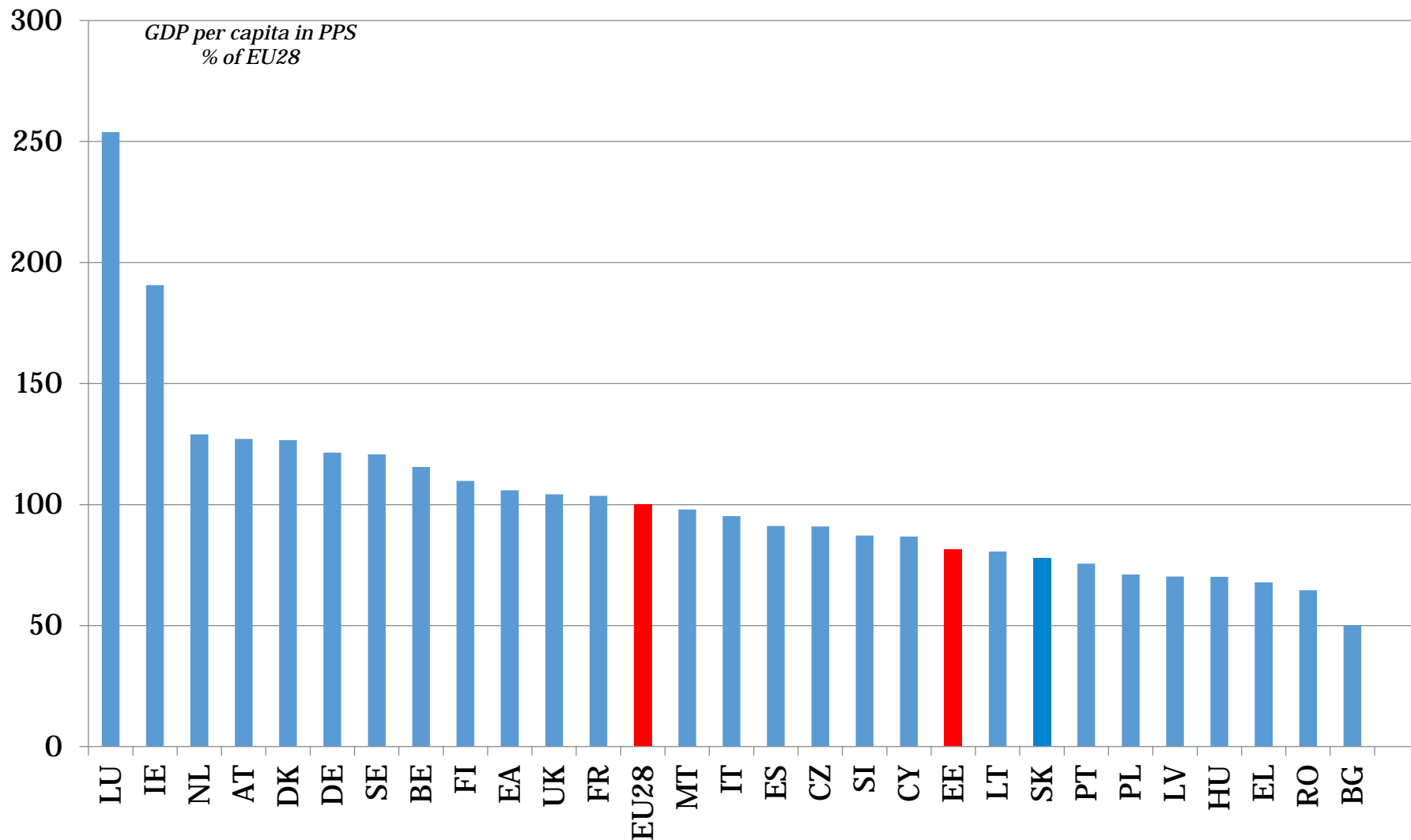


# Some key Indicators

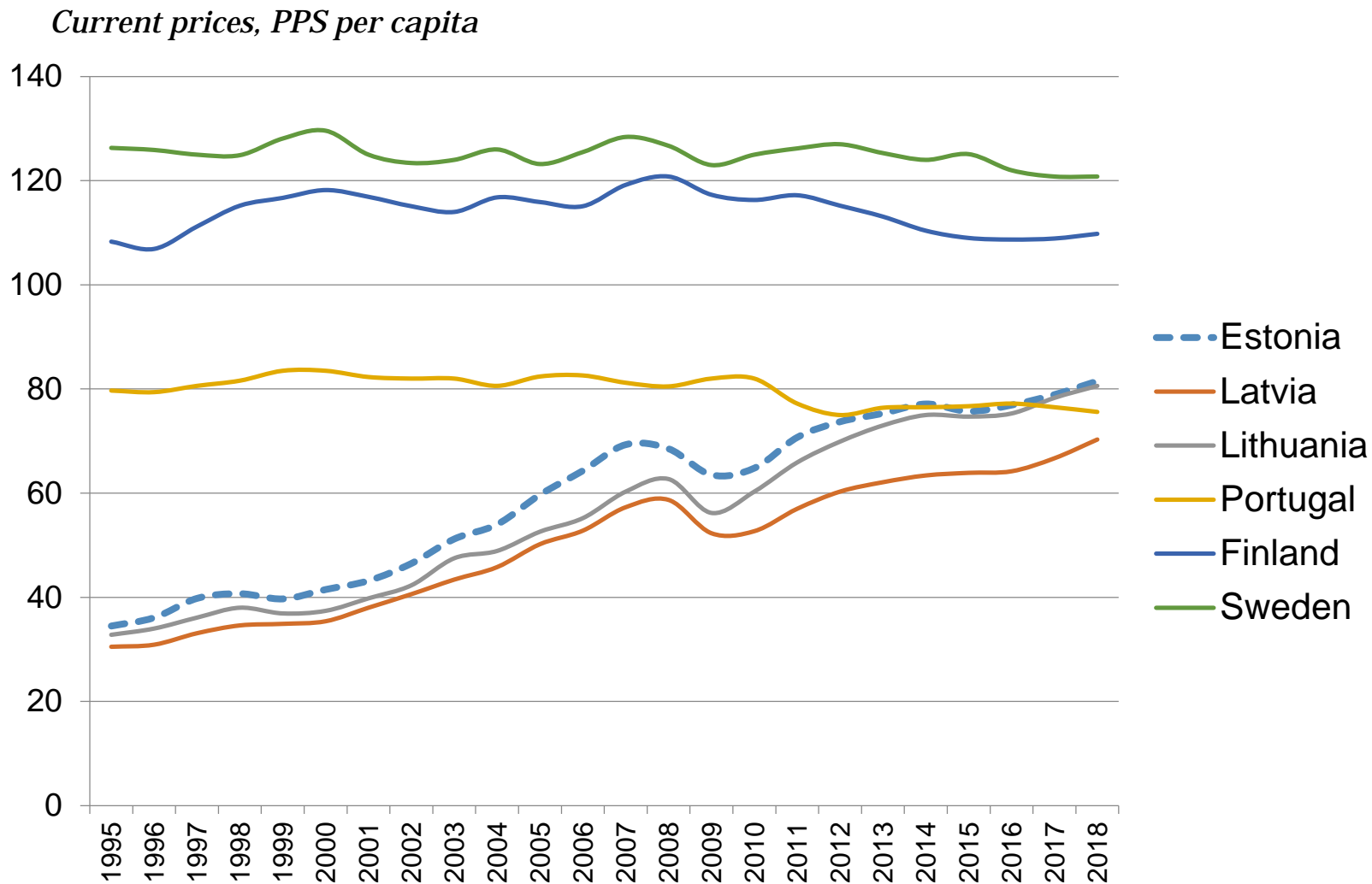


Population:	1.316 million
Area:	45 227 km <sup>2</sup>
Capital City:	Tallinn
Currency:	Euro
Government:	Parliamentary democracy
GDP:	26,0 billion EUR (2018) <i>1.5 billion EUR (1993)</i>
GDP per capita:	19 500 EUR (2018)
GDP vs EU-28(PPS):	81,5% (2018) <i>36% (1995)</i>
Average monthly wage:	1310 EUR (2018) <i>16 EUR (1992)</i>
Export of goods and services (% of GDP):	74,3% (2018)

