

REPUBLIC OF ESTONIA
MINISTRY OF FINANCE

2027 DRAFT BUDGETARY PLAN OF ESTONIA

Ministry of Finance

Tallinn, 15th October 2026

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Introduction

According to the European Parliament and Council Regulation (EU) No 473/2013 entered into force on 30 May 2013 about the common rules of monitoring and evaluation of Member States budget plans and ensuring the correction of their excessive deficit (EU OJ L 140, 27.05.2013) all euro area Member States must submit next year's draft budgetary plans (DBP) by 15 October.

Preparation and assessment of budgetary plans in autumn is an additional step in a framework of coordinated surveillance, which takes place every autumn. This contributes to coordination of policies between the euro area member states and ensures that the recommendations of the Council and of the Commission have been taken into account accordingly in the budgetary processes of the member states. The information provided in the DBP should allow identifying discrepancies of the budgetary strategy from the one presented in Estonian medium-term Fiscal-Structural plan.

The valid Fiscal-Structural Plan was approved by the Government on 10 October 2024. **The draft 2027 State Budget with explanatory memorandum was approved by the Government on 28th of September and on the following day it was given for proceeding to Parliament.**

The draft 2027 State Budget of the Republic of Estonia is based on State Budget Strategy 2027–2030, The Government's Action Programme and the planned activities take into account the Government's Action Programme and The European Commission and the Country Specific Recommendations as adopted by the Council in July. In the formulation of the fiscal policy, national requirements and the Stability and Growth Pact requirements on the budgetary policy of the EU Member States are being respected.

1. Macroeconomic forecast

The Draft 2027 State Budget of the Republic of Estonia is based on the summer forecast of the Ministry of Finance (MoF), published on 27 August 2026. Assumptions of the forecast were fixed in mid-August 2026. Economic forecasts of the Ministry of Finance are public and can be found from the web page of the Ministry (https://www.fin.ee/en/public-finances-and-taxes/state-budget-and-economy/annual-state-budget-and-economic-forecasts).

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Economic growth is accelerating this year. The economic impact of the conflict in the Middle East has so far proved smaller than expected in the spring, and economic conditions in key destination markets for Estonian exports have proved stronger.

GDP grew by 1.3 per cent in 2025, and we expect growth of 2.5 per cent this year and 2.3 per cent in 2027 (Figure 1). Growth is supported this year primarily by domestic demand, but also by exports. Domestic demand is receiving a significant boost this year from the introduction of a uniform tax-free allowance, as a result of which growth in the net wage bill is around 10 per cent. Economic conditions in the economies of our key export partners have improved, creating better export opportunities for Estonia.

So far, the impact of the conflict in the Middle East has not fed through more broadly into prices. Although we expect price growth to pick up in the autumn months of this year, inflation in 2026 as a whole is projected to be markedly slower than in 2025.

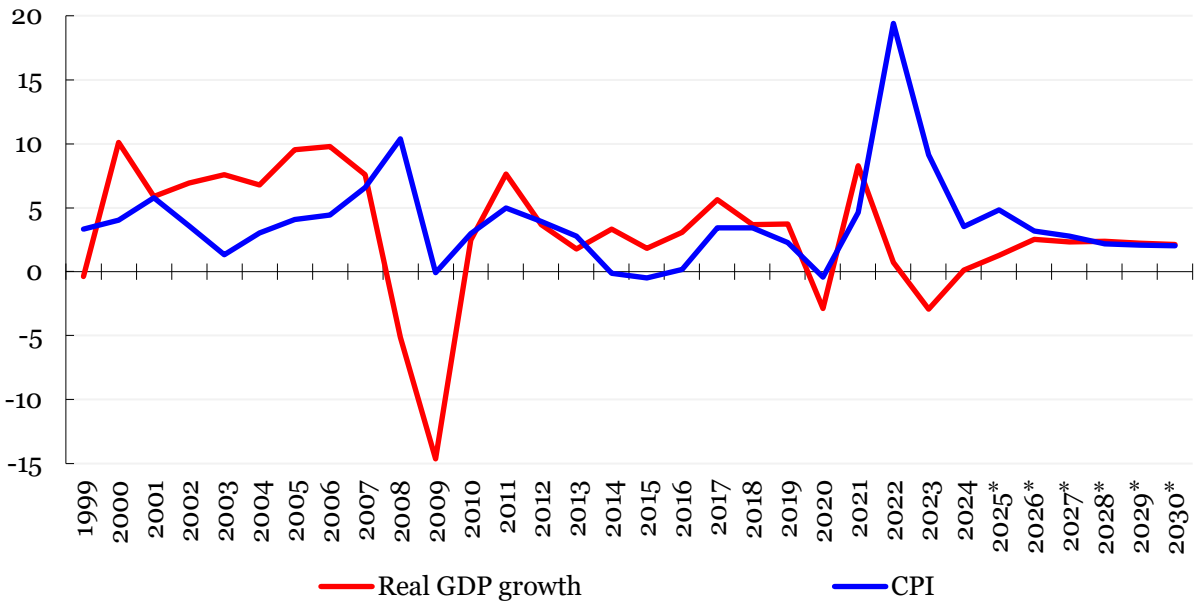
Household consumption is supported by changes to the income tax system, slower price growth and improving confidence. The introduction of a uniform tax-free allowance of 700 euros per month as of 1. January 2026 significantly raises the average net wage, although growth in take-home pay is uneven across people with different income levels. Part of the additional income resulting from the income tax change is saved. The unemployment rate is expected to decline over the coming years towards its natural rate, to around 6 per cent.

Investment is projected to remain slightly below its long-term average over the coming years. In particular, investment in new housing is subdued compared with a few years ago. The average interest rate on housing loans is higher than it was before the onset of rapid price growth in 2021-2022, which was accompanied by rising interest rates. Over the coming years, construction activity is, however, likely to be supported by Rail Baltica construction and renovation of buildings.

We expect Estonian exports to grow over the coming years broadly in line with external demand. We project manufacturing production volumes to increase and the industrial sector to recover some of the share it has lost in the economy in recent years.

