

ESTONIAN
STATE
BUDGET
BOOK

ESTONIAN STATE BUDGET STRATEGY FOR THE YEARS 2007–2010



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AIVAR SÕERD
Minister of Finance

WHAT COULD LIFE IN ESTONIA LOOK LIKE IN FOUR YEARS

This question might seem inappropriate at a time when a great deal of our energy goes into solving everyday problems, and as a state we have gotten used to making plans for just a year ahead, or, at the most, from election to election.

Estonia has enjoyed independence and a market economy for barely 15 years. The dynamic development of this period of time ought to make even the most prophetic people doubtful about whether we can accurately predict and prepare ourselves for what is awaiting us in four years' time. Nevertheless, we have taken on this task – the national budget strategy for the years 2007–2010, compiled by government offices with the help of partners, provides on the basis of today's predictions a framework for using 335 billion kroons during the next four years.

In the conditions of a rapidly growing economy and increasing revenues we consider the primary task to be the need to launch new initiatives that would look further into the future and ensure the continuation of our development in the long run as well. Therefore we have very thoroughly analysed and planned for the state's money to reach the "right places" where problems are most urgent or development benefits most obvious.

On the other hand, we have to consider the fact that every year the budget applications of state institutions remarkably exceed the budget revenues, despite its annual growth of more than ten percent at times. So, 335 billion kroons might seem like a great figure but it will not solve all our problems and Estonia's development will definitely not be completed by 2010. That is why we had to make important choices in our priorities.

Our continuation as a state, a nation and a culture depends first and foremost on each individual's ability to manage on their own and to develop personally. By learning constantly, both in Estonia and on the international level, by exchanging knowledge and experience, and by implementing it, our economy will become more knowledge and technology-based. This, combined with innovation and high productivity, will help us to replace the current competitive advantage that is based on cheap labour and inevitably has a short expiration date, and make sure that each individual gets a job that fits their abilities and skills.

In order to advance innovative thinking the state has to invest in research and development, and encourage cooperation between research institutions and entrepreneurs. If we also manage to keep our labour market flexible at the same time then we are likely to attract considerably better foreign investments, and Estonia could become the most attractive capital investment destination country,



and the most favourable environment for entrepreneurship and innovation in the Baltic Sea region and in Eastern Europe. A state with an influx of talented people and not the other way around.

Our goal in compiling the strategy was to create prospects and prevent problems that might occur in the future. As the rate of unemployment is low at the moment, it is our goal to take steps to ensure that it does not grow in the future either. As our economic growth is rapid, we have to make sure that at one point we do not discover that we have started sprinting too early while running a long-distance race. As our economy is developing then we also have to improve people's quality of life.

Our main objective is to invest in people and in a livable environment. The Estonian people must have the opportunity to value family, free time and their hobbies and interests so we will be healthier and economically and socially active throughout our lives.

During our current period of rapid economic and social development it is important to pay attention to environmental protection – it is a vital topic because of our health and quality of life but also because it provides a competitive advantage in the future economically. In addition to that, the state of Estonia's natural environment is an inseparable part of our cultural heritage.

We have to invest in the improvement of connections both inside and outside the country to ensure regional balance of development. This is also a prerequisite to general development. We consider an important value to be people's access to business, studying and communication opportunities – and not only physical but also info-technological access.

No country can prosper when its people have to worry about the wellbeing of their loved ones and the sanctity of private property. Therefore, we must strive to enable our security keepers – police officers, emergency workers, and border guards – to work in decent conditions with modern equipment, and that their hard work is appropriately rewarded. In order to achieve success, we also have to contribute to improving the performance quality of our state institutions and educating our officials so that planned activities are also implemented well.

In the next four years we have a chance to significantly decrease the gap in our standard of living from the European Union's average level, but rising to a level comparable to Europe's average cannot be a goal in its own. We look even further into the future – investments also have to ensure our capacity for development in the future.

DEAR READER

This book will help you understand how the Estonian state plans to use its money – how budget funds are distributed in the following years, and how the effectiveness of using the money is guaranteed.

The budget strategy has been the foundation of yearly national budget preparations since the change of the millennium. This year, state institutions led by the Ministry of Finance have compiled the budget strategy for the years 2007–2010 which will be the basis for planning next year's budget and the distribution of money during the following years as well. The strategy is reviewed every year – it is renewed and an additional year is added. Thus, next year we will work on the budget strategy for the years 2008–2011.

Differently from previous strategies on using the state's money, the budget strategy will also point out this year the directions for using the grants coming from the European Union during the next seven years. Estonia will get to use slightly more than 335 billion kroons altogether during the next four years. A large part of it has already been planned ahead with various laws and state obligations. The rest of the resources will be channelled to solve various bottlenecks and to develop the state. The objective of the implementation of the strategy is to achieve rapid, socially and regionally balanced sustainable economic development for Estonia. Eight priority fields that include the chief development activities and possible solutions for more critical problems contribute to reaching this objective.

The strategy operates with sums that are based on thorough economic situation analysis and the respective prognosis prepared by the Ministry of Finance. In order to carry out the involvement of the planned EU support the ministries shall prepare detailed operational programmes, which shall be used as the basis for the distribution of EU structural funds.

We hope that you will find here a thorough review of Estonia's development plans for the next four years as well as the information about how these plans are made, implemented, and how their completion is checked.

WHAT IS THE NATIONAL BUDGET STRATEGY

The national budget strategy or NBS is a document in which **government offices and partners plan the usage of the government's money during a certain period in advance**. This budget strategy is special because it also provides guidelines for using the money coming from the European Union to Estonia during the next EU programming period.

The strategy lists the state's revenues, expenditure and financial transactions, and relevant principles of financial and economic policies by which the Estonian Government is guided. It also marks the government's **main priorities**, altogether eight of them. The basis for money distribution is precise analysis of the present state and an economic forecast, which are also inseparable parts of the strategy.

The strategy will come into force after the government approves it in a proposal by the Ministry of Finance. According to the national budget law this has to take place at least seven months before the beginning of the new budgetary year.

The budget strategy is compiled in order to secure the sustainability of the budgetary policy and to improve the productivity of government offices' work. Namely, planning a few years ahead enables the work of the government to be planned more efficiently as compared to the national budget compiled from scratch every year. Mostly it takes more than one year to achieve the results in the work of civil servants, and the desired effect – a money distribution plan that covers several years – allows us to consider the connections between various activities better, and to increase their effect on Estonia's development.

Four-year budget strategies also increase the clarity of the compilation of national budgets, and provide a basis for the better observation and assessment of the state's activities, or in other words, the usage of public funds.

The present **strategy is concerned with planning public funds for the years 2007-2010**. The NBS is renewed every year and a new final year is added each time – we are dealing with a “rolling” perspective.

In 2007-2010 the state can spend around **286 billion kroons** of its own revenues, and around **48.6 billion kroons** of external funds will be added to that.

HOW IS THE NATIONAL BUDGET STRATEGY MADE

Preparations for compiling the 2007–2010 budget strategy began at the end of 2004. The aim was also taken to involve the planning of European Union grants in the development of the strategy.

The compilation of the budget strategy is organised and led by the Ministry of Finance. Within the ministry the strategy compilation is led by the National Budget Department but the Economic Analysis Department, Financial Policy, Tax Policy and Public Governance Policy Departments, Financial Control Department, and additionally the Foreign Financing Department and EU Payments Department are also included.

Different meetings, round tables and consultations have lasted for almost a year. Having received the task of starting to create the strategy and leading this process from the government in summer 2005, the officials at the Ministry of Finance and state institutions, third sector groups and other organisations started the work.

The work started with planning European Union structural instruments, namely the compilation of the “National Strategic Reference Framework 2007–2013” found in the National Budget Strategy. Through this sub-strategy the NBS will have a long-term “strategic roof” in areas connected to European Union instruments, which will define the general directions of what Estonia will use EU grants for and how.

The European Commission has to approve the part of the strategy that deals with the planning of structural instruments, as well as the operational programmes which have been compiled on its basis specifying the distribution of EU structural funds.

If the Commission is satisfied with our preparations, then the money will reach Estonia.

At the end of January 2006 the government endorsed the order, division of labour and time schedule for compiling the 2007 national budget and national budget strategy. After that, **the representatives of ministries, their sub-offices and constitutional institutions started to submit their ideas and applications via the Internet.**

At the end of 2005 the government approved a regulation according to which **ministries have to work out development plans for their governing areas for the years 2007–2010 as a basis for the national budget strategy.** These development plans were submitted to the Ministry of Finance by 1st March 2006. The development plans, compiled for the first time according to uniform requirements, include the descriptions of key result areas and a financing plan.

In March, the Prime Minister held negotiations with other members of the government about the content of the development plans, and the plans were elaborated. After that, **the fundamental needs of financing state institutions’ work were analysed on the basis of development plans in the Ministry of Finance** – these needs are in the form of sums the existence of which guarantees that public services are provided and the state operates successfully on the present level.

After this analysis, a calculation was performed to determine the amount of funds which, considering planned expenses, will be left over after fundamental needs are met. These funds could be used for solving problems pointed out in development

WHO IS BEHIND THE NATIONAL BUDGET STRATEGY

plans and by state institutions in budget strategy projects, and for initiating developments.

Finally, the problems and bottlenecks were identified that have the most critical need of being solved and the solving effect of which can be felt the most. For this, the current situation of sectors pointed out in development plans, and in the proposals/projects submitted by state institutions, was estimated – including problems, their acuteness from the state's point of view, and how fast they need to be solved. The goals set for solving the problems and the effect of achieving them for Estonia as a whole were also analysed.

After the analyses were completed, **the officials of the Ministry of Finance held negotiations with officials of other ministries, after which discussions between the Minister of Finance and the rest of the ministers took place.** The objective of these negotiations was to elaborate the content of the proposals and projects of the ministries, the requested sums, as well as financing priorities and main goals of activities. Special attention was paid to the applications and priority fields of the 2007 national budget. In the course of the negotiations between ministers the financing priorities and capacities of governing areas' development plans were also agreed upon.

The government discussed the project of the strategy and the financial plan compiled in the Ministry of Finance during several cabinet meetings and general coalition meetings. The final version of the strategy was finished in May. The "National Budget Strategy 2007–2010" was ultimately approved at the government sitting of 31st May 2006.

The compilation of the national budget strategy is led by the **Ministry of Finance** – an institution whose task is to manage national budgeting, also including the compilation of annual budgets. The organisation and management of the compilation of the "National Budget Strategy 2007–2010" and as a part of that the European Union structural support were also assigned to the Ministry of Finance by the government on 14th July 2005.

All the ministries and the State Chancellery and Constitutional institutions participate in the compilation of the strategy to a greater or lesser extent.

In addition to state institutions **local government associations, several socio-economic partners and non-governmental organisations** have also been involved in the compilation of the strategy, primarily in the part of planning European Union structural support.

The Ministry of Finance has followed the principle of involvement in leading the compilation of the strategy: those concerned by the strategy must have a chance to have a say in stipulating the objectives. The officials of the Ministry of Finance and also of other ministries have met with many interest groups in order to get as many different viewpoints as possible, and also the feedback to their ideas. Thorough discussions about the European Union instruments part of the strategy have been carried out.

The **European Commission** also has a say when it comes to those parts of the strategy that deal with money coming from the European Union because the Commission ratifies the operational programmes compiled for using EU grants on the basis of strategies. European Union funds will only be open after receiving clearance from the Commission.

All the main documents regarding the compilation of the strategy have been public on the web page of the Ministry of Finance since autumn 2005, and proposals/opinions are also welcome in the future from all readers that have something to say on the subject.

The government discusses the national budget strategy draft and will ultimately approve it according to the National Budget Act.



IVAR SIKK
Head of the National
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THE NATIONAL BUDGET MUST BE USED WITH A LONG PERSPECTIVE IN MIND

The National Budget Strategy for the years 2007–2010 is different when compared to its predecessors – it is the sixth document of its kind but for the first time the plans for using the state’s own resources are tied with the strategic framework of the European Union’s structural instruments’ implementation. The first national budget strategy was compiled in the year 2000; since the spring of 2002 it has been compiled annually for the subsequent four years. Separately from the national budget strategies, however, the National Development Plan was compiled for implementing Structural Funds in the years 2004–2006.

Joining two strategically important documents for the country and planning funds relies on the principle that the state has one budget. When people plan their expenses, they consider all their existing incomes. It is also rational for the state to do the same – plan both the domestic revenues and the funds coming from the European Union and from other foreign aids together.

EUROPEAN GRANTS AND DOMESTIC REVENUES REACH THE SAME PLACE

Concordance between the activities financed by ‘euro money’ and by domestic resources must be ensured in any case – it enables the state’s funds to be used more efficiently and directed more purposefully. While planning the EU grants, we must consider how Estonia’s own resources are used, and also the other way round because the ultimate goal of activities financed from different sources is the same – the development of Estonia and increasing the prosperity of the nation. In the end, it is all the same money for the state because both ‘euro money’ and Estonia’s domestic revenues come from none other than our, the taxpayers’, pockets – even if they come back to our national budget through the European Union budget.

Hence, it is not reasonable to make separate plans for money coming from various sources. Unified planning helps to achieve the set goals faster because the state’s activities have been devised more wholly and in a more coordinated manner. Additionally, planning the use of internal and EU support funds together makes the whole budgeting process (planning and using funds) more transparent and clearer for the taxpayer.

But why do we need to compile four-year strategies that will be the basis for directing the state's money, and plan the state's activities in the long run at all? Would annual budgets not be enough?