# GDP per capita in 2018 (PPS)



# Convergence race



# 2017 – new Joint building of 5 ministries



# Facts

~1000 different workplaces

15 800 m<sup>2</sup>, previously 19 997 m<sup>2</sup> (-21%)

Per workplace 16,4 m<sup>2</sup>, previously 20,8 m<sup>2</sup>

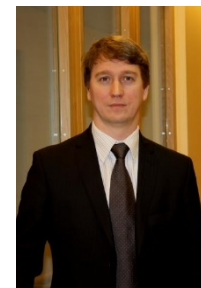
Energy consumption 3625 MWh, previously 8429 MWh (-57%)

Projected costs (rent + operating costs) 4,3 mln€, previously 5,2 mln€ (-17%)

# 5 ministries 8 ministers



**... and 5 Secretary  
Generals**





# Ministry of Finance

## Ministry of Finance has two ministers:



**Minister of Finance:**  
**Martin Helme**



**Minister of  
Public Administration:**  
**Jaak Aab**

### Management:

Veiko Tali – Secretary-General

Sven Kirsipuu – Deputy Secretary-General for Fiscal Policy

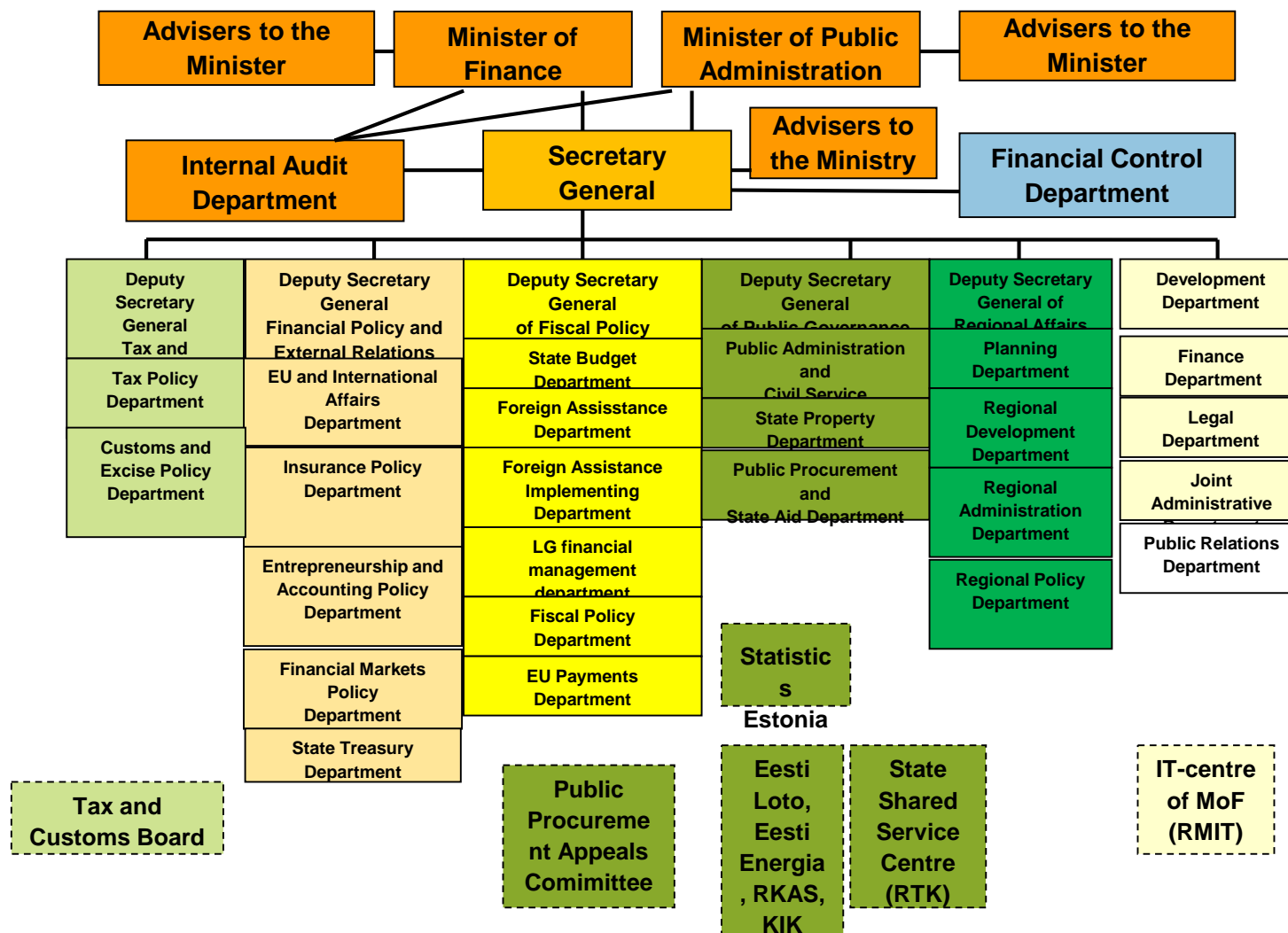
Märten Ross – Deputy Secretary-General for Financial Policy and External Relations

Raigo Uukkivi – Deputy Secretary-General for Public Governance Policy

Kaia Sarnet – Deputy Secretary-General for Regional Affairs

Dmitri Jegorov – Deputy Secretary-General for Tax and Customs Policy

# Structure of Ministry of Finance



# Joint administrative department providing services to 5 ministries



# Role of Ministry of Finance

HORIZONTAL view (all sectors, budget, planning governance, regional aspects)

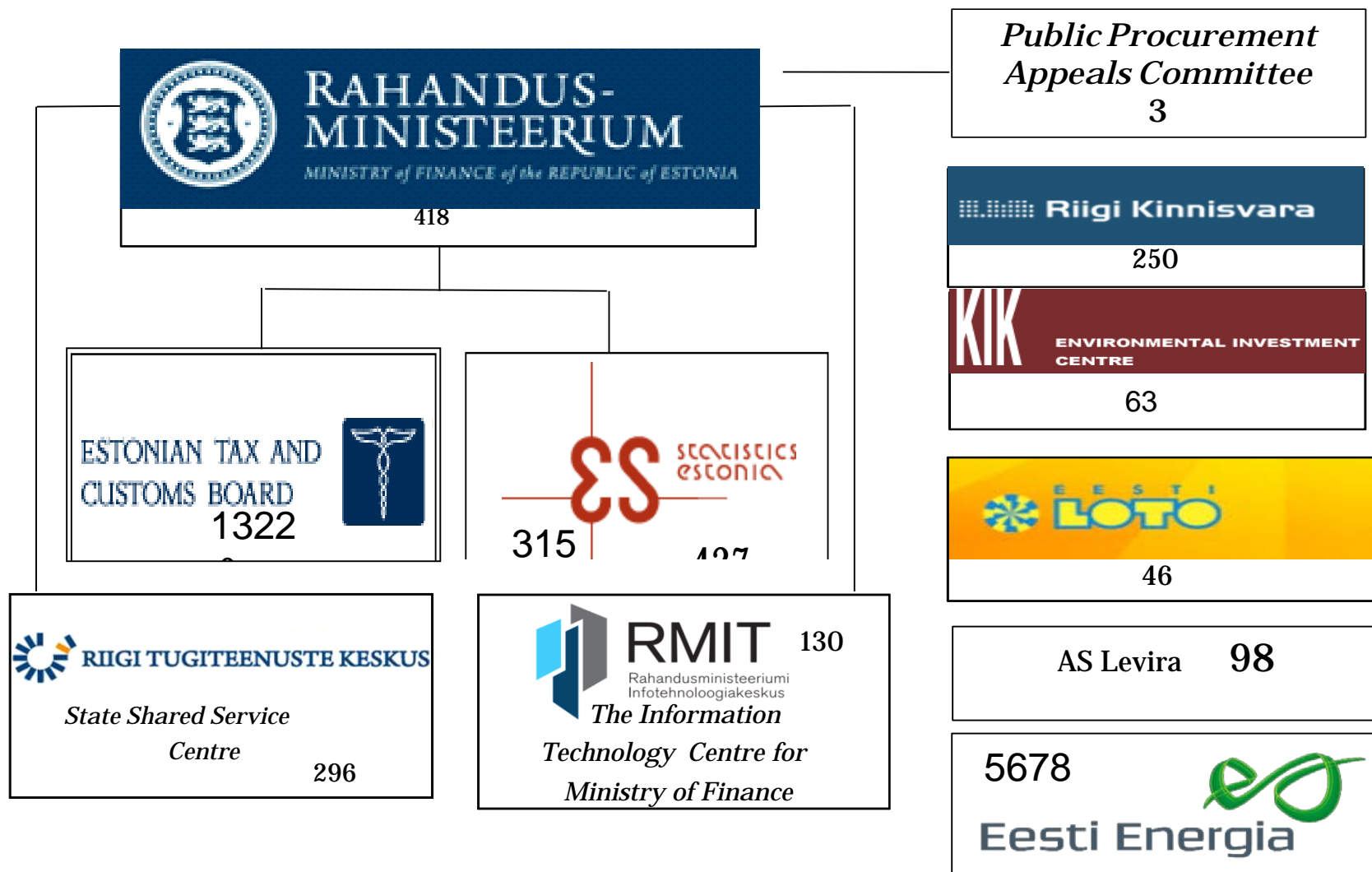
MACRO-HOLISTIC view (public sector as a whole, state vs economy)