Figure 1

Estonia's economic growth and the change of consumer price index (CPI), %



Source: Statistics Estonia, Ministry of Finance.

Table 0.i) Basic assumptions

	2025	2026*	2027*
Short-term interest rate (annual average)	2.2	2.4	2.9
Long-term interest rate (annual average)	2.6	3.1	3.2
USD/€ exchange rate (annual average)	0.89	0.86	0.87
Nominal effective exchange rate	0.8	-0.1	-0.1
World excluding EU, GDP growth	3.6	3.1	3.3
EU GDP growth	1.5	1.0	1.3
Growth of relevant foreign markets	4.3	2.8	2.7
World import volumes, excluding EU	5.5	4.0	3.6
Oil prices (Brent, USD/barrel)	69.1	89	76.2

Source: Eurostat, Bank of Estonia, European Central Bank, IMF, Consensus Economics, European Commission, Chatham Financial, Bloomberg and Ministry of Finance.

Table 1.a. Macroeconomic prospects

		2025	2025	2026	2027
		Level	rate of change	rate of change	rate of change
1. Real GDP	B1*g	29.9	1.3	2.5	2.3
In addition					
1.1. Attributable to the estimated impact of aggregated budgetary measures on economic growth (1/)				0.0	0.0
2. Potential GDP			0.5	1.2	1.2
contributions:					
- labour			0.3	0.4	0
- capital			0.8	0.9	0.8
- total factor productivity			-0.5	0	0.4
3. Nominal GDP	B1*g	41.8749	5	6	5.2
Components of real GDP					
4. Private final consumption expenditure	P.3		-0.4	3.3	1.7
5. Government final consumption expenditure	P.3		2.4	7.7	-0.3
6. Gross fixed capital formation	P.51		2.4	5.1	2
7. Changes in inventories and net acquisition of valuables (% of GDP)	P.52 + P.53		0.8	1	0.8
8. Exports of goods and services	P.6		4.8	2.5	2.8
9. Imports of goods and services	P.7		4.7	4.9	1.6
Contributions to real GDP growth					
10. Final domestic demand			0.9	4.6	1.3
11. Changes in inventories and net acquisition of valuables	P.52 + P.53		1.7	-0.1	0.2
12. External balance of goods and services	B.11		-0.2	-2	0.8

1/ This estimate includes the effect of 2026 budgetary measures on economic growth in relation to the baseline Summer 2026 forecast. The measures decided in September 2026 mostly include a marginal negative impact from spending cuts.

Source: Statistics Estonia, Ministry of Finance.

Table 1.b. Price developments

	ESA code	**2025**	**2025**	**2026***	**2027***
		level 2020=100	rate of change	rate of change	rate of change
1. GDP deflator		140.1	3.7	3.3	2.7
2. Private consumption deflator		140.1	3.2	3	2.7
3. HICP		148.1	4.8	3.1	2.8
4. Public consumption deflator		148.0	3.9	3.8	3.1
5. Investment deflator		142.9	2.6	2.6	2.7
6. Export price deflator (goods and services)		132.3	3.6	2.9	2.4
7. Import price deflator (goods and services)		142.4	2.1	3.2	2.1

Source: Statistics Estonia, Ministry of Finance.

Table 1.c. Labour market developments

	ESA code	2025	2025	2026*	2027*
		Level	*rate of change*	*rate of change*	*rate of change*
1. Employment, 1000 persons		693.15	-0.8	0.2	0.3
2. Average annual hours worked per person employed		1690.7	0	0	0
3. Unemployment rate (%)			7.5	6.7	6.4
4. Labour productivity, (real GDP per employed person)			2.1	2.3	2
5. Labour productivity, hours worked			2.1	2.3	2
6. Compensation of employees	D.1	21.138	5.2	6	5.2
7. Compensation per employee (6./1.)		0.0305	6	5.8	4.9

Source: Statistics Estonia, Ministry of Finance.

Table 1.d. Sectoral balances

	ESA code	2025	2026*	2027*
		% of GDP	*% of GDP*	*% of GDP*
1. Net lending/net borrowing vis-à-vis the rest of the world	B.9	2.3	1.6	1.8
of which:				
- balance on goods and services		1.1	-0.9	0.3
- balance of primary incomes and secondary incomes		-0.8	-0.5	-1.0
- capital account		2.1	2.9	2.5
2. Net lending/net borrowing of the private sector	B.9			
3. Net lending/net borrowing of general government	B.9	-2.2	-4.2	-4.0
4. Statistical discrepancy		0.3	-	-

Source: Statistics Estonia, Ministry of Finance.

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Economic forecast of the Ministry of Finance is prepared by analysts from the Fiscal Policy Department, who belong to the personnel of the Ministry. The objectivity and independence of the forecast is assured through the transparency of forecasting process, the involvement of different external economists and through continuous comparison of forecasting results and regular analysis of forecasting errors. Before finalisation of the forecast of the Ministry of Finance, its main assumptions and results are discussed in a joint seminar with different forecasters in Estonia, who belong to the central bank, commercial banks and other institutions dealing with economic analysis. In addition, different comparative tables and figures with the outcome of different independent forecasters can be found from the document of Ministry's economic forecast.

The opinion of the Fiscal Council on the summer 2026 macroeconomic forecast of the Ministry of Finance

Pursuant to §18 of the State Budget Act, the Fiscal Council issued its opinion on the summer 2026 economic forecast of the Ministry of Finance on 9 September.[1]

Overall, the Fiscal Council endorsed the summer economic forecast and considers it a suitable basis for preparing the next state budget and budget strategy. The summer forecast assumes that the economy's current growth momentum will continue. Although the situation in the Middle East may deteriorate again, the negative economic impact of developments there has so far been smaller than anticipated. Nevertheless, the Fiscal Council continues to see the possibility of a more rapid increase in energy prices as one of the main risks to the outlook.