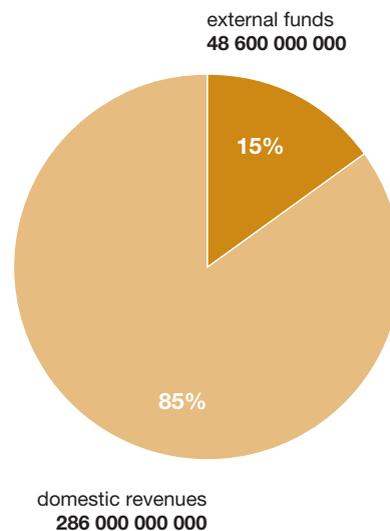
PLANNING IN ADVANCE

The main reason why state funds cannot be efficiently planned for just one year is the fact that most of the activities that the state organises have a longer duration than a year; and the effect of most of the activities also lasts longer than a year. In compiling one-year national budgets we would not be able to sufficiently delve into how much money we should allocate in the coming years and where. In making decisions today not only do we have to consider their effect on the next year but also their effect in three, four, ten, or even fifty years' time. Just like when a family is planning to build a house and they think about whether they will later have enough money to install a roof, the state also has to consider whether they have sufficient funds in the future to fully implement an investment project.

Additionally, when making budgetary decisions we inevitably have to think as a state today about the extent to which we fund contemporary public services with contemporary budget revenues and to what extent the future generations have to pay for them – in other words, is the provided service paid for by the generation that uses it? In short-term thinking it might seem very practical to take a long-term loan to solve current problems. We have to consider, however, whether this decision would be acceptable for the next generation that will start paying much more for the roads, school buildings, etc., years later without receiving additional benefits themselves.

In addition to the above, the multi-annual activities and financial plans have another important role to play. Compiling the budget strategy which is a basis for planning government institutions' activities enables the strategic orientation and purposefulness of the state's activities to be increased. Before doing something one has to think about the desired objective – after that the way there can be chosen more wisely.

BUDGET RESOURCES 2007-2010





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JOINT ACTIVITY CREATES MOMENTUM

Compiling the national budget strategy for the years 2007–2010 began at the end of 2004 when the European Union started to prepare for the 2007–2013 budget period and in the course of the compilation of the general national budget strategy Estonia set out to draw up its own plans for using the EU funds. The process that has lasted for almost one and a half years by now has become complicated and extremely laborious but at the same time also exciting, educational and developmental for all participants. As a result, Estonia has taken a great leap forward in policy-making and in strategic planning.

The main challenge has been adjusting to the new mentality and the changes in the organisation of labour that result from it.

The most important change is, of course, that for the first time we are watching Estonia's income along with European Union funds. This has required all the participants in compiling the strategy to change their previous way of thinking and acting: we have had to plan our work more strategically than before and to look further in the future than we used to. We have tried to concentrate the state's activities as much as possible and tried to jointly think through and consider the mutual impacts between different sectors.

This mentality is supported by another innovation, the strategic planning regulation adopted by the government last December, which is the basis for compiling development plans for activity fields. For the first time this year, four-year development plans for all governing areas were written based on uniform requirements. These plans were also subject to negotiations between the prime minister and other ministries for the first time before approval of the plans as a basis for the national budget strategy.

A technical innovation of no less importance is the revival of the national budget information system, which has been thoroughly remodelled. The information system was used to assemble the data

that was the basis for compiling the strategy – it enabled the work load of the process to be decreased.

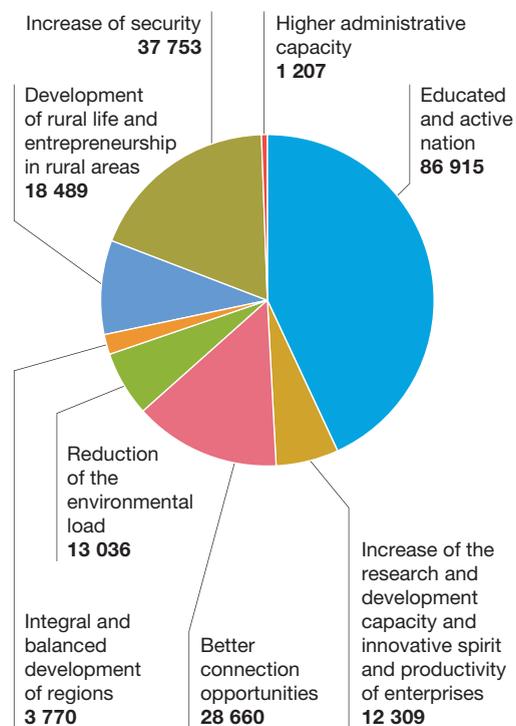
BETTER COOPERATION BRINGS BETTER RESULTS

Compilation of the budget strategy has been a constantly evolving and changing process and for that reason the participants in it have had to demonstrate great desire and ability to manage both with ideological changes and a demanding work pace. Creating the strategy on new grounds has also demanded efficient cooperation between all parties and the Ministry of Finance as the leader of the process has had its hands full in organising all the work. These efforts, however, have resulted in increased cooperation both inside the public sector and with outside partners, and in better coordination among several sectors of politics.

A more strategic approach in the planning of state and EU funds also enables an increased momentum effect to be achieved in implementing the state's activities, and more agreement among the implementers. So far, this has not always been a habit in shaping Estonia's policies – hopefully our improving cooperation will speed up Estonia's development. We can direct and influence our country's development successfully only by working together.

We certainly have a lot of room for development and the compilation of the newly finished strategy is yet another step on the way to efficient state strategic planning. But we still have to face many challenges: work will continue with planning European Union grants to Estonia and the state's own resources by making more precise plans. We also need to draw up operational programmes for EU grants and to get approval from the European Commission, and to compile a budget for the year 2007. After these things have been completed we will renew the budget strategy in a year's time and prolong its validity by a year. By then, we will be significantly more experienced in planning the funds together and in efficient cooperation.

GOVERNMENT'S PRIORITIES FOR 2007-2010 (million kroons)





THE BASIS OF THE BUDGET STRATEGY IS INVOLVEMENT AND COOPERATION

Since this budget strategy provides the basis for distributing larger sums of money than any other financial planning document in Estonia before, the Ministry of Finance has tried to put extra emphasis on making sure that the strategy is broad-based and considers the ideas and proposals of as many interest groups as possible.

In leading the compilation of the strategy the Ministry of Finance has followed the **principle of involvement** – those concerned by the strategy must have a chance to have their say when agreeing on the goals.

In compiling the NBS, Estonian government offices had to cooperate to a greater extent than normally and reach compromises amongst themselves. The joint work will continue with the national budget compilation and with the renewal of the NBS next year. Tight cooperation in planning state funds will definitely strengthen inter-ministerial cooperation in other sectors as well – with this we create momentum and increase the efficiency of state activities.

However, the strategy is not only a public sector project – discussions with several third sector associations and other organisations took place during its preparation and compilation. Altogether, more than 120 different organisations participated in the creation of the NBS – representatives of workers and entrepreneurs, environmental organisations, several non-profit associations and foundations, universities and other academic associations.

Interest groups were especially systematically and comprehensively involved in planning for European funds because previous experience in this already existed. We have arranged round tables and consultations that are still taking place; in November 2005, we organised a forum in which more than one hundred interest groups' representatives participated. In March-April 2006 a so-called official consultation round was held where all our partners could submit their opinions in writing.

Operational programmes which are the basis for putting into practice the agreements about European grants are made in the Ministry of Education and Research, Ministry of the Environment, and the Ministry of Economic Affairs and Communications. However, in developing plans all the concerned ministries have an important role in activities that are related to their governing areas. In addition to that, the ministries leading the compilation of the plans are in contact with many different interest groups so it will result in broad-based and detailed plans that take everyone's interests into account.

The documents related to the compilation of the strategy have been available on the web page of the Ministry of Finance since autumn 2005, and suggestions and opinions are also expected in the future from all the readers who have ideas about the given subject.



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European Commission
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EUROPE CONTRIBUTES TO COHESION

With the relaunch of the Lisbon Strategy, cohesion policy has become the primary financial instrument at the Community level to ensure that its resources are used for the implementation of the growth and jobs strategy as expressed in the National Reform Programmes by EU member states.

The concrete implementation of the cohesion policy and the usage of the structural and cohesion funding will be detailed by all EU member states in the so-called National Strategic Reference Frameworks (NSRF) and the underlying Operational Programmes. These are the main vehicles for the delivery of cohesion policy in line with the Lisbon Strategy and they should seek to target resources on the following three priorities¹:

1. improving the attractiveness of EU member states, regions and cities by improving accessibility, ensuring adequate quality and level of services, and preserving their environmental potential;
2. encouraging innovation, entrepreneurship and the growth of the knowledge economy by research and innovation capacities, including new information and communication technologies; and
3. creating more and better jobs by attracting more people into employment or entrepreneurial activity, improving adaptability of workers and enterprises and increasing investment in human capital.

It is expected that Estonia, as one of the countries that has started to perform very well in this period and as a country that has been very active in adopting the Lisbon strategic goals, will choose a strategy that closely follows these objectives and, hopefully, reaches them.

For any Member State, not just Estonia, reaching these ambitious goals will be a challenge but success will surely be built on a combination of factors having an impact on the programme's performance, such as:

- Focus of funding on a limited number of strategic priorities that are clearly identified and analysed in light of the national situation as providing added value and responding to the challenges posed by national strengths and weaknesses.

- Ensuring that the cohesion policy programmes give direct backing to the National Reform Programmes.
- Opting, also as a new Member State, to adhere to and reach the objective of earmarking cohesion policy resources for measures in pursuit of the Lisbon objectives².
- Taking into account the macroeconomic impact of transfers from cohesion policy resources to achieve stable growth conditions.
- Making strong efforts to develop coordination mechanisms inside the EU member states, e.g. between ministries responsible for different programmes, national, regional and local authorities implementing the Funds and between the organisations responsible for the National Reform Programmes and those preparing the cohesion policy programmes.
- Consultation and involvement of a large institutional partnership and civil society in general.
- Raising the capacity of all stakeholders involved in implementing the structural and cohesion funds and ensuring that they are well informed as well as properly trained in dealing with sound and efficient utilisation of the massive financial input that the structural and cohesion funds imply.

In order to meet the challenges, the Commission intends to work closely with the Estonian authorities and with the other partners to ensure that the next generation of cohesion policy programmes for the period 2007–2013 supports economic modernisation through high-quality implementation of the strategic choices of the National Reform Programme and of the national budget.

¹ – *Communication to the Spring European Council “Working Together for Growth and Jobs – A New Start for the Lisbon Strategy” – COM (2005) 24, 2.2.2005.*

² – *For the least prosperous regions eligible under the new Convergence Objective the expenditure target is throughout the period on average 60% of the total of the programmes concerned, while for the rest of the Union covered by the Regional Competitiveness and Employment Objective, the figure is 75%.*





LIIS PALUMETS
Chief Specialist,
Regional Development
Department, Ministry
of the Interior

COMPILATION OF THE BUDGET STRATEGY FROM THE MINISTRY'S POINT OF VIEW

Along with other ministries the Ministry of the Interior also took part in the compilation of the national budget strategy. Since the end of last year we have contributed our ideas and proposals in the compilation of several parts of the strategy. We also participate in the compilation of operational programmes that will be the basis for distributing and using European Union grants in Estonia.

The most important permanent partners of the Ministry of the Interior in planning the regional development are cities, municipalities and county governments. Regular cooperation takes place during the meetings of the county progress managers' board that occur three or four times a year, and through the budget negotiations held with the Local Government Associations Cooperation Assembly. At the meetings we have talked, among other things, about topics concerning the implementation of the European Union's structural instruments. In summer 2005, we collected input about priority activity areas and examples about planned investment projects from county governments. We have taken into account both the received data and the development plans of local governments in planning the implementation of structural instruments.

ALL PROPOSALS ARE WELCOME

The official partners of the Ministry of the Interior in preparing the national budget strategy are the Association of Estonian Cities, Association of Municipalities of Estonia, Network of Estonian Nonprofit Organisations, Kodukant Association of NGOs, Association of Estonian Small Ports, local county government associations and county governments. We have also established a contact person through whom comments to work documents can be submitted, and who can be turned to with questions regarding the compilation of the strategy.

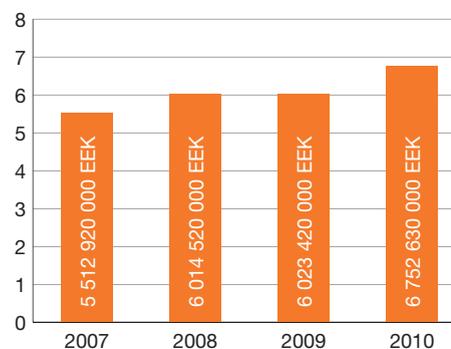
In addition to making instant proposals our partners could present their ideas and comments in two unofficial and one official consulting rounds in the course of developing the part of the budget strategy concerning structural instruments. The Ministry of the Interior received a number of comments about the draft on the analytical part of the strategy as well as the draft on the objectives and priorities part – proposals were made by almost all county governments, the Network of Estonian Nonprofit Organisations, Estonian Chamber of Commerce and Industry, Estonian Post, University of Tartu, Tallinn University, City of Tallinn, Non-governmental Organisations Cooperation Network and the Ministry of Social Affairs. Several organisations and unions also used the opportunity for official consultation. We have tried to take all relevant comments into consideration.

EACH MINISTRY COORDINATES ITS OWN WORK AREA

To compile the priority direction of the integral and balanced development of regions in the framework operational programme for the development of the living environment that was assigned to the Ministry of the Interior we formed a working group that in addition to the representatives of concerned ministries included the representatives of Enterprise Estonia, the Association of Municipalities of Estonia, Association of Estonian Cities, Kodukant Association of NGOs, Association of Estonian Small Harbours and the University of Tartu.

Additionally, bilateral and multilateral meetings with the ministry and other partners have taken place. The officials of the Ministry of the Interior have also introduced the planning process of using structural instruments at various seminars and at local county government associations' meetings.

EXPENSES OF THE MINISTRY OF THE INTERIOR IN 2007-2010 (billions of kroons)





AGU LAIUS
Executive Director
of the Public
Understanding
Foundation

CITIZENS HAVE A SAY IN COMPILING THE STRATEGY

The Public Understanding Foundation has actively cooperated with several ministries in the compilation of the budget strategy. We have been involved in the process in every way – we made a number of proposals and also participated in work discussions.

The Foundation also participates in the budget strategy compilation cooperation network of associations. The work of such a network is very effective because precisely those associations that have a keen interest in the topic and wish to participate in the compilation of the national budget strategy have joined the network.