LONG-TERM view (future, sustainability)

BALANCED view (balanced, impact (+-), revenue/expenses, investments, analytical)

MoF as strategic think-tank (Long-term business plan for the country)

# Ministry of Finance: structure of governing area (employees per institution)



# **Budgeting**

**Financing relations between central and  
local government**

# Main economic policy principles

## Monetary and Financial Policy

- no monetary financing
- no propping up weak banks, prudent supervision
- financial system integration with Nordic region

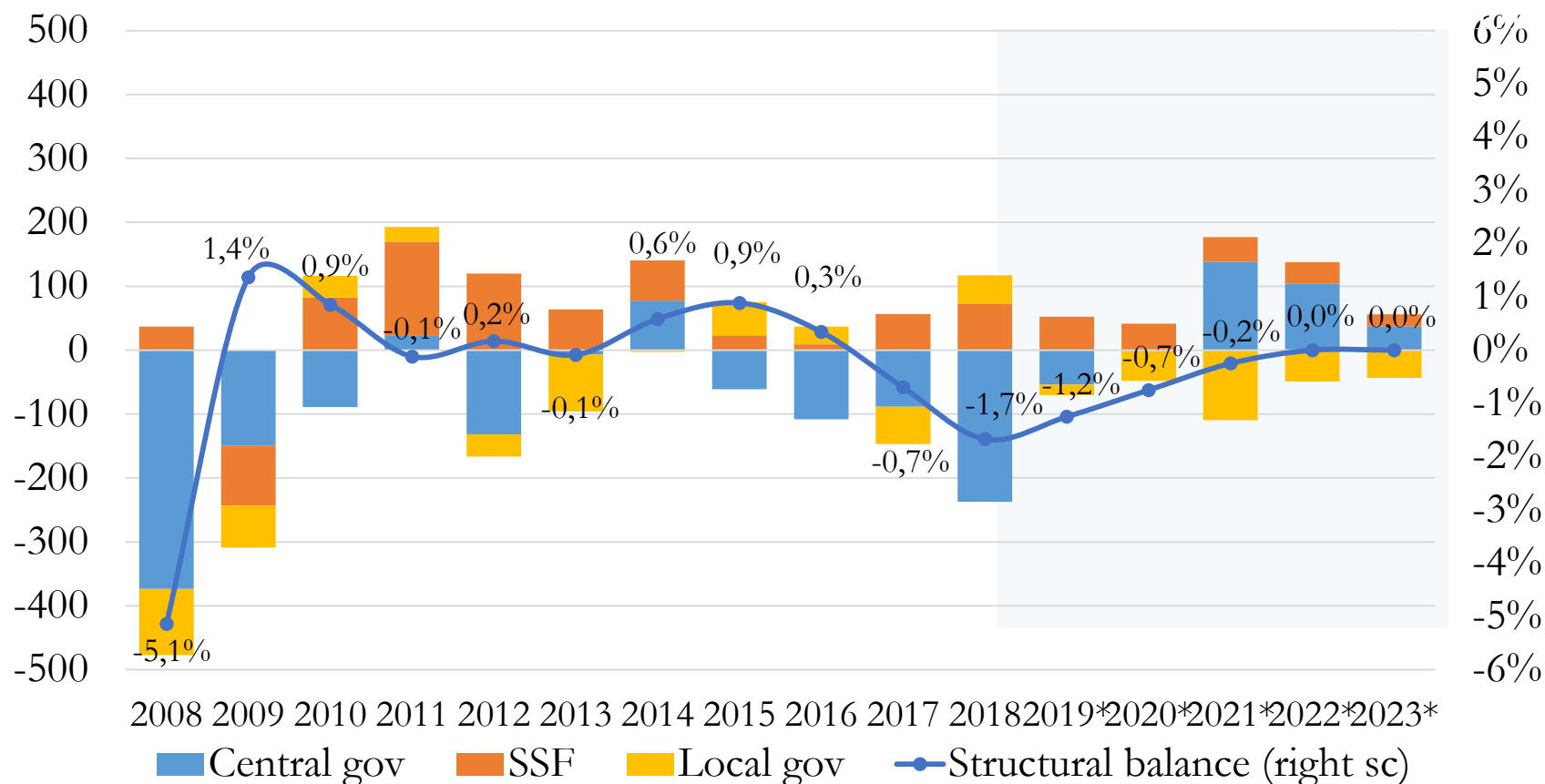
## Conservative Fiscal Policy

- balanced or surplus budget
- low debt

## Competitiveness and open business culture

- transparency
- flexibility
- commitment to single market and free trade

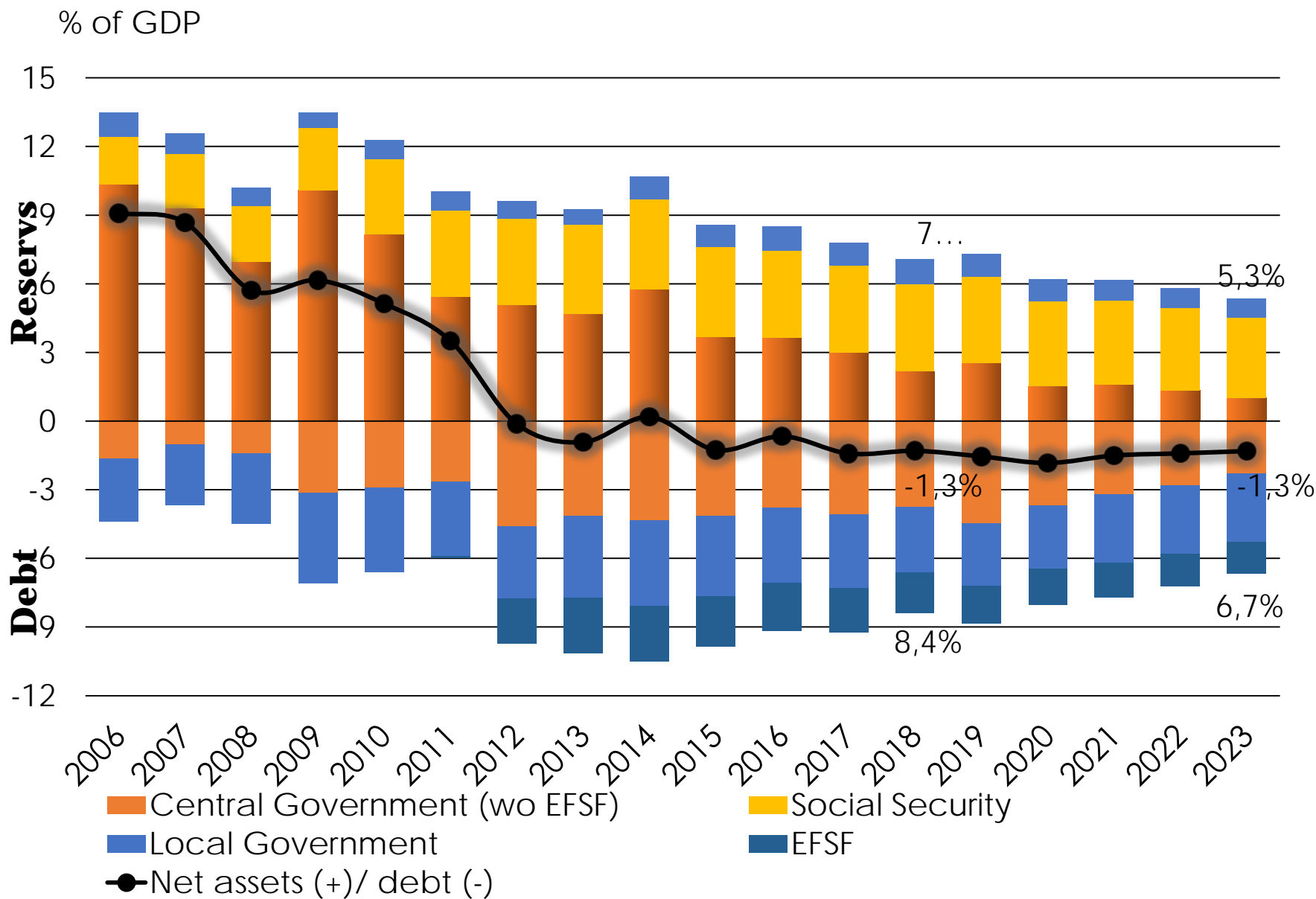
# Responsible Fiscal Policy







# Debt stable, deficit financed from reserves



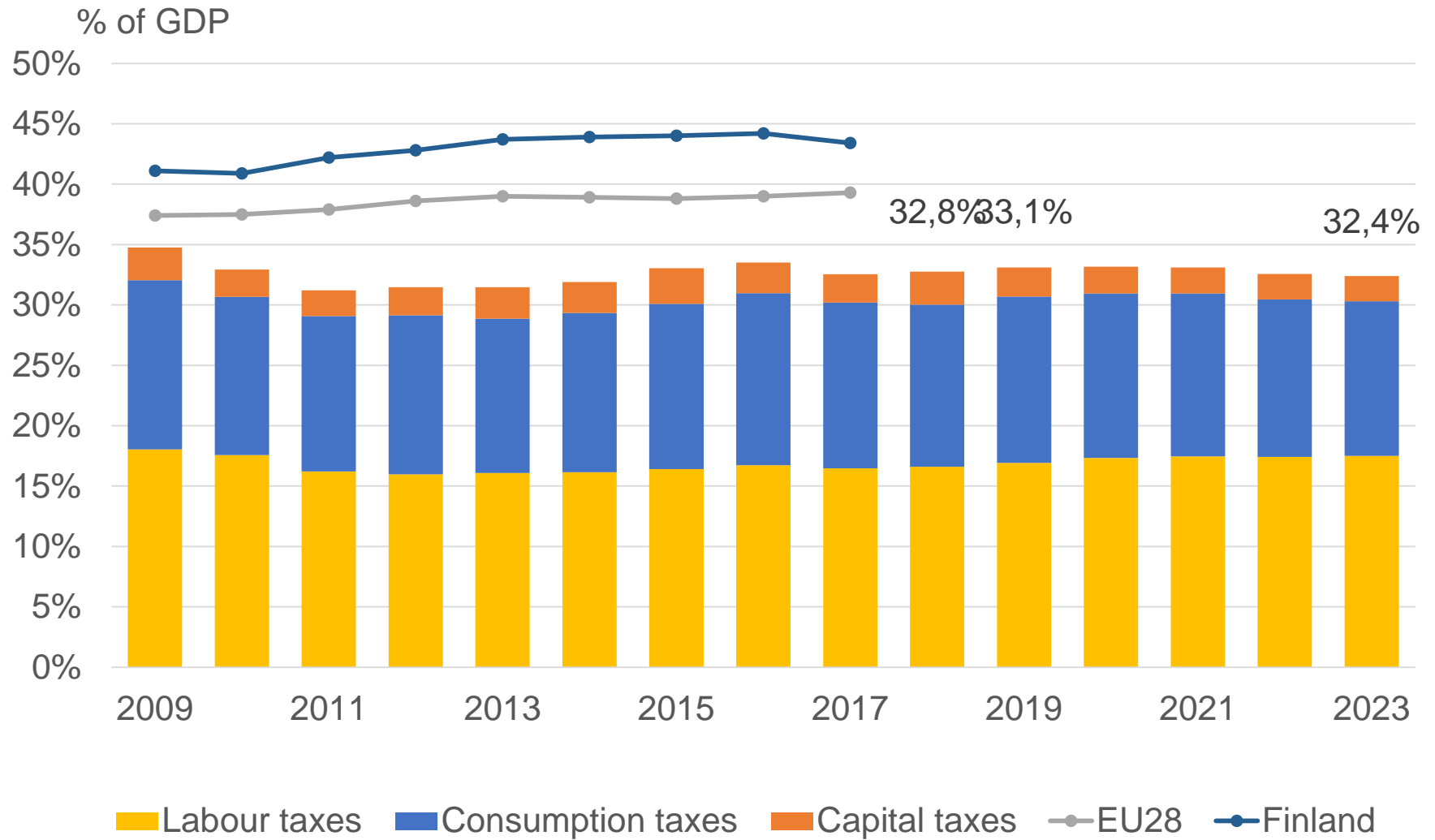
# Public debt very low, private debt moderate