Although the economy is growing, the difficult outlook for public finances has not improved in the summer forecast. The fiscal policy choices made so far have put Estonia's public finances on a path where the budget deficit remains at 4–4.5% of GDP over the forecast horizon. In 2026, however, the fulfilment of this forecast assumes that the planned (defence) investments can be carried out in the second half of the year. According to the summer forecast, the budget deficit will be lower than this in 2030 only if government expenditure growth is 0.5%, but this is difficult to assume under normal economic conditions.

Overall, the forecast for tax revenue growth is consistent with the expected nominal growth of the economy, which reaches 4.5–5% per year over the forecast horizon. As the summer forecast indicates that the Estonian economy will already be operating close to its potential in the coming years. In longer run, the fiscal strategy cannot rely on stronger-than-forecast cyclical growth or revenue windfalls. Durable improvement requires structural measures.

The Ministry of Finance agrees with the Fiscal Council's assessment of the economic forecast.

The impact of fiscal measures on economic development

The fiscal policy decisions taken in autumn 2026, which were not incorporated into the Ministry of Finance's summer economic forecast, are not expected to have a significant impact on economic developments this year or next year (see Figure 2). The impact of the fiscal measures on economic developments is expected to become significant in 2028 only (see Figure 3), when, among other measures, support is planned for the factory-based renovation of apartment buildings and for business investment. Together with other smaller budgetary changes, these measures are estimated to increase economic growth by approximately 0.4 percentage points in 2028 relative to the summer forecast.

Some fiscal measures aimed at stimulating economic activity do not worsen the budgetary position, as they also leverage private-sector contributions and, overall, generate additional economic activity and increase tax revenue in sufficient amount to cover the costs associated with the measures.

The assessment of the economic impact of the Government's fiscal measures relies on estimates from a fiscal dynamic stochastic general equilibrium (DSGE) model of the Latvian

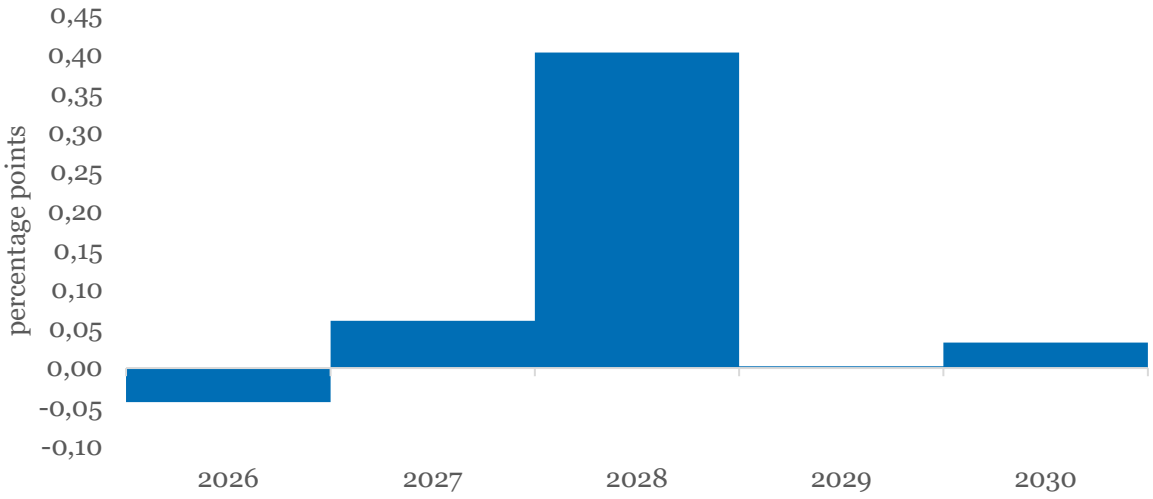
[1] More detailed analyses can be found on the web page of the Fiscal Council:

https://eelarvenoukogu.ee/news/national-fiscal-rules-should-be-reinstated-to-reduce-the-budget-deficit

economy.[2]

Figure 2

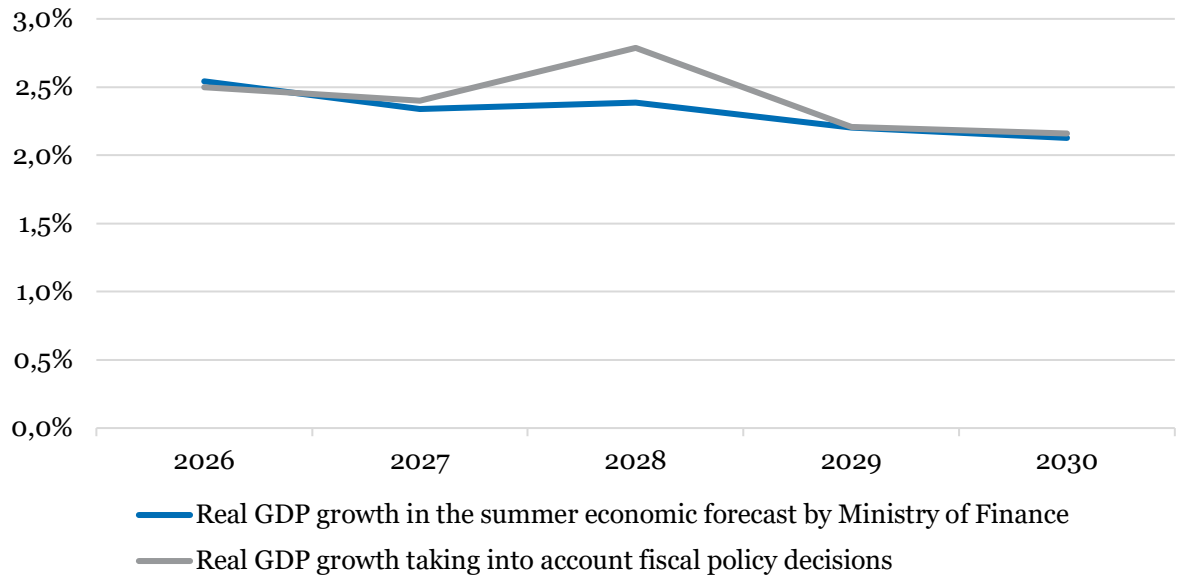
Impact of fiscal policy decisions on real GDP growth relative to the Ministry of Finance's summer economic forecast



Source: Ministry of Finance.