At the same time, we have unfortunately not been able to discuss all topics and materials systematically and form positions about them due to a lack of resources. Therefore, we have often had to limit our activities to notifying the participants of the Public Understanding process about possibilities of submitting proposals to the national budget strategy. We have had this opportunity because the Ministry of Finance and some other ministries have taken the responsibility of notifying their partners regularly about the strategy's work versions.

INCREASINGLY MORE INVOLVED PARTIES IN THE PLANNING OF RURAL LIFE

We have participated in the compilation of the rural development plan of the Ministry of Agriculture the most. We have also been engaged in this topic before and formed our position; therefore, it was not difficult to contribute to the budget strategy compilation process. It has been good to see that involvement in the planning of rural life and agriculture has become very extensive. At the same time, this has also brought about problems for us – for example, it has happened that representatives of the same associations and interest groups have participated in various assemblies and discussions. We have to be able to coordinate the involvement process better so all interested parties can have their say.

This year the Public Understanding Foundation has not been recognised as a social partner in the strategy negotiations of the Ministry of Social Affairs; therefore, we could not directly influence decisions regarding health policy. Our good ideas definitely reached the compilers of the strategy through other parties of the agreement and through other cooperation activities with the Ministry of Social Affairs. We hope that next year we can have more input on this topic, and presumably we can also overcome the lack of resources problem and have successful and sufficient involvement. Other working groups of the Public Understanding Foundation treated the national budget aspects of their domains separately from the rest of the work of the working group.

INTEREST GROUPS ARE INVOLVED IN THE DEVELOPMENT PLAN COMPILATION

We approve the will of the Ministry of Finance and other ministries of the domain to include associations and interest groups in the compilation of the national budget strategy. It is a big step towards having joint activity and goals, especially in comparison to the compilation of the “National Development Plan 2004–2006” where associations had a say only when the development plan was practically finished and it was no longer possible to make major changes.

In order to develop involvement even further it is necessary to discuss our previous experiences together and try to find options on how to make cooperation even more efficient. It is no secret that associations are not yet able to be sufficiently prepared and professional partners in the compilation of the budget strategy. Therefore, we have to make an effort on our behalf to make a good attempt into a good tradition so as many active citizens as possible can have a say through associations in the planning of the use of state funds.



ANDRUS SÄÄLIK
Head of Economic
Analysis Department,
Ministry of Finance

ESTONIANS WILL SOON LIVE AS WELL AS THE SWEDES

Not only is the national budget strategy a financing plan and an activity strategy but it is also a fiscal policy-shaping document – a foundation of economic policy.

In order to plan the state's activities and the money needed for them we need to know our current economic state and plans for the future, and analyse the events that take place around us. That is why the national budget strategy speaks not only about where the state is going to put its money in the next four years. It is also one of the main source documents of our economic policy, which reflects the current state of our economy, economic policy objectives, plans and risks.

For years Estonia has had the fastest economic growth in Europe. Our average growth (6.4%) during the last decade is only topped by Ireland, and during the last few years only Latvian economy has expanded faster than ours.

WELFARE INCREASE IS THRIVING

Since Estonia's economic growth is faster than that of the EU average, we have been constantly moving closer to the EU's average standard of living. It is a joy to see that the fruits of economic growth are about to reach a lot of people. This can be seen in increasing wages and a significant decrease of unemployment – the unemployment rate, which fell to 6.4 percent in the first quarter of this year, has not been this low since 1993. The long-awaited decrease of the current account deficit also started last year.

International assessments of our economy and economic policy have been very positive as a rule. Foreign specialists say that our economy is free and open, there is little corruption, export is increasing, and the banking sector is reliable. The right economic policy that we have chosen and have been executing consistently is behind Estonia's economic success.

QUICK MONEY CAN BACKFIRE IN THE FUTURE

A conservative budget policy has been one of the chief foundations of economic policy. Estonia's public sector budget in 2005 had a surplus for the fifth consecutive year, and our public debt rate is the lowest among EU member states. Estonia is also among the half of EU member states towards whom excessive budget deficit procedures have not been initiated.

One can always say that had we taken even more loans then several things would have been completed even earlier. At the same time, the negative consequences of taking a loan are forgotten, even the fact that loans require that interest be paid, which decreases our options in the future. When analysing the situation of some EU member states with an extensive public debt and budget deficit, we can see that their budgets would be in balance without interest payments. This demonstrates that countries with budget deficits do not spend more on expanding their economy than we do because they have to spend a lot of money on loan interest payments.

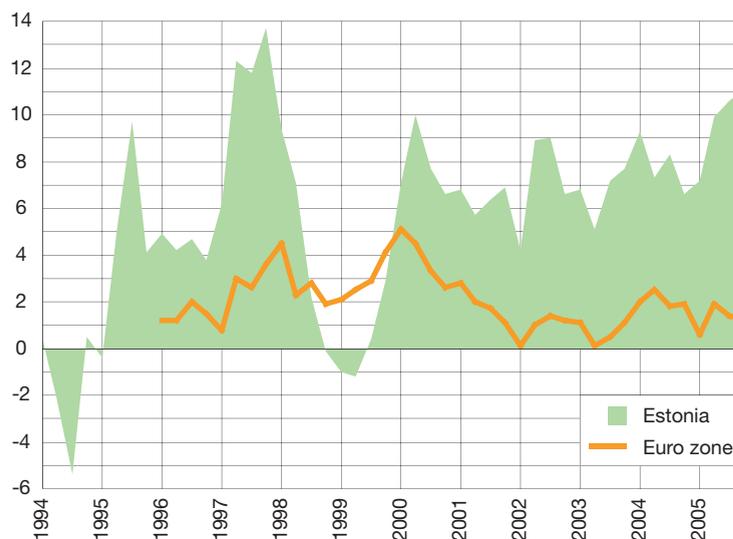
Naturally we cannot forget problems that need to be solved and sectors that need to be developed. For example the low levels of innovation, funding for science and research and insufficient infrastructure quality could be pointed out. These are sectors which receive serious attention from the budget strategy. The main objective of the NBS – to ensure fast, regionally balanced, and sustainable economic development – is principally the same aim our economic policy has had for years: stable economic environment, expanding economy, increasing employment, and sustainability. To achieve this we want to adopt the euro as soon as possible and keep the budget at least in balance in the future as well.

ESTONIA WILL SOON JOIN THE EURO

Adoption of the single euro currency helps to ensure economic stability. Estonia's goal is to do it as fast as possible but unfortunately unfavourable developments have so far postponed reaching this objective. Estonia meets currently almost all the necessary criteria for joining the euro – public finance is sustainable and interest rates are low. In principle, Estonia also meets the exchange rate stability criterion because the exchange rate of the Estonian kroon is fixed in relation to the euro. Considering Estonia's more rapid economic growth than other European Union member states, only meeting the price stability criterion is problematic. Hopefully we will also accomplish this some time soon.

Predicting is a thankless job but at the moment it appears that Estonia's economic growth will also continue in the coming years at a remarkable level for the European Union – around seven to eight percent. This means billions of additional kroons for the country and this is big money. It is very important that before this money is transferred into the budget we think thoroughly before acting, and make sure that the money is spent in the right places and in the right amount. The national budget strategy with its thorough analysis and wholesome approach is definitely a big step in the right direction.

ECONOMIC GROWTH OF ESTONIA AND THE EURO ZONE





VEIKO TALI
Deputy
Secretary-General
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HOW SHOULD WE ORGANISE OUR STATE

Is there too much state for us or is it critically “slim”? Is Estonia rich enough at all to be maintained in “full”? Is the state a good or bad master, does it function well or badly? Are there too many or not enough civil servants, are they overpaid or underpaid? These questions have ideologically black and white answers but they don’t give us much. What is clear, however, is that all of us, as Estonia’s citizens and taxpayers, should be very interested to see Estonia as a state and its public sector as a whole to function as efficiently as possible. Efficient work, in turn, depends a lot on how the state, as an organisation, functions and organises its activities. It depends on how goals are defined, activities are planned, and rights, obligations and responsibilities are divided, as well as on how the state acquires, uses and transfers property on a daily basis, and organises public services.

IT IS IMPORTANT TO DO THE RIGHT THING

What is more important – to do the right thing or to do things the right way? They both seem to be essential, but it is more important to avoid situations in which things are done the right way but they are the wrong things. It is especially critical for a small country such as Estonia where the fixed costs for state maintenance are already relatively high. When planning its activities the state needs to clearly and systematically define goals that would not merely depend on forces of everyday politics or certain fragments but that would consider the real challenges hindering society’s development the most in order to avoid useless spending. Strategic planning helps to accomplish this.

At the end of last year the government ratified a regulation on the basis of which sector-based development plans for ministries were compiled, and they became the basis for compiling the national budget strategy until the year 2010. So far, most of our energy has understandably been spent on the organisation of the system of strategies. In future, it is important to continue its consistent implementation. Additionally, we should also develop the methodology of estimation and analysis, including management reporting, in order to reach a more high-quality goal-oriented decision and planning process.

TOO MUCH OR NOT ENOUGH COUNTRY?

Estonia has a relatively small governmental apparatus, which is constantly evolving due to accession to the European Union and the new tasks added. The number of civil servants has somewhat increased during the last few years (see table 1) but the number of administrative agencies has been relatively stable (125 agencies in the year 2006).

An important challenge of the coming years is to develop public service so the motivation system of officials is clearly result-oriented and the entire system is flexible. Our current salary administrations have undoubtedly become obsolete – from now on we could rely on a unified methodology of position estimation. In order to provide more high-quality public services we need to more actively apply quality and result management practices, and pay more attention to innovative administrative and management solutions. E-State possibilities have definitely not yet been exhausted – we also need to develop and systematically implement them.

The central government can perform public functions itself, either through other public sector institutions (for example local governments, legal persons governed by public law, foundations, etc.), or assign its tasks to the private sector and in case of validity implementing the so-called PPP (public private partnership) scheme as well. In order to find the best structure for the state’s administrative organisation it is important to thoroughly analyse the expediency of the current arrangement and make a few changes if necessary. In addition to efficiency and transparency the effect of administration on the motivation of persons and institutions is also of vital importance here. As can be seen from tables 2 and 3 the number of companies with state participation has decreased over the last years, but the number of foundations has increased. This means that we need to estimate the expediency of establishing foundations, and observe the purposefulness and efficiency of their activities more thoroughly.

LET US DO THINGS RIGHT

In order for the state to operate well we definitely need to pass and successfully implement a new Public Procurement Act and a new State Assets Act.

Table 1

Institution	Number of officials		
	2004	2005	2006
Ministries* and governing area	23 081	22 648	21 918
Constitutional institutions	788	812	2 089
TOTAL	23 869	23 460	24 007

* County governments have been included under ministries

Table 2

State participation	Companies with state participation		
	1999	2004	2005
100%	40	35	32
51,1-99,9%	5	3	5
0-50%	15	13	13
TOTAL	60	51	50

Table 3

State participation	Foundations		
	1999*	2004	2005
State foundations	-	37	38
Foundations with state participation	-	28	26
TOTAL	50	65	64

* – these concepts were not yet used in 1999.

While in the 1990s state assets and issues regarding its privatisation were in the centre of attention, now the emphasis is on the state's procurement of services and products. A great deal of public property was transferred in the course of the reforms; public procurement capacity, however, continues to increase, and an increasingly greater deal of the national budget is spent on it. Hence, what also grows is our need for the modernisation of the public procurement system.

The chief objective of the new Public Procurement Act is increased flexibility and transparency of the procurements. It stipulates new procurement types and greater options, and it also creates a more efficient dispute settlement mechanism. The consultation of procurers will have a much bigger role, and an electronic procurement environment will be developed in the future.

The legislation dealing with the use and transfer of state assets also needs to be modernised. Issues regarding the organisation of real estate administration are being given special attention; issues regarding the ownership/renting relation, the centralisation/decentralisation of administration and the State Real Estate Company also need to be solved expediently. Transparency must definitely be increased, for example, by means of the state real estate portal that is being created.

To sum up, I would say that Estonia's public sector can be just as big or small, transparent or obscure as we want it to be. The 2007–2010 budget strategy has been compiled with a specific vision that the state's activities must be clear, unambiguous, and considerate of the public interests. This is how we must also continue organising the state's activities.

THE PAST, PRESENT, AND FUTURE OF ESTONIA'S ECONOMY

Estonia's economy saw rapid growth in the year 2005 – gross domestic product (GDP) increased 9.8 percent in a year. This is 2.6 percent more than the average of the five previous years. Both domestic demand and export contributed to the rapid growth.

Domestic demand, in turn, grew on active private consumption and investing. People had more consumption opportunities due to the increase in average wages and employment, especially in the second half of the year. After moderate progress of a couple of years investment increased considerably in 2005: public sector, enterprise, and household investments all increased. This was aided by the increase in demand, both in domestic and external markets, decrease of interest margins, and more efficient use of European Union grants.

Even though the economic growth of Estonia's main trading partners slowed down and therefore external demand did not reach the level of 2004, the exports increase contributed to economic growth even more in 2005. Estonia's market share in our main, European Union market has increased considerably and this indicates an improvement in the competitiveness of Estonia's goods. The import of goods also increased in 2005, which was influenced by a more rapid growth of export and domestic demand.

BIGGER INCOMES ENABLE MORE MONEY TO BE SAVED

A problem child of Estonia's small and open economy has been a relatively big current account deficit. In 2005 the deficit showed long-awaited signs of decrease and declined to 10.5 percent of the GDP. The deficit is also expected to decrease in the coming years.

Domestic saving has rapidly increased in Estonia since 2004, and in 2005 it amounted to 21.4 percent of the GDP. The main reason for it is people's increased savings, which can be explained by increased incomes. Saving in general was favoured in 2005 by the conservative financial policy, which brought along a significant budget surplus. Increased European Union grants also had a positive effect on it.

Among fields of activity the processing industry, which grew 12.1 percent in a year, contributed the most to economic growth in 2005. The growth was influenced by increased domestic demand and export.