Source: Eurostat

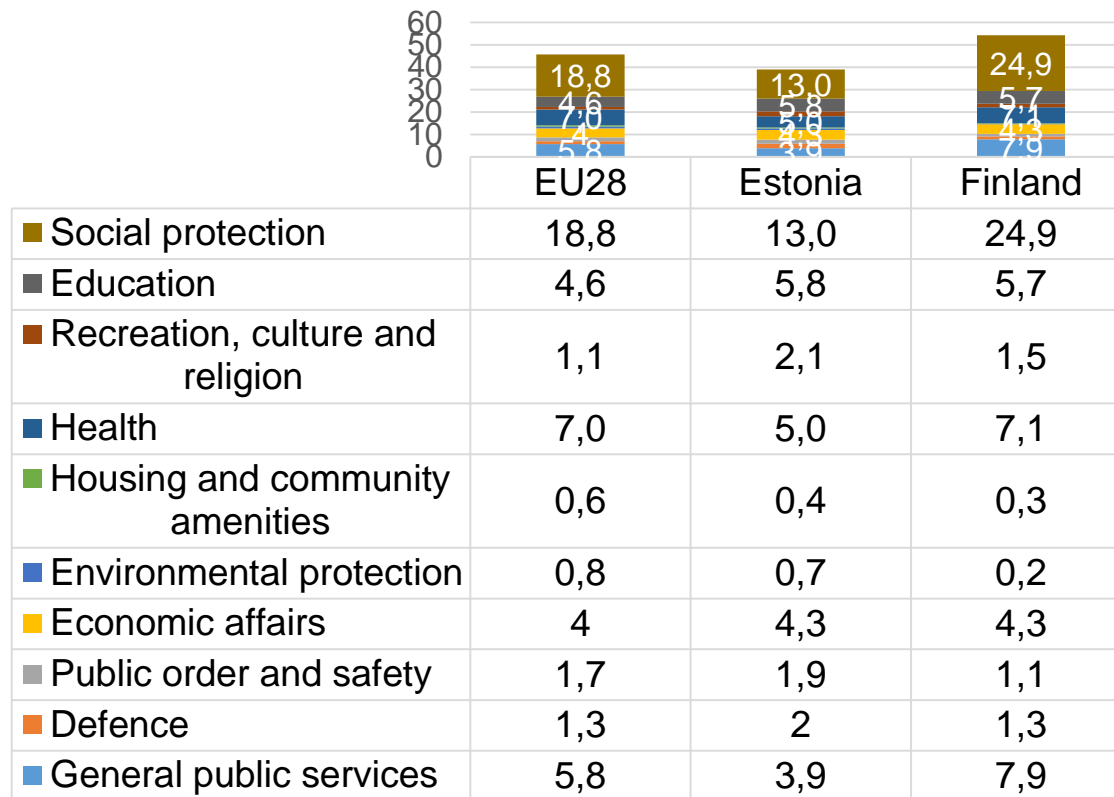


# Moderate tax burden

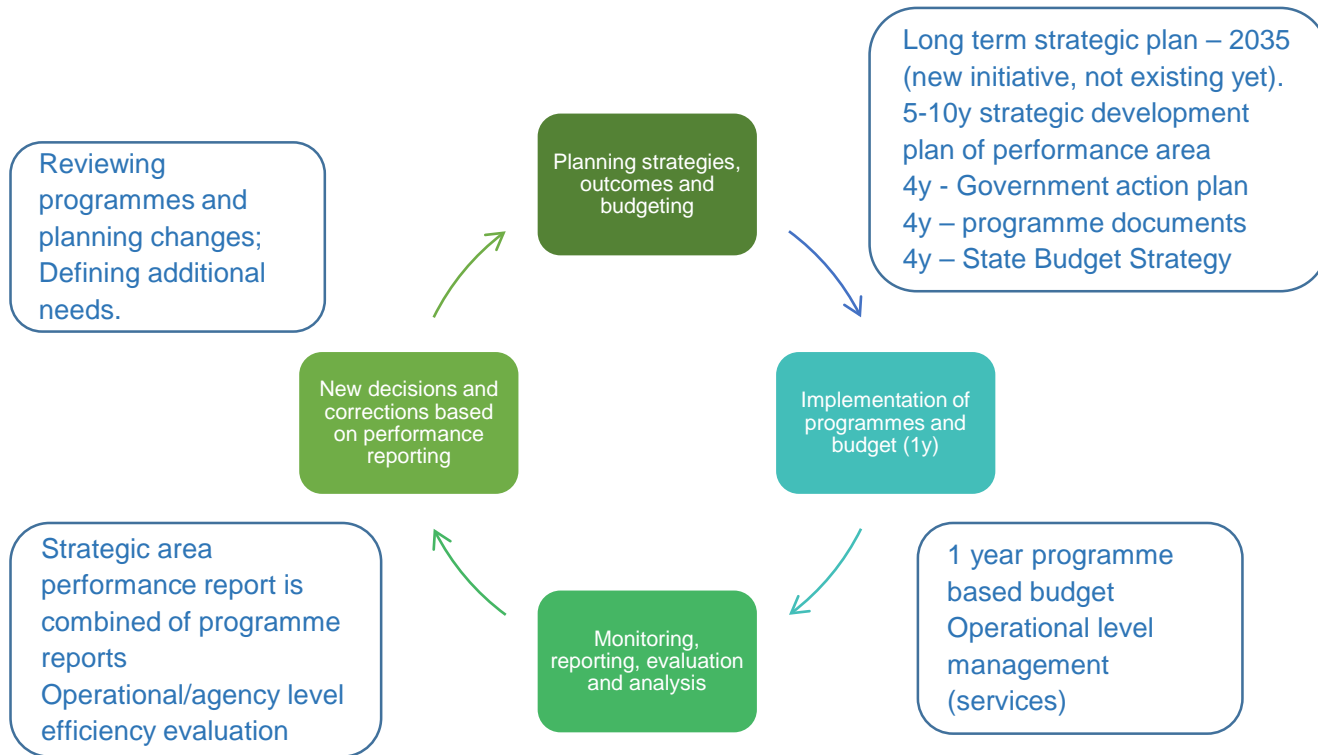


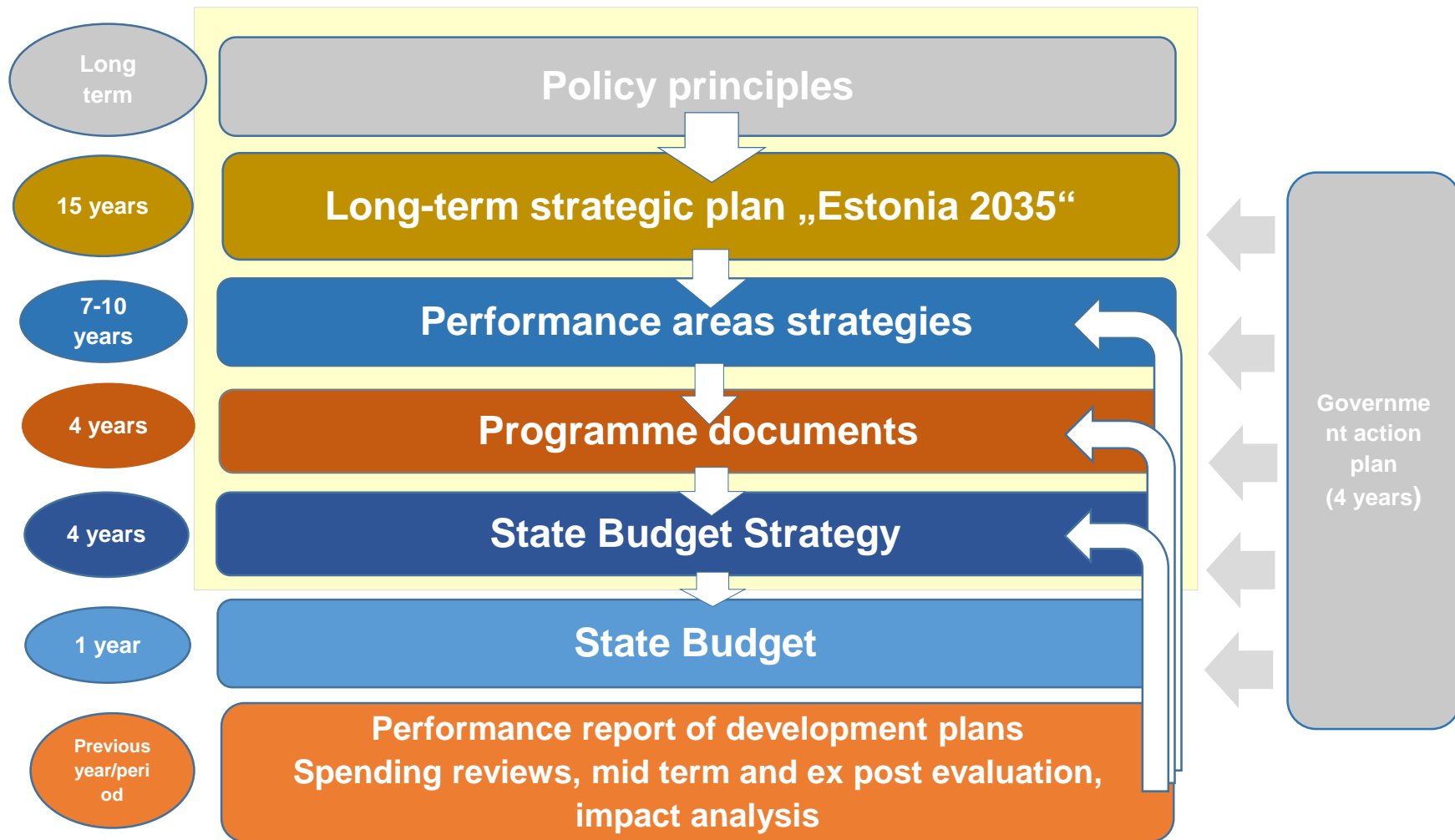


# Structure of public expenditure 2017 (% GDP)



# Budget Planning Circle

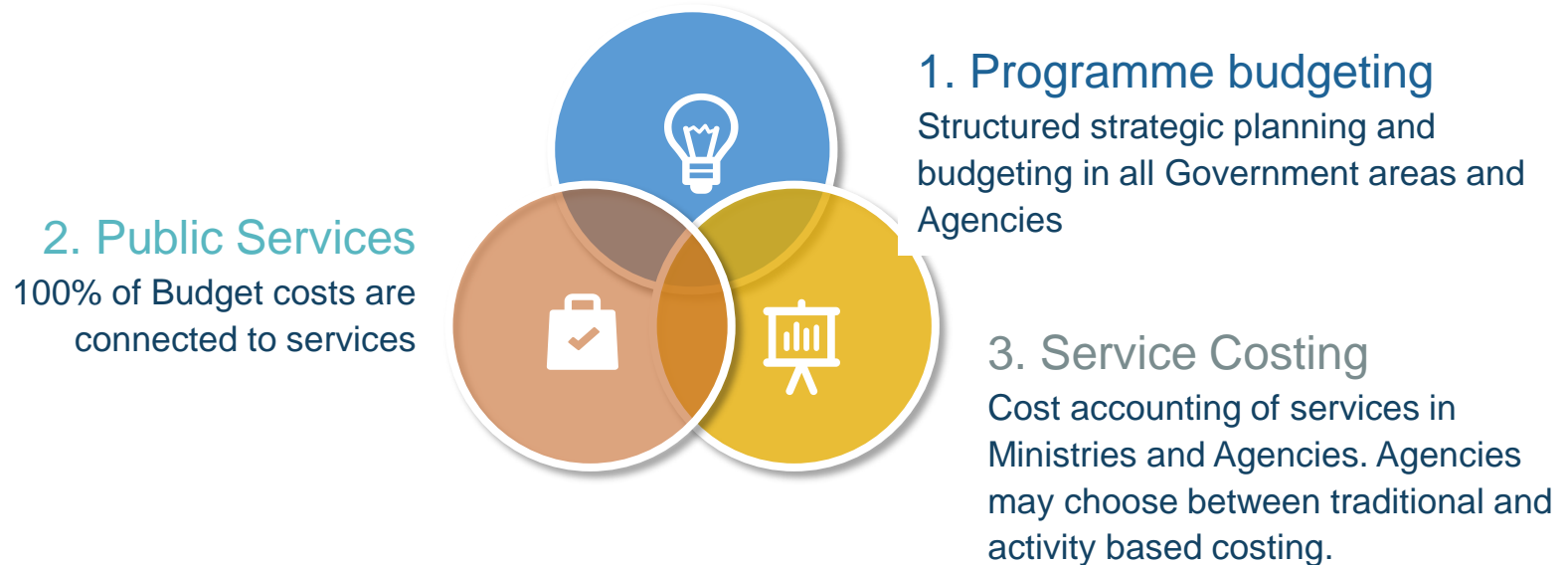






