



# **Estonia**

## **Project Appraisal & Selection: Domestic vs. External Funding**

***STRENGTHENING GOVERNANCE OF  
PUBLIC INFRASTRUCTURE***

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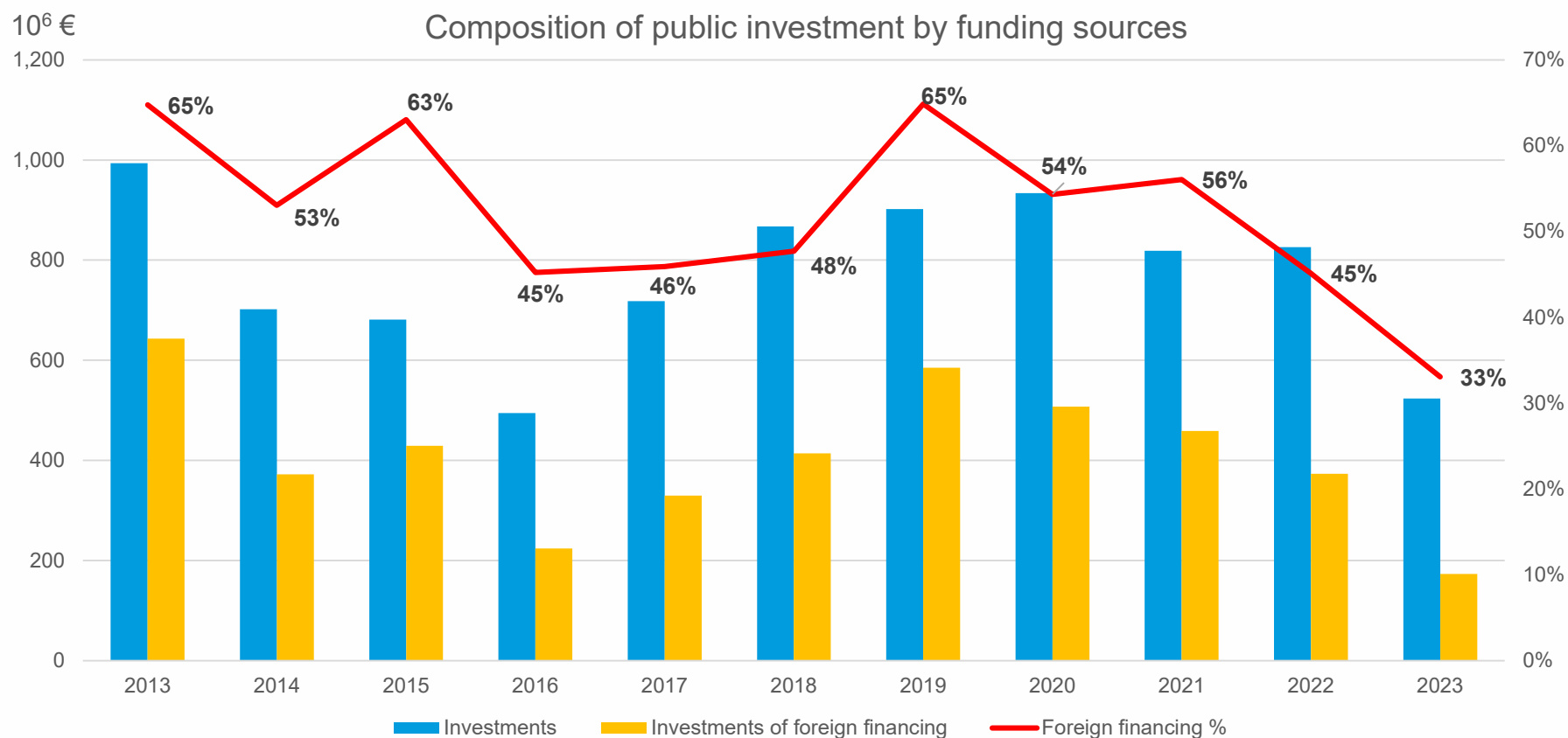
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# Estonia—Funding structure of public infrastructure

## ■ Funding structure of public infrastructure

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



# Estonia—The role of external funding for infrastructure

## ▪ Project appraisal procedures

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

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

# Estonia—The role of external funding for infrastructure

## ▪ Project selection procedures

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

# Estonia—Managing Capital Budgeting

## Issue

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

## Reform efforts

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