Added value also grew rapidly in the tertiary sector, primarily in financial intermediation, domestic trade, transportation, warehousing and communications. Financial intermediation was influenced by active loan and leasing activities; domestic trading was influenced by an increase in sales volumes and rise in productivity; transportation, warehousing and communications were influenced by good financial performances of motor transport enterprises and the rapid development of warehousing.

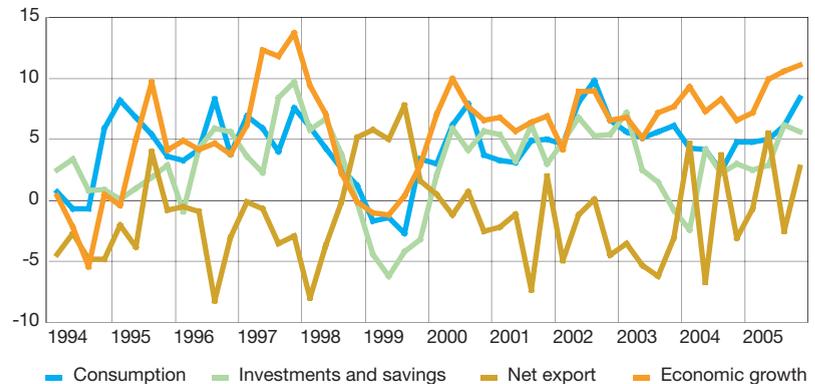
THE PRICE OF OIL HAS A STRONG INFLUENCE ON INFLATION

Prices increased faster than expected in 2005, and the consumer price index grew 4.1 percent. The rise in motor fuel prices, caused by increased oil prices, constituted nearly one-third of inflation, and housing services went up faster than on average. The latter were primarily influenced by administratively regulated price rises, including the rise of prices for electricity, water, sewerage and refuse collection. Inflation was also propelled by the rise of excise duties on alcohol and tobacco early in the early and middle parts of the year. Foodstuff prices increased moderately in 2005 (3.5 percent); communications services were the only chapter to fall in price by 4 percent.

The labour market development was gratifying in 2005: the number of employed grew by two percent, in other words by 11,900 persons, and the unemployment rate decreased to 7.9 percent. This was primarily due to the increase of employment in the tertiary sector, and active labour market measures were of significant help. Gross wages also increased – 10.5 percent according to initial data. The wage increase was promoted by a good situation in the economy, the efficient work of the Estonian Tax and Customs Board in decreasing the illegal payment of wages and the lack of qualified workforce.

The growth of labour productivity in 2005 continued with the pace of 2004, reaching 7.6 percent. As the real growth of wages was 7 percent, it means that

CONTRIBUTION TO ECONOMIC GROWTH



the situation inherent in the early 2000s in which wage increases exceeded the increase of productivity has withdrawn.

THE PUBLIC SECTOR BUDGET IS KEPT IN BALANCE

In 2005 Estonia had one of the biggest general government surpluses in Europe: budget revenues exceeded budget expenses by 2.6 billion kroons (1.6 percent of the GDP). The year was characterised by an increase of central government and social security fund surpluses, and a growing deficit of local governments. According to forecasts the public sector surplus should be even bigger in 2006 – 3.4 billion kroons or 1.9 percent of the GDP. This is due to lower than expected expenses, an economic situation promoting recovery of revenue, more efficient tax collecting, etc. In the years 2007-2010 the budgets of the central government and the whole public sector should be relatively balanced.

The main goal of Estonia's budget policy is to keep the public sector budget in balance in the long run, and this is also reflected in the low external debt. According to initial data, Estonia's public sector external debt was 4.8 percent of the GDP in 2005, which is the lowest number in the European Union. 55 percent of the 7.9 billion kroons of debt was made up by the debt burden of local governments, which has increased 12.3 percent since 2002. The reason for this is the constant deficit of local governments: when it is no longer possible to sell property to cover the deficit, it is then decided to take a loan. Central government debt decreased to 2.2 percent of the GDP in 2005 because when budget revenues exceed expenses there is no reason to take a loan. The public sector debt burden will probably remain on today's level by the end of 2010.

According to the Ministry of Finance prognosis the general tax burden will be 33.2 percent of the GDP in 2006. This is likely to decrease in the following years and will reach 31.6 percent in 2010.

ESTONIA'S AND EURO ZONE CONSUMER PRICE INDICES



THE STRUCTURE AND AMOUNT OF EXPENSES OF THE NATIONAL BUDGET STRATEGY

The amount of expenses of the national budget strategy for the years 2007–2010 is 344.9 billion kroons. Most of the expenses are made up of the state's revenues: 83.4 percent; expenses from foreign aid follow with 14.5 percent and the remaining 2.1 percent is spent from money coming from economic activity, domestic transactions and other grants.

National budget expenses will grow 18.2 percent in 2007 in comparison with the budget of the previous year; the growth will be smaller in the following years: 8-11 percent.

60 percent of the volume of the entire strategy, or 202 billion kroons, has been channelled to finance the government's main goals. The rest of the money is spent to meet the fundamental needs of state institutions so the state functions and is able to provide public services on today's level in the future as well.

There are altogether eight priorities. The priority of the educated and active nation is of highest importance – 42.9 percent of the money channelled for priorities is spent on developing this sector. Increase of security (18.7 percent) and better connectivity (14.2 percent) are also of greater importance.

When viewing the strategy according to economic functions, the most money is spent on social protection, the percentage of which is 29.1. Social protection is followed by economy with 18.4, health with 14.1 and education with 11.5 percent.

NATIONAL BUDGET EXPENDITURES 2007–2010

	2007		2008		2009		2010	
	millions of kroons	growth %						
State total	72 622,94	18,24	80 486,59	10,83	87 256,06	8,41	94 560,51	8,37
foreign aid	9 090,78	34,99	11 682,96	28,51	13 412,51	14,8	14 401,96	7,38
economic activity	641,44	14,07	619,89	-3,36	697	12,44	636,9	-8,62
domestic transactions	665,67	43,25	1 078,62	62,04	1 272,01	17,93	1 147,00	-9,83
other grants	73,05	833,58	88,34	20,92	84,99	-3,79	89,33	5,11
state revenue	62 152,01	15,85	67 016,78	7,83	71 789,55	7,12	78 285,32	9,05

In 2007 the financing of all activity areas will grow relatively successfully due to a rapid increase of the budget. The area of least importance will see the biggest increase in the budget – housing and utilities (growth: 73.7 percent). Also national defence (31.9 percent), economy (26 percent), and expenses on leisure time, culture and religion (25 percent) will increase rapidly.

Environmental protection (41.8 percent) and economy (28.5 percent) will see the most growth in 2008, and the area growing most in 2009 is education (22.2 percent), and in 2010 it will be environmental protection (19.2 percent).

FINANCING OF PRIORITIES IN THE YEARS 2006–2010 (millions of kroons)

	2006	2007		2008		2009		2010	
		absolute	growth %						
Educated and active nation	15 515,37	19 094,09	23,07	20 554,21	7,65	22 663,49	10,26	24 603,39	8,56
Increase of the research and development capacity and innovative spirit and productivity of enterprises	1 567,70	1 828,74	16,65	2 607,67	42,59	3 757,75	44,10	4 115,15	9,51
Better connection opportunities	4 010,92	4 440,57	10,71	6 969,01	56,94	7 658,21	9,89	9 592,23	25,25
Reduction of the environmental load	1 918,48	2 497,99	30,21	3 136,63	25,57	3 552,94	24,34	3 848,46	8,32
Integral and balanced development of regions	356,09	950,97	167,06	942,04	-0,94	936,94	-0,54	939,61	0,28
Development of rural life and entrepreneurship in rural areas	2 935,41	4 341,06	47,89	4 556,81	4,97	4 720,51	3,59	4 870,45	3,18
Increase of security	7 223,20	8 418,25	16,54	9 077,45	7,83	9 517,63	4,85	10 739,73	12,84
Higher administrative capacity	287,27	308,85	7,51	300,04	-2,85	299,07	-0,32	298,82	-0,08
TOTAL	33 814,44	41 880,52	23,85	48 143,86	14,96	53 106,54	10,31	59 007,84	11,11



OBJECTIVES OF THE NATIONAL BUDGET STRATEGY – WHAT WE WANT TO ACCOMPLISH

The government has phrased the chief objectives of using the state's funds in the following manner: the general objective of our activity is to ensure **Estonia's rapid, socially and regionally balanced, sustainable economic development.**

With this wording we try to create consistency between Estonia's existing and future policies. In fact, Estonia's economic policy has had the same general objective for years. Continuing on this course is vital because even proceeding from Estonia's present situation the objectives of outstanding economic growth and at the same time the increasing social and regional balance and sustainability of development are still relevant.

General long-term development and rise of the standard of living primarily depend on the speed of economic growth. At the same time it is important to pay attention to the distribution of welfare in society – social and regional balance. If we do not pay attention to issues regarding people and the balanced development of Estonia's various regions then we put long-term development in danger – social problems will intensify, and the state funds and development opportunities will not be implemented wisely. Therefore it is important to ensure the continuation of fast and balanced growth, in other words, to create conditions for future development, for the preservation and growth of necessary prerequisites and opportunities (for example, by increasing nature and human conservation).

To move towards the general goal Estonia needs to deal with solving the key problems determined through analysis, and developing sectors that are in a critical state in order to overcome the bottlenecks of today's development, as well as to anticipate the problems of the future. These activities are interconnected and joined to strategic activity areas or NBS priorities:

- **Educated and active nation**
- **Increase of the research and development capacity and innovative spirit and productivity of enterprises**
- **Better connection opportunities**
- **Reduction of the environmental load**
- **Integral and balanced development of regions**
- **Development of rural life and entrepreneurship in rural areas**
- **Increase of security**
- **Higher administrative capacity**



FIRST PRIORITY EDUCATED AND ACTIVE NATION

People's ability to manage on their own, to develop themselves and their quality of life is very important from the state's development point of view. The preconditions for managing are good health, proper education, and managing on the labour market. It is vital to value every individual, especially when considering the decreasing and aging of Estonia's population.

The first priority deals with education, health, social welfare, and employment, the integration of non-Estonians, child welfare and other issues that have a direct influence on people's lives.

Education-related activities have been directed to developing Estonian-language learning, creating equal opportunities for lifelong learning, and improving the quality and availability of youth work.

We will continue modernising the schools' study environments and create an extensive adult vocational continuing training and retraining system; we will also support the professional development of lecturers, teachers and adult training providers. In order to help increase the quality and flexibility of education we will develop notification and guidance systems that encompass study and vocational guidance and career services.

To improve the quality of youth work we will develop an appropriate grading system and advance youth workers' training; we will support the organisation of youth work, youth associations, recreational education and activities, and the development of institutions engaged in youth work (open youth centres, information and counselling centres, and hobby schools); we will also create opportunities to involve youth in decision-making that affects their lives.

We will continue developing the curriculum, and support the international cooperation of educational institutions. We will also develop education information systems, and support the development and implementation of educational research programmes.

Another important area is ensuring and improving the **health and ability to work** of the Estonian people. Our goals are to contain the spread of infectious diseases, to decrease environmental-related health risks, to ensure the availability of health services, and to deal with the prevention of diseases by promoting a healthy lifestyle.

Local levels have an important role in the promotion of health and prevention of diseases – increase of public health-related activities and their implementation on the local level have taken centre stage.

We will focus on increasing Estonians' activity of movement, improving their eating habits, decreasing the consumption of addictive substances, and creating and preserving an environment that promotes the keeping, preservation and development of health. In order to achieve success in the development of health care and the promotion of healthy lifestyles we have to strengthen cooperation between the public, private, and third sectors.

The modernisation of hospitals will help to provide high-quality specialised medical care, and enables more money to be spent effectively. Our goal is to create a hospital network that meets the population's needs by the year 2015 – we will direct expensive specialised medical care to bigger centres, and develop services on the local level that are in accordance with the local needs and opportunities, and that ensure the consistency of treatment. For this we also have to pay more attention to the development of those health services that must be available to people in the proximity of their homes (family physicians, nursing case, physical therapy, rehabilitation, disease-preventing health services).

The main activities of the priority in the area of work are aimed at **increasing the supply of qualified workforce and improving the quality of work life.**

To increase the supply of qualified workforce we will work at preventing unemployment and inactivity. It is important both to develop vocational and career counselling and to create and expand further training and retraining opportunities. We also promote applying flexible work formats, which is important to enable many people to work – e.g. parents, disabled people, senior citizens, and also people living in the periphery.

It is also important to employ the unemployed and inactive people by using several services and active labour market measures, wherein we pay special attention to the early detection of the problems of people in risk groups (youth, disabled people, long-term unemployed, non-Estonians, senior citizens, etc.), and providing measures for help. We will also develop the national labour market system so it better meets the needs of persons seeking work and employers.

Questions regarding workforce migration are also relevant. We need to improve the availability of statistics and research, but at the same time we will also work at increasing workforce awareness about various opportunities, threats, and rights of working abroad.

The work environment has to change so it preserves the health of workers. To increase the clarity and flexibility of employment relationships we need to renew the legislation regulating employment, and invest in increasing vocational contentment, which is supported by informational activities aimed at employers and employees.

We are also active in the social sphere where our goal is to **develop welfare services, increase social involvement and promote gender equality.**

To ensure economic and social management we must firstly develop welfare services for disabled people and people receiving social assistance on a long-term basis that help them enter the labour market and work. It is also important to support the employment of parents. We also want to improve the availability of domiciliary services for the elderly.

We will also rearrange the work of social welfare institutions for persons with special mental needs in order to support their participation in work and community life through a better living environment. We also want to transfer welfare services for children and the elderly into home-like conditions. We will pay special attention to developing activity and sports opportunities, and ways of self-help and self-realisation of risk groups.

Considering the decreasing and aging of Estonia's population it is important to value every individual – his or her good health, proper education, and ability to manage in the labour market.

We will also increase help opportunities for victims of crime by improving the availability of counselling services, and extending possibilities for receiving compensation.