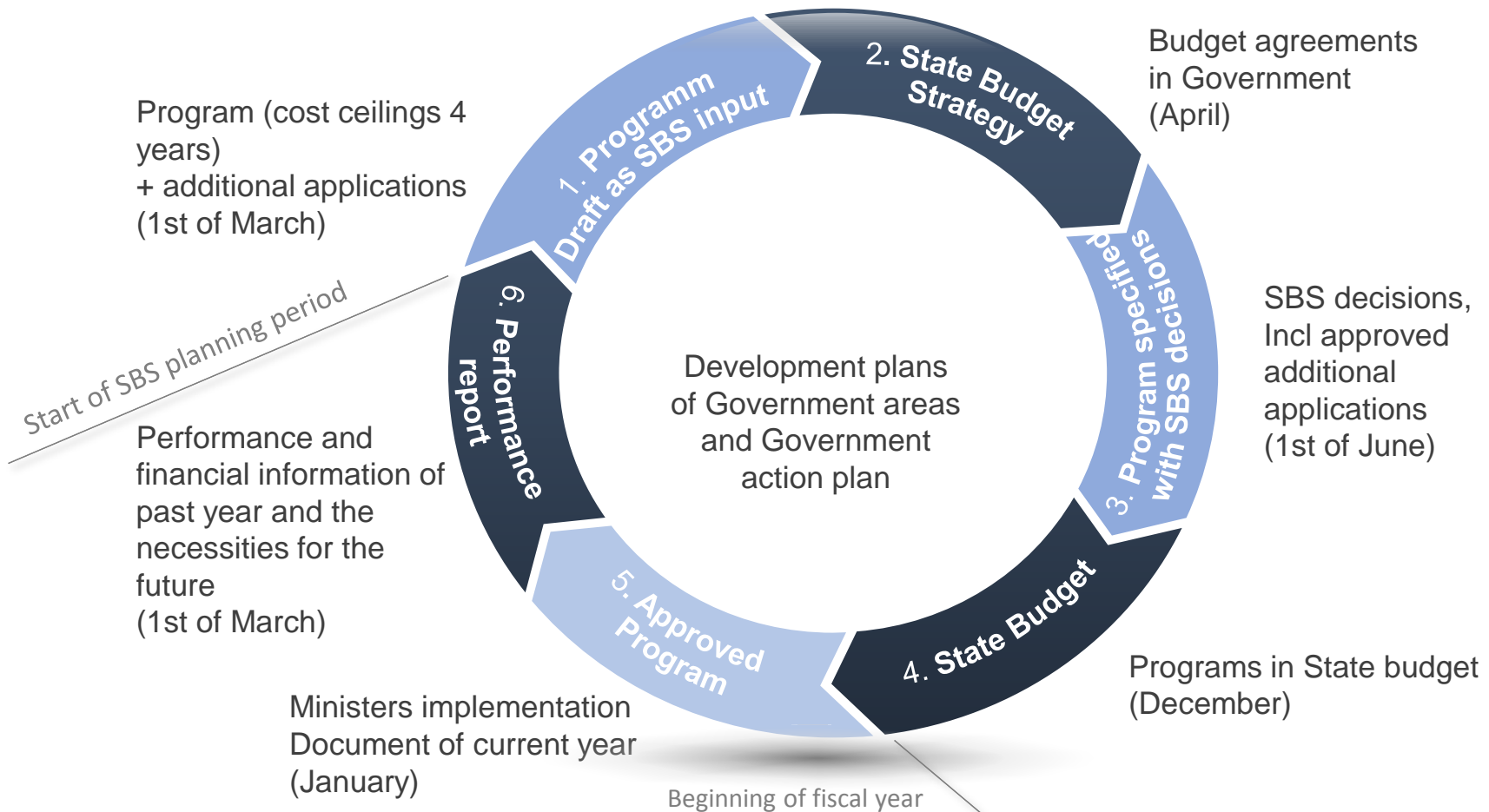
# Performance-based budgeting in Estonia 2020

**resources connected to outcomes**



Unified performance planning and budgeting - Financial Management Information System and Costing Software available for all Agencies.