Figure 3

Real GDP growth in the summer economic forecast and under the State Budget Strategy decisions



Source: Ministry of Finance.

[2] Ginters Bušs & Patrick Grüning (2023) Fiscal DSGE model for Latvia, Baltic Journal of Economics, 23:1, 1-44, DOI: 10.1080/1406099X.2023.2173915. Given the similarities of Estonian and Latvian economies we believe that the Latvian model elasticities are broadly suitable for Estonia.

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In the following, Ministry of Finance's 2026 summer forecast is compared with the latest public macroeconomic forecasts by other institutions. When comparing them, one should keep in mind that forecasts are compiled in different periods and are therefore based on different information, which causes variations in assumptions and results of the forecasts.

Forecasts published by other institutions following the Ministry of Finance's summer forecast are broadly consistent with the Ministry's outlook in terms of key assumptions and developments. For 2026, continuation of economic rebound is expected with strong fiscal stimulus supporting domestic demand this year. As a result, real GDP growth forecasts vary from 2% to 2.6%, while inflation is expected to remain slightly above 3% according to the consensus.

For 2027, growth projections vary from 2.3% to 3%. The differences reflect uncertainty regarding the extent to which increased geopolitical risks may affect Estonia's economic development, as well as differing assessments of the impact of fiscal measures and higher defence spending. The Ministry of Finance's forecast for real GDP growth in 2027 is slightly more conservative, lying at the lower end of the projected range.

Table 1.f. Comparison of economic forecasts

	Real GDP growth, %			CPI growth, %		
	2026	**2027**	**2028**	**2026**	**2027**	**2028**
Ministry of Finance	**2.5**	**2.3**	**2.4**	**3.2**	**2.8**	**2.2**
Bank of Estonia	2.6	2.4	2.4	3.1	2.3	2.1
Swedbank	2.0	2.5	2.4	3.4	2.7	2.2
SEB	2.5	2.8	2.7	3.0*	2.5*	2.4*
Luminor	2.0	3.0	3.0	3.0	3.0	3.0

* *HICP*

Sources:
Ministry of Finance. 2026 summer forecast. 27.08.2026
Eesti Pank. Rahapoliitika ja majandus. 3/2026. 22.09.2026.
Swedbank. Swedbank Economic Outlook – August 2026. 25.08.2026.
SEB. Nordic Outlook. August 2026. 25.08.2026.
Luminor. Eesti majanduse ülevaade ja väljavaade. 16.09.2026.

2. Budgetary targets

The deteriorating security situation continues to put pressure on public finances. Estonia applied for the national escape clause under the Stability and Growth Pact, given the need for Europe to rapidly strengthen its defence capabilities in the face of Russia's war of aggression against Ukraine and the security threat it poses to Europe and the wider international order. Given Estonia's intention to make full use of the flexibility provided by the national escape clause, the budget deficit is projected to remain at elevated levels over the forecasting period and will not yet have converged to a level consistent with the stabilisation of the debt-to-GDP ratio. Accordingly, the government's fiscal policy is aimed at identifying expenditure savings and securing permanent revenue sources to meet increased spending needs and achieve fiscal targets while taking permanently higher defence expenditure into account. These measures are intended to ensure a gradual reduction of the deficit and support the long-term sustainability of public finances. **In the long term, the primary objective of the government's fiscal policy is to support macroeconomic stability by promoting market flexibility and efficiency, as well as managing risks that threaten the balanced development of the economy.**

Preventing a rapid increase in the debt-to-GDP ratio is a key policy objective for several reasons. A higher debt burden is more costly to service and generates additional fiscal risks. Fiscal discipline has once again come into focus for rating agencies and financial markets, and the outlook for public finances directly affects borrowing costs – as the debt burden increases, sovereign credit ratings may come under pressure and borrowing costs may rise. Moreover, a high debt level reduces fiscal space and limits the government's flexibility to respond to future shocks. This creates the risk that, in the event of the next crisis, the government would need to resort immediately to additional tax increases or expenditure cuts, potentially exacerbating an already weak economic situation.

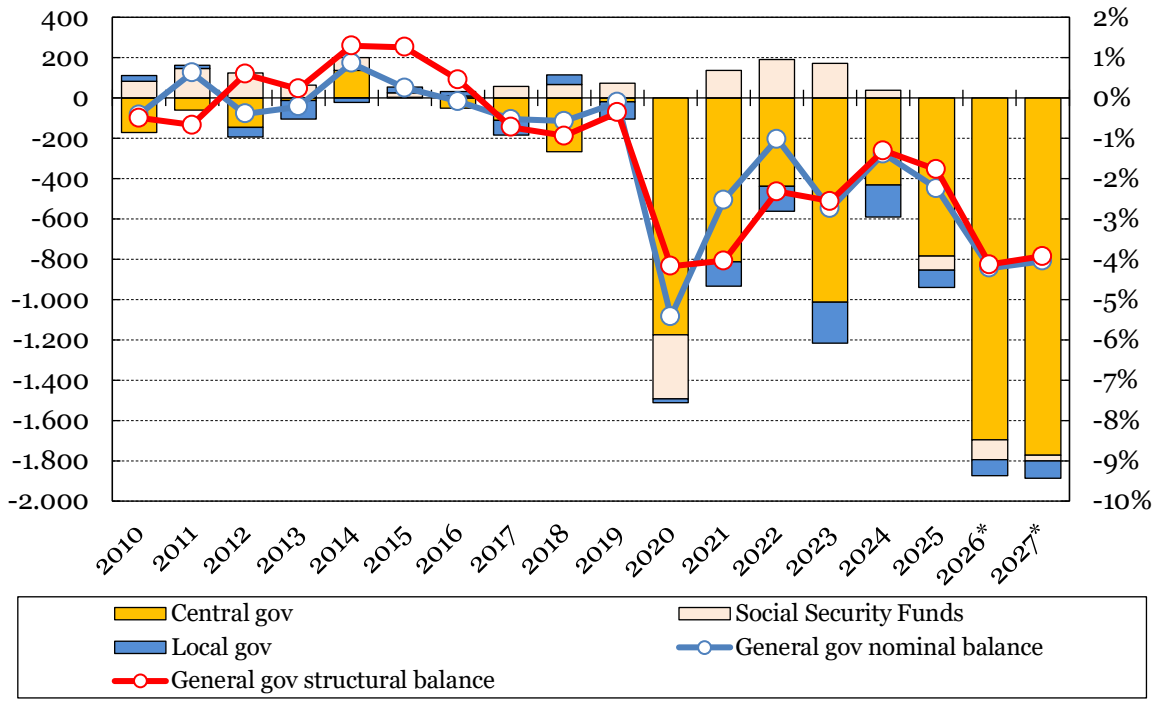
The Government's State Budget Strategy for 2027-2030 envisages a reduction of the budget deficit already from next year onwards, limiting it to 4% of GDP in 2027–2029 and to 3.4% of GDP in 2030. In 2027, the general government deficit will be 0.2 percentage points of GDP lower than in 2026 and 0.5 percentage points lower than was projected in the summer economic forecast of the Ministry of Finance. The reduction in the deficit reflects measures aimed at securing permanent financing for higher defence expenditure while curbing the growth of public debt relative to a non-policy-change scenario.