In the situation of the decreasing and aging population special attention must be paid to children. In ensuring the well-being of children without parental care we are guided by the need to ensure the best growing environment for the child – a family or a family-like environment. The person raising the child plays a very important role in a child's life; therefore, it is vital that we educate these people constantly. For this we plan to significantly increase the relative importance of national training, and thereby expand the opportunities for foster homes and workers of children's homes to develop themselves. In addition to further training we will also pay attention to developing child welfare preventive services.

We will also focus on gender equality as a separate issue – we will increase the consideration of gender equality aspects in various fields of politics, we will increase appropriate administrative capacity, and continue to implement special measures to solve social problems related to gender equality.

In addition to the above we will be engaged in **improving the integration of non-Estonians.**

Main activities

- **VOCATIONAL EDUCATION** is one of the most important fields and 6.17 billion kroons is allocated for its development;
- **FREE WORKBOOKS** for all primary school pupils;
- **TEACHER'S SALARIES** are an important factor in finding and keeping good teachers. We will try to ensure an 8-12 percent increase of teacher's salaries every year. We spend more than 10 billion kroons on teacher's salaries. The wage increase affects more than 13,500 teachers of general education schools;
- **SCIENCE AND EDUCATION INSTITUTIONS' INVESTMENTS.** The objective of these investments is to support quality education through a modernised study environment – we will invest 5.63 billion kroons altogether;
- **BUILDING SPORTS FACILITIES.** Physical activity is vital for the health of the population. Construction of sports facilities will also contribute to the integral and balanced development of regions – we will spend 396.7 billion kroons to develop this sphere. The biggest sports-related project is building the Tehvandi sports centre;
- **FOR MEDICAL TREATMENT EXPENSES.** We will spend more than 42.6 billion kroons, and the average annual growth is 9-11 percent;
- **FOR HOSPITAL INVESTMENTS.** We have planned altogether 1.24 billion kroons from structural fund instruments;
- **PREVENTION** funds have been increasing noticeably. We finance this sphere altogether with 984 million kroons – including HIV/AIDS and tuberculosis medication, vaccines, supporting drug prevention, as well as preventing cancer and cardiovascular diseases, infectious disease monitoring, etc.;
- We contribute to **NATIONAL WELFARE** in order to provide welfare services on a necessary level:
 - 977.2 million kroons have been planned for child welfare – we will bring the wages of social welfare institutions' workers to the same level as educational institutions' workers, and we plan to employ 50-100 additional educators;
 - We will spend 888.5 million kroons for the welfare of persons with special needs – we will increase the wages of activity instructors at least 10 percent a year, and we will employ 349 new activity instructors;
 - We will spend 586 million kroons for the rehabilitation of persons with special needs, 300.5 of which will go for children;
 - We will allocate 748.6 million kroons altogether with foreign aid for the construction and renovation of social welfare institutions;
 - In the field of **EMPLOYMENT** we will implement active labour market measures, and for this we will allocate 1.22 billion kroons.
- Nearly three-quarters of these expenses will be covered by external funds. We will support new businesses, give study scholarships for the unemployed, provide practical training scholarships, and pay instructors' fees.



SECOND PRIORITY INCREASE OF THE RESEARCH AND DEVELOPMENT CAPACITY AND INNOVATIVE SPIRIT AND PRODUCTIVITY OF ENTERPRISES

One of the foundations of Estonia's development is the development of enterprise and international competitiveness, which makes the economic growth possible and determines its speed. To keep Estonia competitive we need to provide reasoned and versatile support for business. The speed and continuation of economic development depends in the present and even more in the future on research and development (R&D), innovation capability, and the productivity of enterprises.

Therefore, Estonia needs to transform into a knowledge-based economy. On the one hand, it is important to develop a high-quality and efficient national R&D system, and on the other hand, we have to invest in developing people's knowledge and skills, and advance the creation and implementation of new knowledge, technologies, and innovative approaches in business and the public sector.

In the development of the R&D system we will renew the infrastructure supporting higher education, research, and innovation – this is necessary for training researchers and top specialists. We will build and renovate laboratory facilities and purchase modern equipment. With the development of infrastructure we will create preconditions for more frequent international scientific cooperation and more efficient cooperation with enterprises. To achieve success we will also try to support investments by enterprises into R&D and innovation. At the same time, we also need to constantly develop human capital in order to increase R&D- and innovation-related efficiency.

In order to supply the staff of researchers and professors and to provide business and the public sector with top specialists with doctoral level degrees Estonia needs considerably more researchers and engineers than it has today. We also have to develop the knowledge and skills of the leaders and workers of enterprises. We plan to open new doctoral schools, apply specialised doctoral and postdoctoral grants, and launch various mobility and training schemes aimed at the academic and business sectors.

We will also pay special attention to raising awareness among the wider public about knowledge-based economy and society, improving the reputation of and promoting research and development, and innovation.

We will develop a quality assurance system. We will invest more money into those directions in which we can achieve results in the world's pioneering research and the results of which support economic development and other socio-economic objectives.

With the development of international cooperation we will also strengthen the research and development of the public sector, and the administrative capacity of institutions supporting and coordinating innovation.

From the growth of productivity standpoint increasing the technological and development capacity of enterprises is of critical importance, at the same time paying attention to developing and using sustainable technologies.

For the development of products and services with high export potential, and for promoting the creation of new innovative enterprises we will help to advance cooperation between enterprises and research and education institutions. This creates preconditions for successful transfer of knowledge and skills, and technologies for creating new jobs, and it also helps to prevent highly qualified specialists from leaving for other countries.

We will develop research and technology parks and business incubators in order for innovative business ideas to emerge, develop, and grow into businesses. We also think that it is important to improve the availability of new knowledge in order to help the work of enterprises become more effective.

The strengthening of organisations representing enterprises, and the development of cooperation networks joining enterprises, research and education institutions and local government are also relevant.

The increase of initiative, innovation, and creativity in society is necessary for the development of business. In addition to developing business studies we also invest in the development of business culture through the development of enterprises, the public sector, the knowledge of the wider public regarding business and innovation. We will pay attention to implementing and valuing creativity more in business in order to boost the development of creative economy. For this we support the formation of a creative business environment, raise citizens' awareness, and shape the creativity and initiative of education systems to be more instructive. The development of business depends a great deal on access to necessary seed, start and growth capital. In order for a starting business operator to be able to build a viable and sustainable company we need to increase awareness about various financing opportunities, and work out services that would help to overcome financing difficulties.

We will improve the financing opportunities for business operators by extending loan opportunities for rapidly growing enterprises, and by intermediating contacts between Estonian business operators and potential (foreign) investors.

Estonia needs to transform into a knowledge-based economy.

We will support the internationalisation of Estonian businesses through various schemes. Important keywords are the development of knowledge and skills, the concentration and mediation of information, marketing schemes, guaranteeing export and investment into foreign countries by Estonian businesses, and shaping Estonia's reputation.

The development of tourism includes a separate set of ideas – the utilisation of a profitable outdoor environment needs to be supported. We intend to increase Estonia's reputation as a travel destination both in our neighbouring countries and further away, thereby finding new tourism target groups. We also need to pay attention to improving the spread of tourism information, increasing the quality of tourism services and the diversification of choices.

Main activities

- EU member states have set a goal of bringing the **R&D EXPENSES SHARE IN GDP to 3 percent BY THE YEAR 2010**. Estonia plans to spend more than 9 billion kroons.
- **INVESTMENTS in public law and state research and development institutions and in their maintenance** – we support the work of research and archive libraries, and the joint procurement of electronic databases with 3.4 billion kroons.
- AHHA Supporting Science Centre, developing doctoral schools, return grants for internationally recognised specialists, financing postdoctoral positions, and mobility grants for research and training. For this we have planned altogether 1.3 billion kroons.
- The targeted financing of research topics, development of foreign cooperation, base financing, research rewards, and launching national programmes in key areas will be financed with 2.4 billion kroons.
- The development of research and technology parks and incubation centres, and increasing innovation awareness in society will be supported with 231 million kroons.
- Cooperation between enterprises and research institutions, and the development of technology transition units will be financed with 494 million kroons.
- The technological modernisation of enterprises, investments in research and development, and the participation of Estonian enterprises in EU and international cooperation networks and innovation programmes are supported with 802 million kroons.
- We will create Estonia's development fund, the objective of which will be to support the creation of new, viable and innovative businesses. We plan to invest up to 20 million kroons annually for this.



3

THIRD PRIORITY BETTER CONNECTION OPPORTUNITIES

Despite Estonia's good geographical position and small area both domestic and international time and space distances are still relatively big. The development of domestic and international connectivity and the increase of accessibility enables rapid economic growth to continue. At the same time, this also helps to increase the regional and social balance of economic growth.

In order to create a transportation system that is more effective and meets the users' needs better we first have to finance the **development of** both international and domestic **transportation infrastructure**.

Even though the more important work in developing infrastructure is connected to highways and railways, we also have to develop harbours, waterways, and airports – this way we can ensure cooperation between different modes of transport, and the smooth operation of transport chains. Regarding highways we will continue to develop the directions of the pan-European road network. However, maintenance of basic and secondary roads also requires additional attention. We will concentrate especially on increasing security, making dangerous traffic locations safer, and improving traffic culture.

The development of domestic and international connectivity helps to balance economic growth regionally and socially.

We will develop the railway in order to continue the development of the transit sector, to develop passenger train traffic, and to decrease traffic load. In maritime transport we will invest in the development of ports, and the maintenance of waterways. We will expand airports in accordance to the increase of air traffic.

We will become more active in the **development of public transport and light traffic** – we will try to decrease traffic and environmental load, and improve access to jobs and public services. For this we will renew the infrastructure of public transport and light traffic. We think it is important to improve the availability of public transport-related information, and invest in public transport vehicles in order to make public transport more convenient for its users, including people with special needs, and more environmentally friendly. Also, we cannot leave aside the development of the public transport organisation system.

In order to improve access to the possibilities of the information society we will try to find opportunities to **increase the spread and the use of the Internet**. Our goal, first and foremost, is to improve access opportunities to the Internet and its data for people living in rural areas and for other less involved target groups. In addition to improving access we focus on increasing information society-related awareness, skills, and motivation while considering the different needs of people.

We will continue to develop the e-services of the public sector to make it easier for citizens to interact with the state. In addition to creating fast and user friendly e-services it is important to use the possibilities of information technology to organise electronic interaction between institutions so as to lessen the citizen's need to communicate with different offices.

Main activities

- **ROAD MAINTENANCE** is a sphere which will be financed with 15.1 billion kroons. 1.5 billion of this will be spent on city and rural municipality roads. The main activities are:
 - reconstructing international main roads;
 - repairing basic and secondary roads;
 - summer and winter maintenance of national roads;
 - designing roads, renovating bridges, buying necessary land, obtaining technology.
- **IN SUPPORTING PASSENGER TRANSPORT** we will try to promote using public transport, and to improve connectivity with the periphery. We will finance public transportation altogether with 2.65 billion kroons. Passenger train and ferryboat traffic will receive the most support. We will buy new diesel trains, and finance the development of ferry links to the islands of Saaremaa and Hiiumaa. We will also build new tramlines in Tallinn.
- It is vital to **BUILD** multi-purpose **ICE BREAKERS** to ensure the trouble-free functioning of maritime transport during the winter period; we plan to build two new ice breakers by using both Estonian and European funds.
- Improvement projects are carried out to **DEVELOP THE INFORMATION SOCIETY**:
 - making the administrative operations of state institutions and self-governing agencies easier, more efficient and transparent;
 - increase in the amount of public sector e-services;
 - expanding technical access opportunities, and creating a technical environment that enables all people to participate in the information society and public life;
 - KõlaTee (VillageRoad) county data communications programme, the objective of which is the development of data communications infrastructure in rural areas;
 - PeaTee (MainRoad) backbone network, developed in the framework of national specific programmes, which will ensure the good technical level of public departments' data communications, decrease the state's data communications expenses, and reduce regional inequality;
 - creating the YTRIS public transport information system;
 - e-services project for agriculture registries;
 - project of the Police Board to serve people on site.



FOURTH PRIORITY REDUCTION OF THE ENVIRONMENTAL LOAD

Environmental conservation and protection is in the interest of us all – no country or society can grow or develop without paying attention to environmental protection and the conservation of natural resources. Our chief objective is to ensure ecological balance: this is the central condition for society's sustainability. It is especially important to focus on environmental protection in this period of rapid development that is currently taking place in Estonia.

Courses of action regarding the prevention of pollution and its impact are of essential importance: **development of water use, water protection, and waste management, elimination of waste pollution, ambient air protection, prevention of climate change, and development of energy towards greater environmental conservation.**

Also the European Union values the preservation of a decent human environment, thus, Estonia has the opportunity to use a lot of grants in implementing activities connected to this field – **we plan to use the majority of EU grants given for environmental management for developing water economy and waste management.** Energy sector investments will be made to a great extent from Eesti Energia's own funds and with the help of credit.

To ensure quality drinking water we will build and renovate water supply systems. We will build or renovate water protection infrastructure to improve the condition of bodies of water, including coastal waters. In some cases the bodies of water may need to be sanitised, pollution effects may need to be relieved, or the biological condition of the bodies of water may need improving.

For the development of waste management we will improve waste collection, sorting, and recovery; we will build new landfills and waste management facilities that conform to environmental requirements, and close the old ones. Making the oil shale industry and energy waste safe is a central element in the elimination of waste pollution.

We will ensure the improvement of ambient air protection primarily by improving the technology of energy enterprises, and applying incentives (pollution permits and pollution charges) for obtaining treatment facilities. The majority of investments needed for ambient air protection will be done by enterprises. In order to perform our duties in the prevention of climate changes according to the Kyoto Protocol we trade with greenhouse gas emissions, and participate in transnational collective projects.

**We need to ensure ecological balance:
protect existing natural resources
and prevent pollution.**

To promote energy conservation we support the modernisation of district heating and economical energy consumption. We offer investment aid for connecting generating installations to the power network. To promote better use of biomass (mainly logging waste) in energy production we support

activities related to its collection and transport. To advance the small-scale power industry we will finance the procurement of innovative solution-based demonstration equipment, and the use of biodegradable waste in energy production. We will also promote the use of alternative fuels in the transport sector, and support studies made to eliminate the carbon emitted in energy production.