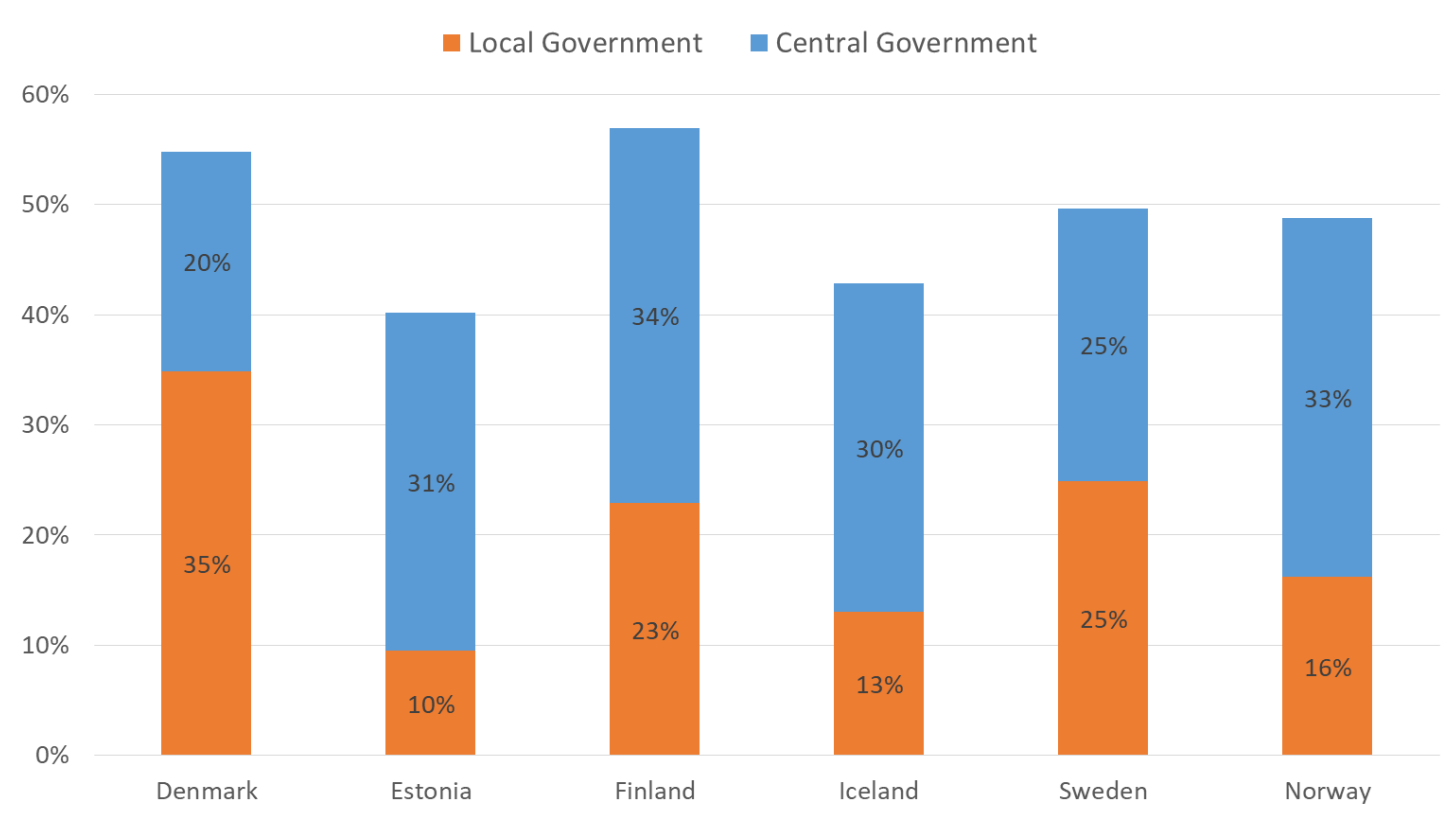
# SBS process from the draft of programme to its approval







# Central and Local Government % GDP

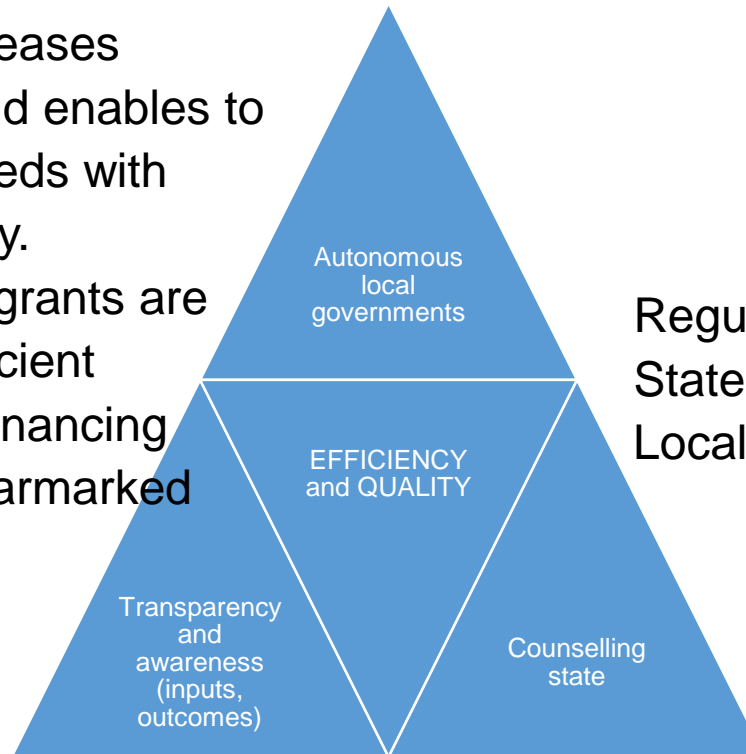


# Better services at local level

- Local taxing increases accountability and enables to balance local needs with willingness to pay.
- Non-earmarked grants are usually more efficient instruments for financing purposes than earmarked grants.

Examples:

- [riigiraha.fin.ee](http://riigiraha.fin.ee)
- LG service level monitoring tool (under development)

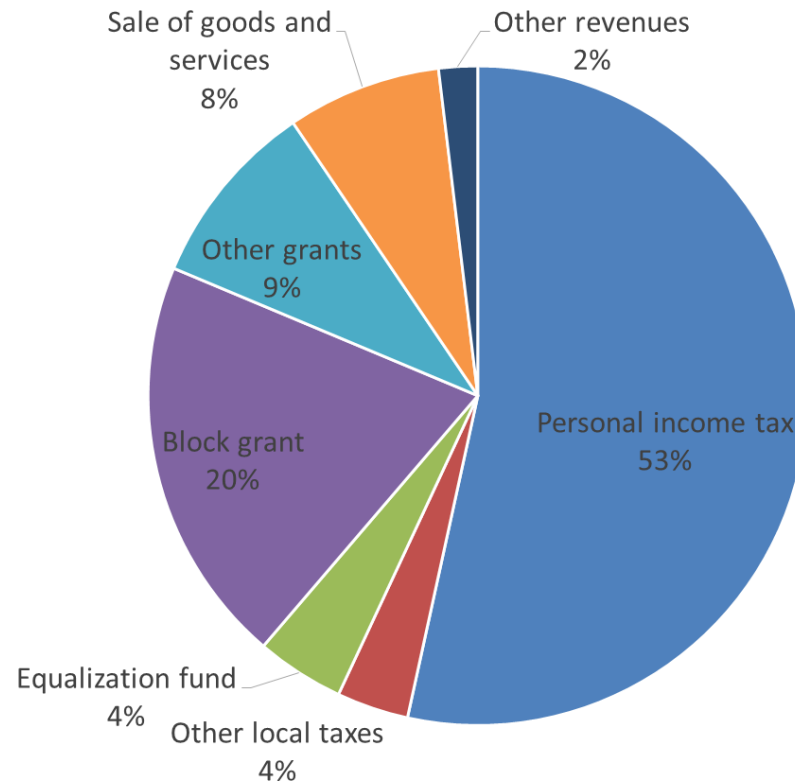


Regulations:  
State – WHO and WHAT?  
Locally – HOW?

- Coordination
- Monitoring
- Standards
- Councelling
- Innovation
- Ombudsman
- Equalizing



# Local Governments' revenues



# Local Government revenues

PIT - local governments receive 11.93 % from residents **gross** income (about 80% of residents paid PIT).

100% land tax

Equalization fund – covers 90% of the difference between revenues from land tax and PIT and expenditure need.

Expenditure need is calculated based on demographics mainly.

Block grant – earmarked grant for general education (incl teachers salaries), local roads, some social activities etc.

Government decided to abolish block grant and transfer these funds to local governments through PIT and equalization fund (non-earmarked). Will be implemented gradually.

Compensated for state functions – for paying subsistence benefits for residents mainly. Other task are minor.

# **Financial discipline**

Outcome from primary activities must be balanced or surplus.

Can take debts only for investments (or to refinance loans taken).