In 2025, general government debt increased by EUR 682 million to EUR 10.04 billion, or 24% of GDP, up from 23.5% in 2024. The relatively modest increase in the debt-to-GDP ratio reflected the use of funds raised in 2024 to cover part of the financing needs in 2025. Debt increased at both central and local government levels. In 2026, general government debt is expected to grow faster than the economy, driven by the persistent budget deficit and increasing financing needs. Despite remaining among the lowest in the EU, Estonia's rapidly increasing debt burden and refinancing needs pose growing financing risks and may lead to higher borrowing costs. **The debt-to-GDP ratio is projected to reach 28.3% by the end of 2027.**

Figure 4

General government budgetary position

(% of GDP)



Source: Statistics Estonia, Ministry of Finance.

Compliance with the EU fiscal rules

According to TFEU, Member States should avoid deficits higher than the reference value of 3% of GDP. According to the latest State Budget Strategy, the general government deficit will be above the 3% GDP for both 2026 and 2027. The activation of the national escape clause has impact on the assessment of the breaches of the 3% limit as the excess over the reference value can be fully explained by increased defence spending.

Compliance with preventive arm requirements of the Stability and Growth Pact means that a Member State should ensure that the growth of net nationally financed primary expenditure does not exceed the net expenditure path proposed in its Fiscal Structural Plan and approved by the Council. Net expenditure growth presented in this document has been calculated by the Ministry of Finance based on the Summer Forecast and the State Budget Strategy for 2027-2030, prepared in September 2026. According to these calculations, the expected growth of net nationally financed primary expenditure is 10.7% in 2026 and 2.8% in 2027 (see Table 2), taking into account the discretionary revenue measures included in the State Budget Strategy. The rapid net expenditure growth in 2026 is driven by the income tax reform and the increase in defence spending above 5% of GDP. In 2027, defence expenditure will remain broadly at the 2026 level, while growth in other expenditure will remain moderate. As a result, net expenditure growth will decrease to 2.8%.

Table 2 Single operational reference for fiscal surveillance

	Council recommendation			Outturn/projection		
	2025	2026	2027	2025	2026	2027
	growth rate	growth rate	growth rate	growth rate	growth rate	growth rate
Net nationally financed primary expenditure	7.1	5.1	3.6	3.2	10.7	2.8

Source: Ministry of Finance.

As Estonia was among the EU Member States that applied for the national escape clause to allow a temporary deviation from the net expenditure path due to increased defence spending, compliance with the fiscal rules will in practice be assessed on the basis of the control account, taking into account the flexibility provided by the national escape clause. The control account records deviations from the country-specific net expenditure path. If the net expenditure path is exceeded, a positive amount is recorded; conversely, if net expenditure remains below the path, the amount recorded is negative. The cumulative balance of the control account remains negative at the end of 2027, i.e., below the maximum permitted growth rate of net expenditure (see Table 3), taking into account the additional flexibility provided by the escape clause.

Table 3 Augmented control account

		2024	2025	2026	2027
Recommended net expenditure growth after removing safeguards	% change	1.9	7.1	5.1	3.6
Flexibility from removing the safeguards (cumulated)	bn NAC	0.0	0.0	0.0	0.0
Flexibility from removing the safeguards	% GDP		0.0	0.0	0.0
Defence expenditure	% GDP	3.7	4.4	5.2	5.1
Flexibility from increases in defence expenditure	% GDP		1.5	1.5	1.5
Cumulated balance after flexibility	**% GDP**		**-3.2**	**-0.8**	**-1.1**

Source: Ministry of Finance.

The opinion of the Fiscal Council on the structural budget position objectives for 2027-2030

Pursuant to §14 of the State Budget Act, the Fiscal Council issued an opinion on the objectives of the structural budget position for 2027-2030 on 28 September.[3] The Fiscal Council considers the macroeconomic forecast underlying the State Budget Strategy to be broadly plausible and suitable for budget planning purposes. At the same time, it notes that Estonia's fiscal position remains under pressure and that general government deficits are projected to remain substantial over the medium term despite the fiscal consolidation measures adopted by the Government.

According to the Fiscal Council, the budget strategy contributes to improving public finances compared to a scenario without additional policy measures. However, the Council highlights that the achievement of the planned fiscal targets is subject to considerable uncertainty. The main risks arise from the external economic environment, the macroeconomic outlook and the implementation of the planned policy measures. The Council therefore stresses the importance

[3] https://eelarvenoukogu.ee/uudised/eelarvepuudujaagi-vahenemine-peab-jatkuma-parast-2027-aastat

of ensuring the full implementation of the adopted measures and maintaining a credible path towards fiscal sustainability.