In order to ensure Estonia's good environmental condition, and to increase the competitive advantages that this brings along we consider it important to preserve biological diversity, ensure the economical use of natural resources, develop environmental awareness, education and monitoring, and prevent and eliminate environmental crises.

We will focus on compiling and implementing management plans for areas of the NATURA 2000 network and other protected areas, and protection plans for endangered species in order to ensure biological diversity. We also plan to finance the establishment and maintenance of protected areas' infrastructure.

Environmental policy can only be successful if it relies on the environmental awareness of the general public, which, however, depends on education. For the advancement of environmental awareness and education we will support corresponding activities. In order to receive more diverse and better quality information about the status of the environment we will develop an environmental monitoring system. To increase the security of people and prevent health risks we will finance activities that increase readiness for environmental crises, develop warning systems and supplement or modernise the equipment of emergency service agencies.

Main activities

- We will invest nearly 9.2 billion kroons for providing Estonia's population with **HIGH QUALITY DRINKING WATER, AND FOR ORGANISING THE COLLECTION AND CLEANING OF WASTE WATER**. The biggest projects are the Vääna water economy project with approximately 1 billion kroons, Ida-Harju and Keila-Vasalemma water economy project (1 billion kroons), and the Narva-Jõesuu water economy project (470 million kroons);
- A project is being prepared to **MAKE THE ASH HILLS SAFE**, which are the results of the oil shale industry's waste pollution; this project will cost 3 billion kroons, and it is also funded by foreign aid;
- The financing of **NATURE CONSERVATION** will increase in the amount of 580 million kroons;
 - we will ensure the maximum preservation of natural landmarks; the restoration of landmarks in danger of destruction and the sustainable use of natural resources;
 - we will increase the financing of the maintenance of nature-valuable lands;
 - we will achieve the objectives of placing the Natura 2000 network under protection, which will result in an increase of protected areas to 16 percent of Estonia's land territory;
- The financing of **ENVIRONMENTAL SUPERVISION** and monitoring will increase in the amount of 375 million kroons;
 - we will start using more precise monitoring and supervision equipment;
 - we will organise regular in-service training events for environmental inspectors;
- in the field of **ENERGY** we will create an energy conservation programme for buildings, which combined with foreign funds will cost 42.5 million kroons. We will conduct a residential fund energy audit, and map the energy conservation of buildings.



FIFTH PRIORITY

INTEGRAL AND BALANCED DEVELOPMENT OF REGIONS

The integral and balanced development of Estonia's various regions **helps to diminish regional differences and equalise the availability of services across the country**. Regionally balanced development is also faster and more sustainable.

Our goal is regionally balanced and sustainable development. Its precondition is that as much development potential and resources as possible are involved in the economic development in every region. This helps to make the regions more attractive for visitors and investors, and create a good environment for local people.

All national policies that concern making investments and providing services have an impact on regional balance, and on the development of regions. Hence, all budget strategy objectives also support regional development. At the same time, a great deal of activities are in the jurisdiction of local governments, and, from the point of view of directing the national development, their execution has to be supported separately.

Investments and developments on the local level take first place in the list of priorities. The developments concern primarily local government units, non-profit organisations contributing to the development of the local human environment, and other organisations, as well as state authorities that hold objects important to the region's development.

First of all, we will support activities that are aimed at **increasing local development potential and taking more advantage of it, and shaping regions into prosperous living, investment and visiting areas**.



We will finance the improvement of the business environment (incl. investments of public infrastructure relevant to business), and the creation of conditions to advance local employment and the development of traditional know-how and its implementation in economic development. In order to decrease migration to work away from home, and the circumstances promoting people's leaving a region, we support community level activity and business, and provide self-realisation opportunities in the specific area. This helps to preserve and strengthen local vitality.

We will invest in the preservation of cultural and natural landmarks, and in activities related to adding to their value. Adding value is giving an object a contemporary function, improving accessibility and observability and providing it with modern support infrastructure. This enables our natural and cultural heritage to be employed economically, and regional economic activities promoted by developing "integrated tourism" based on adding value.

Activities that deal with the preservation and development of regional marketing, local identities, and folk cultural heritage are also important. Within this priority we will also support the development of cultural assets of national importance that are important for tourism.

It is vital to improve the availability of computerised infrastructure in order to strengthen the competitiveness of regions, and decrease time and space distances.

To improve the availability of public services in rural areas we will **develop local public services** (kindergartens, general education schools, family health centres, community and hobby centres, sports buildings and facilities, care and social homes, etc.). We will support investments that enable the most critical problems regarding the region's development to be solved.

To ensure the sustainability of regional development it is essential to support activities that deal with the development of urban space and increase the international competitiveness of urban regions.

All objectives of the budget strategy support regional development because regionally balanced development is faster and more sustainable.

Additionally, we will pay attention to connecting hubs and their hinterland better and preventing and solving problems regarding urban sprawl. We will also support the compilation of plans regarding the development of public space.

Within this priority we will also finance activities such as adjusting objects and areas excluded from economic activity and public use to new applications, and demolishing non-valuable objects in order to increase cultural and environmental value and safety.

Main activities

- **LOCAL GOVERNMENT UNITS WILL BE ONE OF THE GREATEST BENEFICIARIES.**
We will increase the revenues of cities and rural municipalities through the equalisation fund.
- We will support:
 - regional programmes for local governments;
 - participation in European territorial cooperation programmes that deal with cross-border influence investments, studies, analyses, and cooperation projects with Russia, Latvia, Southern Finland and other regions;
 - activities of county development centres;
 - increasing the abilities of local government associations and citizens' associations and involving the local community by means of Norwegian and European Economic Area financial mechanism funds;
 - increasing civil activity by supporting volunteer work and training;
 - regional investments for building and renovating schools, kindergartens and other objects;
 - compilation of county plans with respective studies and analyses;
 - development of regional colleges;
 - advancing regional business networks and tourism.
- We will **PROMOTE THE PRESERVATION OF CULTURAL AND NATURAL LANDMARKS** and adding value to them, for example the renovation of manor schools and places of worship, which help to boost tourism in various regions of Estonia, and through this new jobs will be created and local economic activity will be diversified.



6

SIXTH PRIORITY DEVELOPMENT OF RURAL LIFE AND ENTREPRENEURSHIP IN RURAL AREAS

To ensure the regional balance of the state's development it is important to pay special attention to rural areas that are somewhat left behind compared to cities and their surrounding areas. To ensure the development of rural areas it is vital to increase the competitiveness of the economic sectors that have the most importance to them – agriculture, forestry and fishing industry.

In order to boost the development of rural life we will plan and implement **activities intended for the development of the quality of life in rural areas and the diversification of rural economy, including increasing employment**. We will support the diversification of the activities of agricultural enterprises, including the development of small-scale enterprises that use local resources and create additional jobs in rural areas. An important goal is to improve employment opportunities of young people living in rural areas.

To improve the quality of life in rural areas it is essential to **develop primary services** that would not otherwise function without the state's assistance. We support the search for innovative solutions in improving the availability of services, primarily the development of multi-purpose centres, and the provision of mobile services.

Activities promoting local initiative and village development, including supporting investments meant for improving the human environment of villages, also have an important place in the priority. We prefer activities that help to preserve, restore and improve the quality of cultural and natural heritage (we support the restoration and development of beach villages, among other things). To increase cooperation in the community we will give the local level more required interest. We will support local uniqueness, including economical use and introduction of natural and cultural heritage, developing activities in the community, improving employment, emphasising the identity of different places, developing domestic and international tourism, valuing uniqueness and traditions and implementing strategies that use innovative approaches and are aimed at cooperation.



To improve the quality of life in rural areas we will invest in the **preservation of agricultural environments and landscapes**, in order to ensure a good status of the environment in rural areas. We support the development of environmentally-friendly methods of agricultural production, and the sustainable use of agricultural land. Whereas we also help to develop the agricultural infrastructure and create preconditions for the intended use of profit-yielding land.

Activities preserving biological and landscape diversity will also be supported. We will continue to support the maintenance of endangered animal breeds and support environmentally-friendly agriculture.

Our goal in increasing the competitiveness of agriculture and forestry is that farmers are able to manage in the conditions of decreasing market and direct subsidies, and that private forest management ensures their productivity and viability. **For this we will support the rationalisation of production and processing and increase of importance of products with higher added value, alternative production and processing**, wherein we will put emphasis on the development and implementation of new products and technologies. We will also promote investments in agriculture, forestry and the processing industry, which are aimed at developing, producing and marketing new products. Additionally, we will help with the development of a counselling and training system and support the cooperation of producers and processors with research institutions, applied research, development, conducting necessary market research and informational activities for consumers.

In increasing the competitiveness of fishing industry we wish to achieve a balance between fishing capacity and fish resources. We will transform Estonia's fishing fleet so it meets environmental, work condition, safety and hygiene requirements. We will help in the modernisation of production technologies, adjusting production with the market demand, reorganisation of the industry and acquisition of know-how. We will support the existence of a productive, sustainable and wholesome fishing industry handling chain and internal waters fishing industry; we will develop fishing industry market organisation and joint activity.

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Our first priority in rural areas is to increase the competitiveness of agriculture, forestry and fishing industry.

Main activities

- **RURAL LIFE, AGRICULTURE, AND THE FOOD INDUSTRY** are money-wise one of the biggest areas in the country.
- We will pay agricultural producers altogether 3.5 billion kroons of **UNIFORM AREA-RELATED AID** from foreign funds.
- We have planned 2.3 billion kroons for **SUPPLEMENTARY DIRECT AID**. This helps to reduce the disparity with “old” EU member states, and enables the maximum level of direct aid allowed for Estonia by the EU to be achieved.
- **MARKET ORGANISATION MEASURES** amount to 2 billion kroons. It includes export, processing, usage, private storage and apiculture aid.
- By paying **SCHOOL MILK SUPPORT** we wish to increase using possibilities of milk and milk products and encourage children to drink milk. We will pay 266.7 million kroons of this support.
- **FISHING INDUSTRY** will receive more than 1 billion kroons. Our objectives are:
 - transforming the fishing fleet so it meets environmental, safety and hygiene requirements, and bringing fishing capacity into accordance with fish resources;
 - enabling a wholesome fishing industry handling chain and sustainable internal waters fishing industry;
 - ensuring stability of the fishing industry market by means of disposal, carry-over and private storage aid.

SEVENTH PRIORITY INCREASE OF SECURITY

The state's fast and balanced development is only possible in a safe environment where citizens and businesses do not need to worry about their health and property. Hence, it is important to address issues regarding Estonia's internal and external security.

In enhancing security we will focus on increasing efficiency and readiness regarding internal and external security: we will improve wage conditions, obtain necessary special measures and equipment, invest in the maintenance of buildings and, if necessary, in the construction of new buildings; we will develop information technological means and telecommunications; we will improve the quality of domestic defence and military education. An important goal is to ensure our ability to join the Schengen Zone.

To increase internal security we will focus on ensuring public order, increasing the efficiency of emergency services and the fight against crime. We give priority to activities aimed at decreasing crime; at the same time, we will also invest in the detection of crime and ensuring general public order.

We will give special attention to incidents of violence and drug offences, as well as to organised and other serious crime (including, for example, human trafficking, money laundering) and to the prevention of juvenile delinquency. We will increase the security of Estonian prisons and develop the penal system in order to decrease the number of prisoners. We will make rehabilitation of former inmates more efficient to prevent repeat crime. In ensuring public order we will focus on regional police work and developing cooperation with the community.



In order to ensure the quality of emergency service we will increase readiness to save people's lives, their health and property, to protect the environment in the event of fires, accidents, explosions, traffic accidents, natural disasters and other accidents. We will also pay attention to explosives removal. Additionally, we will deal with the prevention of emergency situations: we will make the state supervision of fire and chemical safety more effective, we will increase the population's awareness about safety and the capacity of offices regarding crisis management.

It is also important to prevent and stop intelligence activities and acts of terrorism from foreign states, protect state secrets and constitutional order and make data protection more efficient. State border security is also a part of ensuring general security. We will improve the work of the border guard and guarantee a better state of readiness for the search and rescue of people in trouble on the sea, on Lakes Peipsi, Lämmijärv and Pihkva, and organise search work on land in the event of aircraft accidents. Also, organising citizenship and migration issues helps to increase border security – we will develop identity documents and make the organisation of extradition and foreigners leaving the country more efficient.

We will advance the military national defence system in order to increase external security. We will improve Estonia's air defence capability, and the ability to perform military operations outside Estonia, including our ability to participate in the fight against terrorism. We will develop our independent defence ability and cooperation with Allied Forces. Additionally, we will invest in exchanging security information with NATO and the member states of NATO; we will also develop issues regarding providing help for civil authorities and readiness to carry out mine cleaning and clearance operations in Estonian territorial waters.

**To increase general security
the state has to fight crime,
ensure the quality of emergency
services, protect the state
border and improve security on
the international level.**

To prevent emergency situations we will continue to pay attention to increasing the stability of Estonian security and the foreign policy environment – we will enhance cooperation with the European Union and NATO and bilateral and multilateral relations with other countries and international organisations.

Main activities

- The goal is to **DEVELOP MODERN, MULTI-PURPOSE, RELOCATABLE AND QUICKLY REACTING MILITARY COMPONENTS**. We will give 10 billion kroons for this.
- The task of the Estonian Air Force is to participate in the NATO integrated air safety system, and to develop an air policing airport in Ämari that meets minimum requirements. For this we will use 1.9 billion kroons, including 0.5 billion of foreign funds.
- We will continue to **ORGANISE THE PRISON SYSTEM**: Estonia will have three regional prisons (the Tallinn, Tartu and Viru prisons), and the Murru prison meant for repeat offenders.
- **INCREASING THE EFFICIENCY OF INTERNAL SECURITY** is one of the most important fields. In order to improve the general security of the population we will primarily invest in the following fields:
 - we will give 9.4 billion kroons to increase the wages of police officers, emergency workers and border guards and to improve electronic readiness.
 - We will invest 200.4 million kroons for the development of an operational radiocommunications network. The network will be used by the Police Board, Rescue Board, Tax and Customs Board, Ministry of Defence and other administrative structures engaged in operational work.
 - We will invest nearly 1.2 billion kroons to increase the capacity of sea pollution detection and elimination. This sum enables two multi-purpose ships to be obtained, renovation of the Kati, a spill response vessel, and other necessary equipment to be bought.
 - We will finance the development of travel documents containing biometric data with 556.7 million kroons.
- Foreign missions play an important role in protecting Estonia's interests in foreign states. With the help of social guarantees and other measures we plan to improve their membership, significantly change the essence and content of foreign service with the new Foreign Service Act, to include more than 20 new foreign missions in the inter-institutional data communications network, to invest in obtaining registered immovables in capitals relevant to Estonia (Beijing, Budapest, etc.) and to purchase buildings for foreign missions.



