



Ministry of Finance  
of the Republic of Estonia

# Comments from Estonia

Kadri Jõgiste

Head of Budgeting Methodology and Development Department



Euroopa Liit  
Euroopa Sotsiaalfond



Eesti tuleviku heaks

# PBB reform failures in Estonia

**2004 – implementing PBB step by step** Roadmap for the budget reform from IMF experts in 2004

- Underestimating the reform – we can do it easily!
- MoF started to collect PI in budget process – without framework, every year new structure for objectives in horizontal level and also new measures (programs) – depending on line ministries
- IT systems to support only for collecting data through measures - to get traditional budget we use excel

**2008 – Big Bang approach** Concept Paper from MoF – support from OECD experts in country review (Budgeting in Estonia)

- In one year from traditional budget to accrual basis performance budget
- Government did not approved the Concept Paper



# Since 2009 reforms on the way – lessons learned

**Elaborating suitable performance management framework and reform agenda** – to have roadmap, clear direction for the future and priorities of reforms to support PMS (to improve and connect policy cycle, financial cycle and contract cycle)

**Pilot projects** – to be sure that the system is suitable and to have functioning examples and to have critical amount of people who believes in changes

**Networks of specialists** – to have common understanding and to let actors to be part of the process and to feel as owners of the process

**Functional standards for financial data** – to build up IT systems to support current system and to be ready to change the system

**Building capacity to implement changes**

- Rising competence – to prepare administration for the changes
- Building comprehensive IT system - to support the new approach



# Main challenges in Estonia

## How to re-establish trust?

- Administration doesn't trust PBB because of empty work in many years since 2004
- Politicians doesn't trust because of big bang suggestion 2008 and mistrust of administration

## Which is the right communication strategy for different stakeholders

- When and how to go to political level
- How to change the culture in administration

**How to change attitude** - *why we need to change our budgeting system when other should learn from us* - **we are the “poster-child” of fiscal discipline**



# Lessons learned from the crises - lack of data and knowledge

- Little, if any, real performance information systematically collected in the Ministry of Finance
- Lack of accrual-basis budget information (accrual accounting since 2004)
- Lack of skills and knowledge:
  - how to use available accrual-basis financial reports
  - how is possible and reasonable to link objectives with funds



# General questions for OECD

- Who is the main target group for this document?
- Priorities of recommendations?
- The meaning of PBB?
  - To make decisions in budgeting process based to PI ? – no link between traditional and PBB - *harmonized costing methodology to link objectives and resources (the cost of activities)*
- Financial management system in Poland?
  - Cash or accrual basis budgeting and accounting – *(to ensure financial discipline; to be sure about the cash flow of the period and the cost of activities/ duties)*



# Comments and questions

- Poland has made big steps to change the way of thinking in their Public Sector - political support and PM framework to set objectives hierarchically
- Does the Parliament approves 4000 actions annually and set the limits for 4000 budget lines?
- If there is no link between policy cycle and financial cycle, then how you plan to link this two cycles?
- How is it possible to build IT systems without standards for financial data?





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Thank you for your  
attention!