The Fiscal Council considers that the budgetary objectives set out in the State Budget Strategy 2027–2030 comply with the requirements of the fiscal rules, based on a flexible interpretation of those rules. However, the Council recommends that fiscal consolidation should not be postponed for as long as the temporarily relaxed fiscal framework allows but should instead resume immediately after 2027.

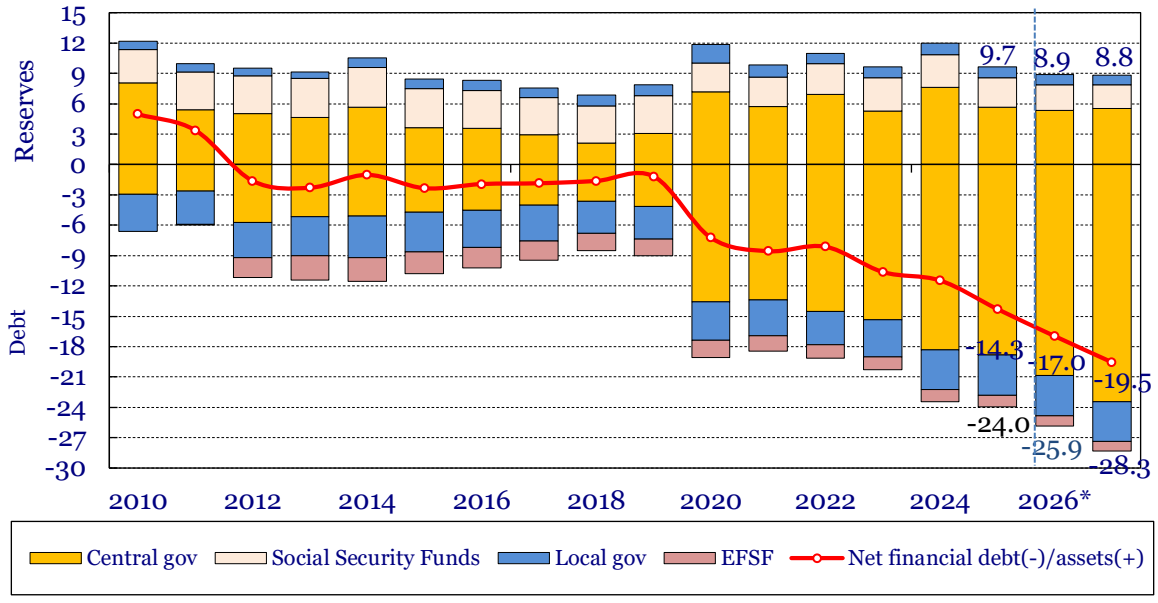
Even if the Government achieves its fiscal targets, public debt and interest expenditure are projected to increase rapidly over the coming years. By 2030, the debt-to-GDP ratio is expected to reach 37.4%, while almost EUR 2 billion would need to be allocated to interest payments on government debt over the next four years. If fiscal adjustment were postponed until 2030, public debt would not begin to decline before exceeding 40% of GDP.

In response to the opinion of the Fiscal Council, the Government notes that the State Budget Strategy seeks to balance the need for fiscal consolidation with the need to strengthen Estonia's security and defence capabilities and support economic growth. The Government remains committed to ensuring compliance with both the national fiscal framework and the requirements of the European Union fiscal rules. It will continue to implement the measures necessary to achieve the agreed medium-term fiscal objectives while taking into account the permanently increased expenditure needs arising from the changed security environment.

Figure 5

General government liquid financial assets, gross debt and net financial debt

(% of GDP)

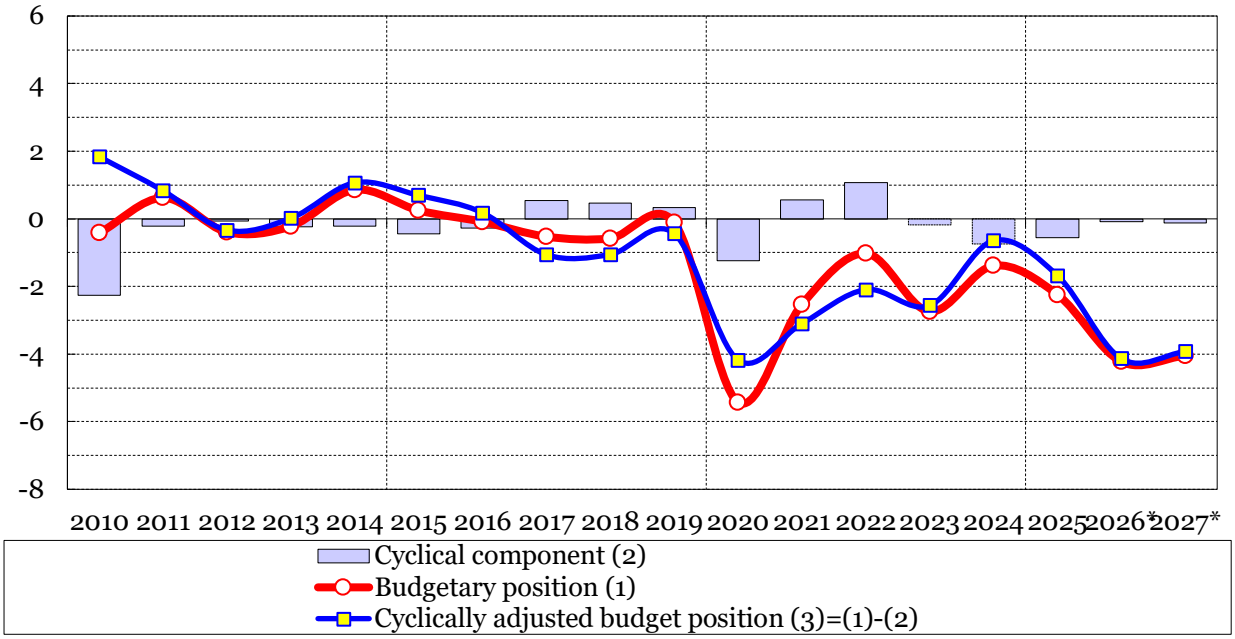


Source: Statistics Estonia, Ministry of Finance.