EIGHTH PRIORITY

HIGHER ADMINISTRATIVE CAPACITY

Effective public administration and professional partners are the basis for successfully shaping and implementing all policies. An effective, transparent and open public sector, and the involvement of partners in decision-making, are the keys to implementing good governing principles. Hence, we also have to pay attention to increasing the state's general administrative capacity in order to successfully carry out the planned activities.

First, we need to develop the public service system. One of the most important activities in the coming years is **to update and make the motivation system of civil servants, including the salary administration, more flexible**. It is important that salary administration be based on common grounds, and, at the same time, meet people's needs. The current system needs to be renewed so the basic salary percentage in the entire salary increases and the percentage of additional remuneration decreases. We also need to decrease the types of additional remuneration and apply very precise terms to paying them.

We wish to increase **the strategic planning ability and management capacity of the public sector and the non-profit sector and develop legislative drafting** so shaping and implementing policies is more successful than it is today.

Successfully shaping and implementing policies necessary for the state's competitive and sustainable development presumes that decisions are made with balance and the state's objectives in mind, wherein it is important to involve different parties, and thoroughly estimate previous experiences and the potential impact of planned activities. That is why we have to strengthen **strategic planning** both in the public and in the non-profit sectors, for which we will:

- analyse the organisation of strategic planning in the public sector
- support projects aimed at increasing the planning ability
- develop the strategic planning network between ministries and support the development of a policy-shaping network
- finance conducting studies and analyses by researchers
- support conducting studies or analyses, which are the basis for the development or renewal of development plans and other strategic documents.

In order to provide better quality public services we need to apply quality and performance management methods, pay more attention to innovative administrative and management solutions and significantly increase the ability of local governments and third sector organisations to participate in making strategic decisions.

To increase competitiveness and ensure sustainable development in important areas we will create a “wise decisions fund” because we need to increase the general analysis ability in order to develop more efficient policies. To increase the success of policy implementation we will develop the productivity assessment system and support conducting public sector productivity analyses and customer satisfaction analyses.

In many fields the rules applying for citizens, businesses and the non-profit and public sectors are difficult to understand, hard to follow, obsolete, or cause unnecessary burden. Such rules need to be changed. Also the involvement practice of different ministries is uneven – not all public sector organisations involve partners in their work. Also here we see the need for development and unification.

It is vital to develop legislative drafting in order to improve the general activity of both the business environment and public administration. We will focus on analysing the legal environment of fields that influence competitiveness the most, and simplifying legislation, for which we will support legislation analyses and projects aimed at simplifying laws. We will create an assessment system for impacts of passing draft legislation (e.g. social, economic and environmental impact) and expand the legislation implementation analysis.

It is also important to **improve the skills of public sector and non-profit organisations’ workers, and develop the training system** of public sector workers.

Since management and liability are decentralised in Estonian public service, the organisations and institutions get to decide on their employees’ development needs and on the funds they will spend on it. It is practical to have centralised planning and management of training and development activities, which influence all or the majority of public sector institutions, support the state’s administrative capacity and management quality in general and ensure the availability of high-quality public services on the national and local levels.

We plan to continue training public sector workers in priority fields of public administration development, and we also support the further training of educators specialised in the public sector. At the same time, it is also important to educate the managers of agencies in order to increase the management efficiency of administrative agencies.

Estonian officials have a chance to acquire specialist knowledge in European Union member states or elsewhere with the help of scholarship programmes. We also focus on non-profit sector training so third sector organisations become equal partners in the process of knowledge-based policy-shaping.

In order to ensure the sustainable development of the public sector training system we will support the development of education institutions engaged with public sector workers.

Another problem that Estonia faces is the lack of uniform principles in assessing the results of the state's activities. The work of state institutions is at times inefficient, and some of the departments are also inadequately prepared for their work. We will carry out necessary analyses and work out further principles on the basis of which administrative organisations will be changed.

Main activities:

- recruiting, assessing and developing public service executives;
- supporting training aimed at increasing the management efficiency of public department and local government workers;
- scholarship programmes for civil servant practice in foreign states;
- enhancing the knowledge of Estonian Public Service Academy personnel and educators in the field of management and public administration;
- improving the quality of county governments' public service;
- supporting county development centres;
- implementing the Estonian civic initiative strategy and supporting the launch of the work of a corresponding implementation unit.





HOW IS THE BUDGET STRATEGY IMPLEMENTED

All Estonia's state institutions and local governments and several **private and third sector organisations** that have been given state tasks participate in the implementation of the national budget strategy.

The national budget, compiled on the basis of the NBS, is the most direct basis for using Estonia's state revenues. At the moment, the budget for 2007 is being prepared and it should reach the parliament in autumn. Our objective is to ensure that the activities launched in 2007 can continue and reach good results in the following years as well.

Through the national budget's legislative proceeding the Estonian parliament, the Riigikogu, which has to ratify the Estonian state budget, will give its assessment and add its ideas and thoughts to the plans prepared by the ministries.

To perform their tasks **local governments** will receive 11.8 percent of the income tax that has been paid to the national budget by the residents of that specific local government. In the event of a justified reason local governments will also receive other supplementary funds for carrying out different activities.

Ministries and other state institutions will submit applications for receiving money from the budget to the Ministry of Finance; agreement about the actual money given is reached in negotiations between ministers and officials of the Ministry of Finance and other ministries. Then the government will authorise the budget and it will ultimately be ratified by the Riigikogu. Necessary funds for the work of **sub-offices** are also included in the ministries' budgets.

For using European Union grants the ministries and their partners from the private, public and third sectors compile operational programmes which include details about the implementation possibilities of the grants.

Several **implementing authorities and agencies** coordinate the process of European Union funds reaching those in need of assistance. Implementing authorities are generally the ministries in charge for the purposeful use of money. Implementing agencies are the state institutions or private bodies which are engaged in receiving and assessing money applications, preparing documents for paying grants and monitoring the use of money. Implementing agencies are, for example, the Estonian Agricultural Registers and Information Board, Environmental Investment Centre, Enterprise Estonia, Foundation for Lifelong Learning Development (INNOVE), Labour Market Board, Estonian Informatics Centre and several other offices.

Grants will be issued by the paying authority, which is the Ministry of Finance in Estonia. Private enterprises, third sector organisations and local governments, which also carry out the budget strategy with their work, can all apply for European Union grants.

LOCAL GOVERNMENT INTERESTS ARE CLEARLY REFLECTED IN THE BUDGET STRATEGY

The budget strategy is an important document for Estonia from the local government viewpoint as well. Why is it important? Because it determines the operating capabilities of the entire state, including the local governments, for a relatively long period of time – the following four years.

Including cities and rural municipalities in this important strategy document is self-evident – local government units do make up nearly one-quarter of the public sector. It is vital that the strategy on which the state's funds will be distributed include the following aspects:

- local governments' revenue base and budget general indicators in the context of the state's economic and budget outlook;
- national budget appropriation sums (including both general grants and appropriations for specific purposes) according to the administrative areas of different ministries – their total capacity this year is more than 4.5 billion kroons;
- local government opportunities in the operational programmes of European Union structural instruments.

LOOKING FOUR YEARS AHEAD

While some years ago there was certainty about local governments' revenue base only for one year at a time, by today we have reached an agreement at the budget negotiations between the Association of Estonian Cities, the Association of Municipalities of Estonia and the ministries that in addition to discussing issues regarding the current year we will also discuss strategic long-term directions.

As a result, from 2005 onwards the budget strategy will also include local governments' revenue base and the general indicators of budgets for four years ahead.

The strategy also shows the volume of personal income tax, land tax and environmental fees accrued to local governments; it also includes a comparison of general data from the national budget and local budgets over four years. Additionally, we agreed this year that the negotiations' interim protocol would show the volume of national budget appropriations according to administrative areas of the ministries for the next four years.

It includes, for example, the volume of education aid for the next four years, amounting to up to 2.6 billion kroons, and over 300 million kroons, which will be spent on subsistence benefits. Also, the 300 million kroons meant for the maintenance of local roads and streets and other appropriations necessary for organising local life should be mentioned.

HAVING A SAY IN PLANNING EUROPEAN GRANTS

Clarity and certainty about the overall future perspective enable local governments to weigh their options and activities better and plan their development. It is especially important now that the national budget determines how we plan to use the European Union structural instruments. Precisely because of that the work done in working groups of European Union structural funds' operational programmes, which also involve representatives of national local government associations, is important in the budget negotiations that take place this year.

Our position is that involving local governments, acknowledging our own interests, and presenting clear and constructive opinions in the planning process of next year's budget, the national budget strategy, and the use of European Union structural instruments is the best way to make the voice of local governments heard and to protect our joint interests.



JÜRI VÕIGEMAST
Bureau Director,
Association
of Estonian Cities

HOW DOES THE THIRD SECTOR PARTICIPATE IN THE IMPLEMENTATION OF THE BUDGET STRATEGY

The Estonian Ministry of Education and Research established the Foundation for Lifelong Learning Development (Innove) to carry out education programmes and implement European Union structural aid, which are meant for developing Estonian human resources.

Innove participates in the compilation and implementation of the national budget strategy mainly through the Ministry of Education and Research; we participate in the planning of their financial instruments. The objectives of the Innove Foundation are in compliance with the general objectives of the ministry, and our work helps to carry out several education and research-related strategies and development plans, which have been determined by the national budget strategy.

An example here could be the Estonian vocational education system development plan for the years 2005-2008, one of the goals of which is to organise and develop the curricula system. Modernising curricula is also one of the objectives in the field of education of the national budget strategy. Innove participates in the work regarding curricula both as an active implementer and an implementing agency organising the distribution of European Union grants.

Our budget compilation differs from the budget planning of the ministries in two ways. The first difference has to do with using EU grants. While normally a budget only includes planning just the institution's financial needs for accomplishing results, our budget plan includes both the existing and planned European Union structural funds' projects. Hence, our financial plan also includes the plans of project implementers.

There are nearly two hundred projects of this kind in 2006, and implementers vary from universities to small non-profit organisations supporting local development and culture. So, as mentioned above, we have to plan funds in our budget for planned projects in addition to our own needs.

Secondly, we can see the results of specific projects – new curricula, renovated school houses and youth centres – and have a say when they are implemented. This is what makes a document that speaks about numbers, amounts of money and indicators measuring results understandable and measurable and helps other compilers of the strategy to see a nice result in the end.



KATRI TARGAMA
Head of the Structural
Funds Unit, Innove
Foundation



**RENALDO
MÄNDMETS**
Deputy
Secretary-General of
International Relations,
Ministry of Finance

EUROPEAN UNION TAXPAYERS SUPPORT ESTONIA'S SUSTAINABLE ECONOMIC DEVELOPMENT

According to one of the most important principles of the Treaty of the European Union – the principle of solidarity – the EU member states in a better economic state support the acceleration of the development of states and areas that have fallen behind.

Several European Union source documents, including the renewed Lisbon Strategy, lay down the strategic framework to compile the states' corresponding documents. The European Commission expects us to focus on the most important and necessary objectives and activities regarding sustainable development. In the coming years Estonia will look at the objectives and basis of European Union support instruments' distribution along with the money the Estonian state has – the state's development as a whole and the money invested in it must also be viewed as a whole, not in a divided manner. This way we will accomplish the best result.

AID WILL MULTIPLY

The European Union gave Estonia 12 billion kroons' worth of structural aid in the years 2004-2006, including 6.7 billion kroons for financing our big environmental and transportation infrastructure projects. However, in the years 2007-2013 the corresponding sums of money will be 53.2 and 17.7 billion kroons; an additional 14 billion kroons of rural life development money will also be added.

Estonia plans to use 48.6 billion kroons of this money in the next four years, on which the compiled national budget strategy is focused.

The compilation and implementation of the current National Development Plan has given us enough positive and negative experience and knowledge for the new period. We have to continue to set realistic goals and find ways to measure the results more exactly. We must avoid small-scale measures because their administration has proven to be more expensive than that of the large-scale measures.

ESTONIA IS IN THE FOREFRONT

Europe has approved Estonia's distribution and administration system of EU grants, and we are one of the better and faster distributors of money among the new EU member states. The assessments carried out so far have clearly pointed out the need to simplify principles even more, and make the work more efficient – we need to use more flexible means of implementation, improve the counselling and training for applicants, accelerate how payments are handled and simplify the requirements of eligibility for aid.

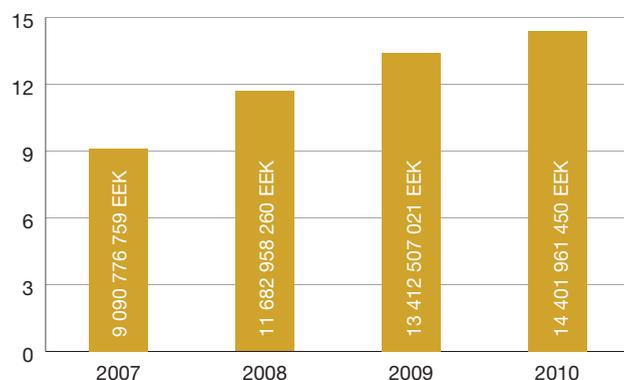
As of 2007 there will be four EU grant implementation programmes instead of one. The Ministry of Economic Affairs and Communications, Ministry of the Environment and Ministry of Education and Research are responsible for these plans. This, in turn, sets higher requirements for better coordination of cooperation and for tying operational programmes and measures together.