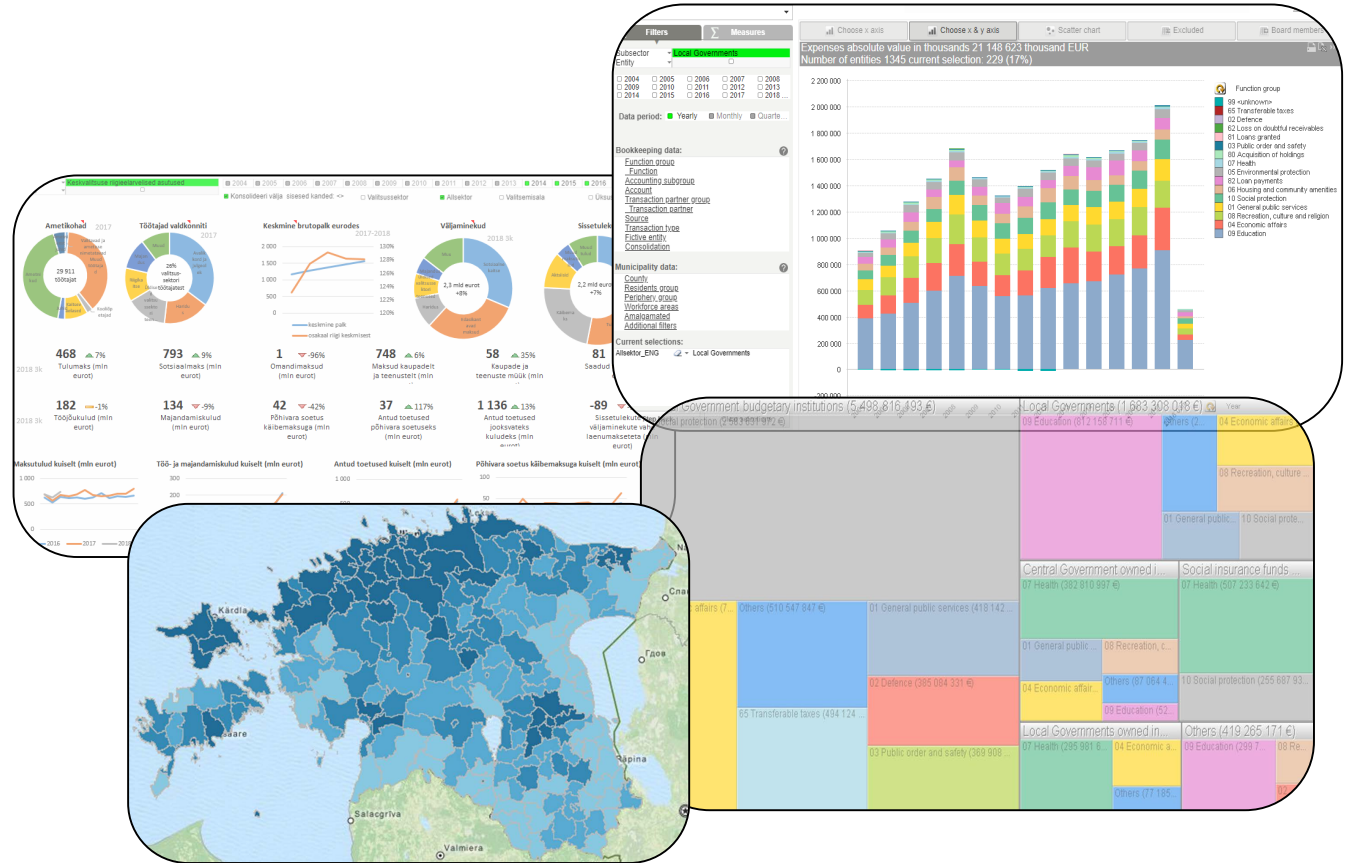
Local Government net debt (debt minus assets) can be between 60-100 percentage of their primary revenues depending on their financial capacity.

Measures in case of insolvency.

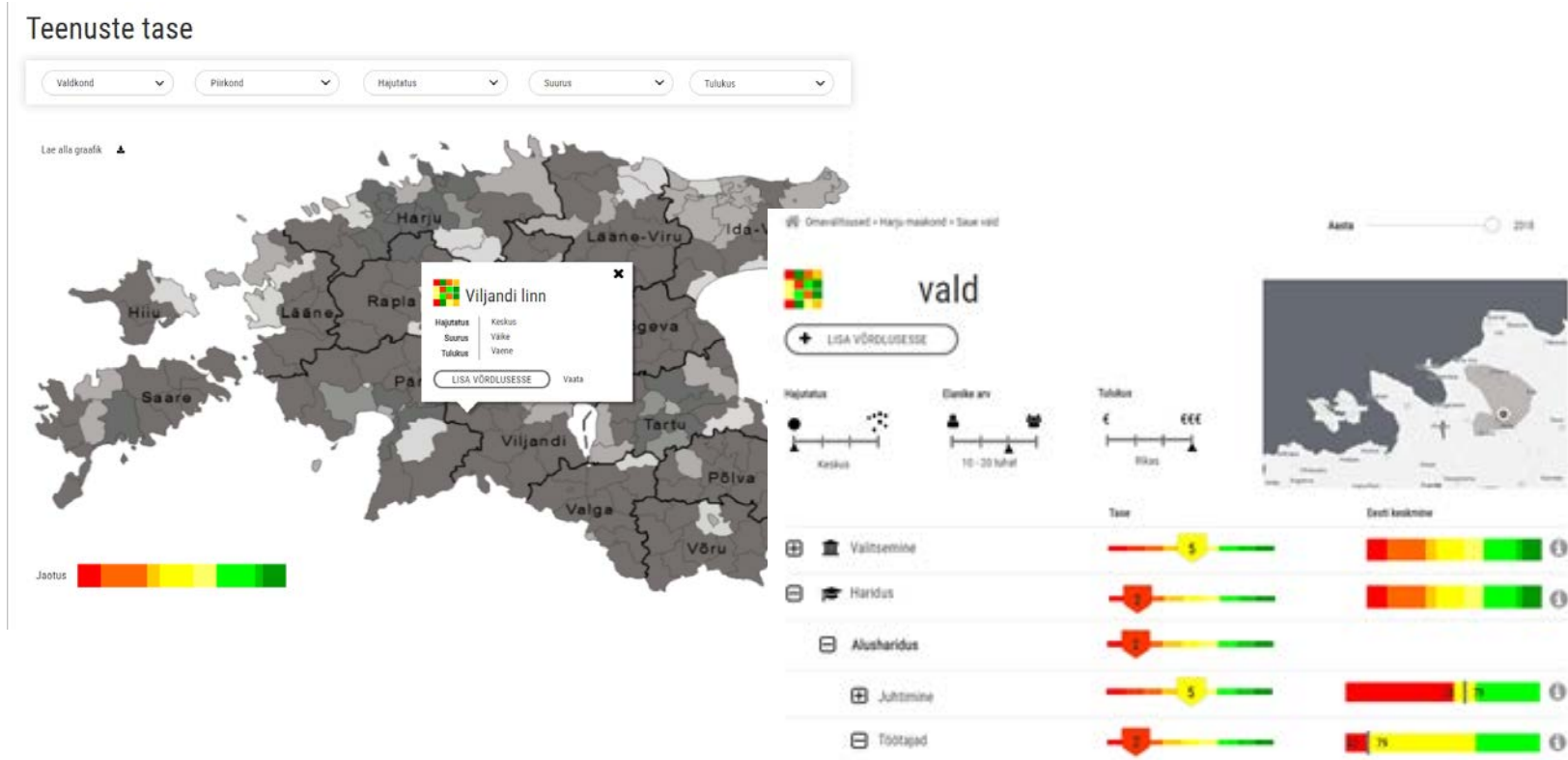
# Government Sector Finances is OpenData

[riigiraha.fin.ee](http://riigiraha.fin.ee)

- ✓ whole government sector
- ✓ freely accessible
- ✓ BI tool to analyse
- ✓ application has English version
- ✓ visitors from all over the world



# Local Service levels monitoring tool 2020



# Dashboards for every user

Simple high-level dashboard



Public dashboards



For different management levels in government agencies and ministries



Integrated data reporting





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# Thank you!

**Questions?**