Figure 6

General government cyclically adjusted budgetary position

(% of GDP)

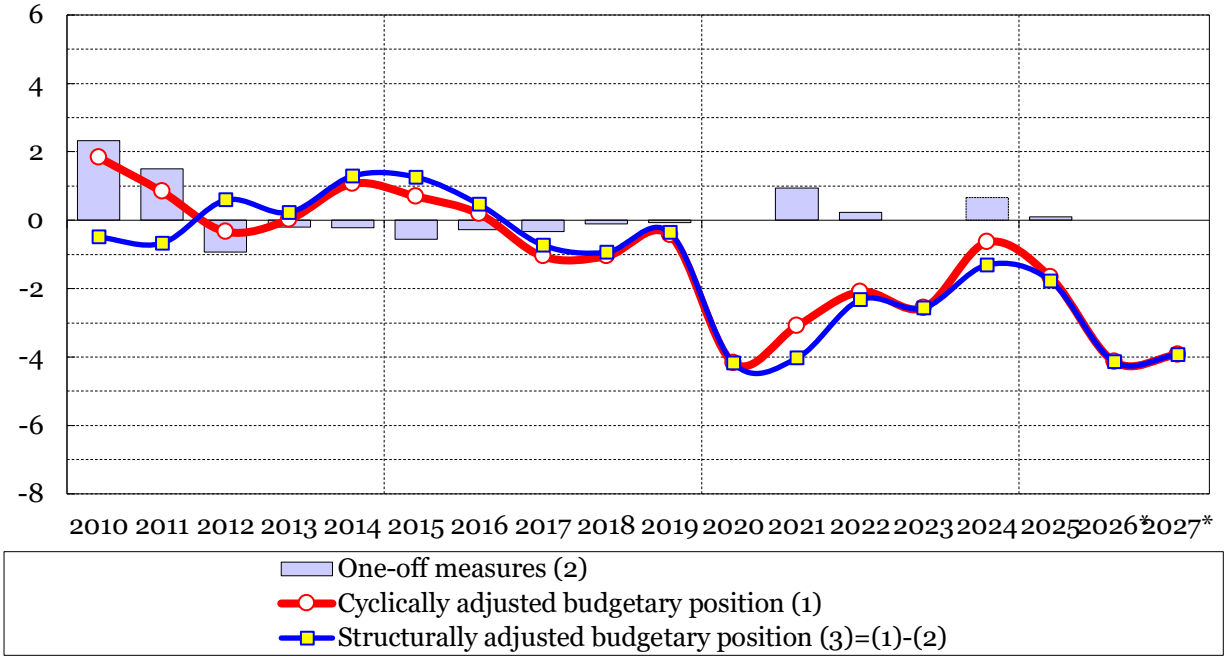


Source: Statistics Estonia, Ministry of Finance.

Figure 7

General government structurally adjusted budgetary position

(% of GDP)



Source: Ministry of Finance.

Table 4.a. Budgetary position objective of the general government by sub-sector

	ESA code	2026 (1/)	2027*
		% GDP	*% GDP*
Net lending (+) / net borrowing (-) (B.9) by sub-sector			
1. General government	S.13	-4.2	-4.0
2. Central government	S.1311	-3.8	-3.8
3. State government	S.1312	-	-
4. Local government	S.1313	-0.2	-0.2
5. Social security funds	S.1314	-0.2	-0.1
6. Interest expenditure	D.41	0.6	0.8
7. Primary balance (3/)		-3.6	-3.3
8. One-off and other temporary measures (4/)		0.0	0.0
9. Real GDP growth (%) (=1. in Table 1a)		2.5	2.3
10. Potential GDP growth (%) (=2 in Table 1.a)		1.2	1.2
contributions:			
- labour		0.4	0.0
- capital		0.9	0.8
- total factor productivity		0.0	0.4
11. Output gap (% of potential GDP)		-0.3	-0.4
12. Cyclical budgetary component (% of potential GDP)		-0.1	-0.1
13. Cyclically-adjusted balance (1 - 12) (% of potential GDP)		-4.1	-3.9
14. Cyclically-adjusted primary balance (13 + 6) (% of potential GDP)		-3.5	-3.2
15. Structural balance (13 - 8) (% of potential GDP)		-4.1	-3.9

1/ According to Draft 2027 State Budget.
2/ TR-TE= B.9.
3/ The primary balance is calculated as (B.9, item 1) plus (D.41, item 6).
4/ A plus sign means deficit-reducing one-off measures.

Source: Ministry of Finance.

Table 4.b. General government debt developments

	ESA code	**2026***	**2027***
		% of GDP	*% of GDP*
1. Gross debt		25.9	28.3
2. Change in gross debt ratio		1.9	2.5
Contributions to changes in gross debt			
3. Primary balance		-3.6	-3.3
4. Interest expenditure (3/)	D.41	0.6	0.8
5. Stock-flow adjustment		-1.0	-0.3
of which:			
- Differences between cash and accruals		-	-
- Net accumulation of financial assets		-	-
of which:			
- privatisation proceeds		-	-
- Valuation effects and other		-	-
p.m.: Implicit interest rate on debt (1/)		2.6	2.9
Other relevant variables			
6. Liquid financial assets (2/)		8.9	8.8
7. Net financial debt (7=1-6)		17.0	19.5
8. Debt amortization (existing bonds) since the end of the previous year [4]		3.1	2.8
9. Percentage of debt denominated in foreign currency		0	0
10. Average maturity [5]		7.0	7.0

1/ Proxied by interest expenditure divided by the debt level of the previous year.
2/ Liquid assets are here based on the accounting methodology which corresponds to the Consolidated Annual Report of the State. The definition of liquid financial assets covers the use of accounting standards, involving only those assets which are realizable in the short-term (including cash and deposits, debt securities, short-term trading quoted shares and investment fund shares)

Source: Ministry of Finance.