However, the three main tasks will remain the same: the timely utilisation of money that has reached Estonia, accomplishing the set goals, and minimising the amount of money to be paid back to the European Commission due to misuse.

On 17th May 2006 the leaders of the European Commission, Parliament, and Council signed an agreement in Strasbourg which will determine the European Union budget expenses for the years 2007–2013. This agreement summed up the financial perspective negotiations that had lasted for nearly two years and started in the spring of 2004. What does this agreement mean for Estonia?

At present, Estonia's development is at its maximum speed. We owe this to a large extent to EU grants that have launched the investments which have helped to make life better in many places in Estonia. During the period of 2007–2013 the European Union's annual regional policy aid to Estonia will more than double. Hence, agreeing on the EU's financial perspective means that Estonia will certainly receive aid worth 53 billion kroons. Now it is up to us to make use of this money.

FOREIGN FUNDS IN THE NATIONAL BUDGET STRATEGY 2007–2010 (billion kroons)



Our main task in 2006 is about making choices. No matter how good our implementation systems are, the effective use of money will mainly depend on making the right plans. During the compilation of the budget strategy and negotiations about the content of operational programmes we will also establish the direction and speed of Estonia's development during the next decade.





WHO MONITORS THE IMPLEMENTATION OF THE NATIONAL BUDGET STRATEGY

The state's money is everyone's money, and it is not enough to just plan it wisely. We also need to monitor the use of money to detect bottlenecks in the system and problems in public administration that need to be solved in order for Estonia to be able to serve its citizens better. Monitoring and assessing the work that has been done will help us to plan and spend the state's money better in the future.

In Estonia **monitoring the execution of the national budget is primarily the task of the State Audit Office and the Ministry of Finance**. The State Audit Office is an assessor working in the interests of and financed by the taxpayer, which compiles thorough financial and operational audits about various fields. The task of the State Audit Office is to investigate how the state and local governments have used the state's money. The results of the State Audit Office's work are primarily directed at the parliament, the government and the public.

In the work of monitoring the state's money the State Audit Office is supported by the Ministry of Finance, especially the **Ministry's Financial Control Department**, and the **EU Payments Departments** in issues regarding foreign aid.

The chief tasks of the Financial Control Department is to analyse the implementation of the internal control system and internal audit organisation of government offices and their sub-offices, and provide suggestions to make them more efficient. In the field of EU grants the department functions as an audit body whose tasks include auditing EU projects, and, once they have ended, assessing the purposefulness of the use of money from all funds. Hence, the Financial Control Department of the Ministry of Finance is on the one hand an assessor of the auditors, assessing the work of other auditing bodies, and on the other hand an assessor of EU grants.

The task of the EU Payments Departments is to ensure the financial management of European Union grants and foreign aid in the process of which the purposefulness, orderliness, and justification of payments is ensured. They also develop legislation according to fields, engage in reporting and paying out EU grants, foreign aid and the state's cofinancing.

The budget strategy has made increasing the state's administrative capacity one of its objectives – making the work of institutions more productive and faster. In tandem with that it is also important to develop the departments of the Internal Audit and their activities. In May 2006 the government approved the concept prepared by the Ministry of Finance to develop internal auditing, which will harmonise the principles of internal audit in all state institutions and improve the quality of assessing the use of money.



KALLE KUKK

Deputy
Secretary-General of
Government Control,
Ministry of Finance

WE MONITOR THE NATIONAL BUDGET IN YOUR INTERESTS

On the one hand, the public and the private sector function similarly but on the other they are different beyond comparison. In the private sector it is common that the activities of an enterprise are monitored and audited – this is in the interest of the owner. However, the public sector appears to have no owner, so, in whose interests do we monitor them and why?

In fact, this train of thought leads us to the problem. Often, people do not or do not want to realise that the national budget actually stipulates how your and my money is to be used. Basically we are all owners of the state and its budget, hence, we have the right to know how our joint assets are being spent and whether this is done honestly and in the best possible way. Therefore, it is self-evident that the use of the national budget funds needs to be monitored and checked constantly. In Estonia, watching over the state's money is one of the chief tasks of the Ministry of Finance.

THE NECESSITY TO MONITOR MUST BE UNDERSTOOD

Nevertheless, this simple fact is not so obvious in everyday life. Those using the national budget give all kinds of arguments about why the Ministry of Finance's monitoring is not justified. Of course, we have to consider and assess different arguments but it often feels that institutions simply do not wish to let the public access "their" money, or they are afraid that "their" budget will be cut. To solve these problems the Ministry of Finance has prepared a vision about the future of the government's internal audit in order to find a sensible solution that will satisfy all parties and at the same time ensure sufficient control over the national budget and public awareness of it.

The national budget strategy also lays down the objectives of monitoring the use of our money.

Firstly, **to develop coordination in the field of internal audit**. With this objective we will implement systematic auditing information exchange, enhance cooperation with the State Audit Office, refine work methods and analyse the implementation of internal audit systems in state institutions.

The second objective is that **members of the government are more informed**. For this we give outlines of internal audit work plans and summaries of executed audits for the government to discuss, so it can give guidelines for eliminating faults.

It is also essential to **improve the quality of internal audit** – we will assess internal auditors' compliance with qualification requirements, organise training and carry out assessments of internal control work quality.

BUDGET PROCESS STAGES COMPLEMENT ONE ANOTHER

Since the Ministry of Finance is responsible for the budget and compiling the consolidated annual report of the state then we also have to develop the field of monitoring inside the Ministry. This work involves primarily the National Budget Department, State Treasury Department, Financial Control Department, Administrative Department and departments responsible for using foreign funds. Our objective is to improve the environment that enables sensible and purposeful use of national budget instruments but we will definitely also pay attention to problems, should they occur, with the use of the state's and other funds, and we will offer our solutions.

The budgetary procedure is an integral process – it is not merely the compilation of budget information. In brief, the budgetary procedure comprises strategic planning, compiling and executing the budget, reporting on and monitoring the execution of the budget. Therefore, the proceeding of a one-year national budget actually takes around two years. The results of the execution and monitoring of budgets from previous years are, in turn, input for compiling budget plans for subsequent periods.

Monitoring and auditing exist for a reason: they form a natural and logical part of the purposeful use of our joint money, wherein we all want the state's money, which belongs to us all, to be planned and used sensibly and purposefully.



TEA VARRAK
Secretary-General,
Ministry of Finance

TO SUM UP AND LOOK INTO THE FUTURE

You are looking at a book that sums up the two-year long joint work of hundreds of people caring about Estonia's future. These people include officials from all ministries, people with a sense of mission from the third sector, entrepreneurs, partners, advisors from outside Estonia and citizens who are interested in Estonia's success.

This is how it should be because the national budget strategy affects all Estonian people: in the form of thorough analyses, specific plans and complicated financial tables it lays down the most important things the state plans to do with our money in the next four years. When I say "our money" I also mean the funds reaching Estonia from the European Union, which are also included in the strategy. We too make our contribution to the European Union budget, and the faster our development is the more we will contribute.

The national budget strategy helps us to use money as effectively as possible for Estonia, be that money from taxes collected in Estonia or from European grants. No kroon should be spent in vain but it should produce a second and even a third kroon.

We want Estonia to develop rapidly in the future as well but not so as to hurt our chances for a good life in the future with this speedy development – this is what we mean by "sustainable." It is crucial that our activities be balanced both socially and regionally, so one day we do not have to face the situation where we live in an economically developed country but cannot use the increasing funds for further development of the country and instead have to spend most of our energy fighting social problems.

We made the compilation of the strategy as open as possible so we would not miss a single aspect. Anyone connected to the planning of the use of state money must have a chance to give their opinion and make suggestions. Many different people looking at the life of Estonia from different angles, countless ideas and opinions, hundreds of objectives – they all comprise the vision of the state's development, a gaze looking far enough so that we know in which direction to move.

The 120 organisations and more that participated in the compilation of the national budget strategy all made their contribution to shaping a joint vision and for this we are truly grateful to them. I am certain that the completed strategy marks the beginning of ever-increasing cooperation that is beneficial for all parties. By thinking and acting together we create momentum that helps to boost economic growth and improve the standard of living. The joint planning of public sector activities and considering reciprocal effects increases their positive impact.

The national budget strategy is in constant flux, as is every strategy. However, our accomplishments so far make the work that lies ahead easier – now we know from our own experience that struggling for a joint goal and looking for compromises gives better results than working alone. In the future we will know how to avoid mistakes that were made this time and we will not get stuck so easily – with each time looking into the future becomes easier and we continue to see farther.

In addition to renewing the strategy we also need to execute it. This will offer new challenges and again force us to look for better solutions that are acceptable to everyone. Still together – jointly made plans must also be carried out jointly in order to reach the best result and maintain Estonia's success.

OUR PARTNERS IN COMPILING THE NATIONAL BUDGET STRATEGY

MINISTRY OF EDUCATION AND RESEARCH

Association of Estonian Adult Educators (ANDRAS)
 Association of Estonian Trade Unions
 Cooperation Council of Estonian Local Authorities' Associations
 Estonian Academy of Sciences
 Estonian Biocentre
 Estonian Chamber of Commerce and Industry
 Estonian Employers Confederation
 Estonian Information Technology Foundation
 Estonian Non-Formal Adult Education Association
 Estonian Qualification Authority
 Estonian Rectors Conference
 Estonian Society for Promotion of Vocational Education and Training
 Estonian Union of Scientists
 Estonian University of Life Sciences
 Estonian Youth Work Centre
 National Institute of Chemical Physics and Biophysics
 Rectors Council of Professional Higher Educational Institutions
 Tallinn University
 Tallinn University of Technology
 Tartu Biotechnology Park
 Tartu Science Park
 Tiger Leap Foundation
 Union of Open Youth Centres
 University of Tartu

MINISTRY OF SOCIAL AFFAIRS

Association of Estonian Cities
 Association of Estonian Trade Unions
 Association of Municipalities of Estonia
 Baltic Environmental Forum
 Estonian Association of Surgeons
 Estonian Chamber of Disabled People
 Estonian Chamber of Pensioners
 Estonian College of Health Service Executives
 Estonian E-health Foundation
 Estonian Employees Unions Confederation

Estonian Employers Confederation
 Estonian Hospitals Association
 Estonian Medical Association
 Estonian Midwives Association
 Estonian Nurses Union
 Estonian Patient Advocacy Association
 Estonian Society of Family Doctors
 Estonian Union of Women in Business
 Estonian Women's Studies and Resource Centre
 Innopolis Konsultatsiooniid Ltd
 Network of Estonian Nonprofit Organisations
 Non-Estonians Integration Foundation
 Open Care Development Centre
 Patients Representative Association of Estonia
 PRAXIS Center for Policy Studies
 Union of Estonian Emergency Medical Services
 University of Tartu, Faculty of Medicine
 University of Tartu, Faculty of Social Sciences

MINISTRY OF CULTURE

Council of Estonian Regional Culture Policy
 Council of Museums
 Estonian Olympic Committee
 Estonian Regional Sports Council
 Heritage Conservation Advisory Panel
 Public Understanding Foundation

MINISTRY OF THE ENVIRONMENT

Estonian Biotechnology Association
 Estonian Council of Environmental NGOs
 Estonian Waste Management Association
 Estonian Water Association

MINISTRY OF ECONOMIC AFFAIRS AND COMMUNICATIONS

Association of Estonian Facilities Administrators and Maintainers
 Association of Estonian Homeowners Societies
 Association of Estonian Trade Unions

Estonian Association of Information Technology and Telecommunications

Estonian Association of Owners by Title
 Estonian Association of Small and Medium Sized Enterprises
 Estonian Association of Travel Agents
 Estonian Biotechnology Association
 Estonian Business School
 Estonian Cooperative Union
 Estonian Employers Confederation
 Estonian Euromanagement Institute
 Estonian Hotel and Restaurant Association
 Estonian Institute for Future Studies
 Estonian Spa Association
 Estonian Taxpayers Association
 Estonian Trade Council
 Estonian Union of Cooperative Housing Associations
 Estonian Woodworking Federation
 Junior Achievement Estonia
 Junior Chamber International Estonia
 NGO Estonian Rural Tourism
 Union of Estonian Automobile Enterprises
 Union of Estonian Tenants Associations

MINISTRY OF AGRICULTURE

Areto Ltd
 Association of Estonian Breweries
 Association of Estonian Food Industry
 Association of Estonian Wine Producers
 Estonian Agricultural Producers Central Union
 Estonian Association of Bakeries
 Estonian Association of Fishery
 Estonian Association of Rural Women
 Estonian Beekeepers Association
 Estonian Chamber of Agriculture and Commerce
 Estonian Commercial Fishermen Association
 Estonian Council of Environmental NGOs
 Estonian Crayfish Breeders Society
 Estonian Dairy Association

Estonian Farmers Federation
 Estonian Fish Farmers Association
 Estonian Fishermen's Association
 Estonian Fishing Association
 Estonian Horticultural Association
 Estonian Land Reclamation Society
 Estonian Private Forest Union
 Estonian Spirits Association
 Estonian Sports Information Centre
 Estonian Traders Union
 Estonian Trawl Fishing Association
 Estonian Village Movement Kodukant
 Estonian Young Farmers Organisation
 Union of Estonian High Sea Fishers

MINISTRY OF INTERNAL AFFAIRS

Association of Estonian Cities
 Association Of Estonian Small Ports
 Association of Local Authorities of Harju County
 Association of Local Authorities of Hiiu County
 Association of Local Authorities of Ida-Viru County
 Association of Local Authorities of Jõgeva County
 Association of Local Authorities of Järva County
 Association of Local Authorities of Lääne County
 Association of Local Authorities of Lääne-Viru County
 Association of Local Authorities of Põlva County
 Association of Local Authorities of Pärnu County
 Association of Local Authorities of Rapla County
 Association of Local Authorities of Saare County
 Association of Local Authorities of Tartu County
 Association of Local Authorities of Valga County
 Association of Local Authorities of Viljandi County
 Association of Local Authorities of Võru County
 Association of Municipalities of Estonia





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