Table 4.c. Contingent liabilities

	2026*	**2027***
	% of GDP	*% of GDP*
Public guarantees	6.6	6.2
Of which: linked to the financial sector	6.5	6.2

Source: Ministry of Finance.

[4] Central government borrowing without foundations and legal persons governed by public law.
[5] Central government without foundations and legal persons governed by public law.

3. Revenue and Expenditure Projections under a no-policy change scenario

Table 3 presents general government revenues and expenditures in terms of main categories according to no-policy change scenario that were presented in Ministry of Finance summer forecast.

Table 5. General government expenditure and revenue projections at unchanged policies broken down by main components

General Government (S.13)	ESA Code	2026*	2027*
		% of GDP	*% of GDP*
1. Total revenue at unchanged policies	TR	42.4	41.5
of which			
1.1. Taxes on production and imports	D.2	14.3	14.1
1.2. Current taxes on income, wealth, etc.	D.5	8.8	8.7
1.3. Capital taxes	D.91	0	0
1.4. Social contributions	D.61	12.6	12.6
1.5. Property income	D.4	0.6	0.5
1.6. Other		6.1	5.6
p.m.: Tax burden (=D.2+D.5+D.61+D.91-D.995)		35.5	35.2
2. Total expenditure at unchanged policies	TE	46.8	46.0
of which			
2.1. Compensation of employees	D.1	12.3	12.1
2.2. Intermediate consumption	P.2	6.5	6.3
2.3. Social payments	D.62 D.632	14.7	14.4
of which Unemployment benefits		0.5	0.4
2.4. Interest expenditure (=9. in Table 4.a)	D.41	0.6	0.8
2.5. Subsidies	D.3	0.8	0.8
2.6. Gross fixes capital formation	P.51	7.8	7.3
2.7. Capital transfers	D.9	2.0	2.3
2.8. Other		2.1	2.0

Source: Ministry of Finance.

4. Expenditure and Revenue targets. General government expenditure by function

Table 6.a. General government expenditure and revenue targets, broken down by main components

General Government (S.13)	ESA code	2026*	2027*
		% of GDP	*% of GDP*
1. Total revenue target	TR	42.4	41.6
of which			
1.1. Taxes on production and imports	D.2	14.5	14.3
1.2. Current taxes on income, wealth, etc	D.5	8.5	8.5
1.3. Capital taxes	D.91	0	0
1.4. Social contributions	D.61	12.6	12.6
1.5. Property income	D.4	0.7	0.6
1.6. Other		6.1	5.6
p.m.: Tax burden (=D.2+D.5+D.61+D.91-D.995)		35.5	35.2
2. Total expenditure target	TE	46.6	45.7
of which			
2.1. Compensation of employees	D.1	12.3	12.3
2.2. Intermediate consumption	P.2	6.4	6.2
2.3. Social payments	D.62 D.632	14.7	14.5
of which Unemployment benefits		0.5	0.4
2.4. Interest expenditure (=9. in Table 4.a)	D.41	0.6	0.8
2.5. Subsidies	D.3	0.8	0.8
2.6. Gross fixes capital formation	P.51	7.8	6.8
2.7. Capital transfers	D.9	1.9	2.3
2.8. Other		2.1	2.0

Source: Ministry of Finance.

Table 6.c i) and 6.c ii) present government expenditures by function. The expenditure measures have an impact on almost all functions of the government sector. In 2025 state

budget strategy measures increased mostly defence spending while reducing expenditures on healthcare and education.

Table 6.c. General government expenditures by function

Table 6.c.i) General government expenditure on education, healthcare and employment

	2026*		2027*	
	% of GDP	*% of general government expenditure*	*% of GDP*	*% of general government expenditure*
Education	7.0	15.0	6.7	14.7
Healthcare	6.2	13.3	6.1	13.3
Employment	0.5	1.0	0.4	0.9

Table 6.c.ii) Classification of the functions of the Government

Functions of the Government	**COFOG code**	**2026***	**2027***
		% of GDP	*% of GDP*
1. General public services	1	4.4	4.4
2. Defence	2	5.2	5.1
3. Public order and safety	3	1.9	1.9
4. Economic affairs	4	5.3	5.0
5. Environmental protection	5	0.7	0.7
6. Housing and community amenities	6	0.4	0.4
7. Health	7	6.2	6.1
8. Recreation, culture and religion	8	1.9	1.7
9. Education	9	7.0	6.7
10. Social protection	10	13.6	13.7
11. Total expenditure (=2. in Table 4.a)	**TE**	**46.6**	**45.7**

Source: Ministry of Finance.

5. Description of discretionary measures included in the draft budget

Discretionary measures affecting the state budget's revenue and expenditure in 2027 are presented in Table 5. The 2027–2030 State Budget Strategy prioritizes national defence while supporting economic growth, productivity and income convergence. The adopted measures aim to protect Estonia's security, ensure the continuity of essential public services, and maintain fiscal responsibility amid geopolitical uncertainty and cost pressures.

The current State Budget Strategy allocates additional funding to education, public order, culture and national defence. Despite the additional funding, expenditure growth lags behind GDP growth. It eases wage pressures for teachers, cultural workers, coaches and internal security personnel. Between 2026 and 2030, spending is projected to increase most in education, public order and safety, social protection, housing, and community amenities. Additional funding will support IT development, research and innovation and has also been allocated to constitutional institutions to cover supplementary operating costs and investments.

To control spending and investment, further savings have been identified through budget reviews. Funding for Rail Baltica infrastructure investment has been rescheduled, shifting expenditure between years. In 2027, EUR 25.69 million of expenditure has been deferred to 2028–2030. In addition, investment expenditure within the Ministry of Climate's area of government decreases by EUR 36.21 million. The rescheduling improves the 2027 budget balance but does not constitute a permanent saving and does not reduce the project's total cost. More detailed cost-saving and revenue measures are presented in Table 5.

Among the adopted revenue measures, prison property leases are expected to improve the budget balance by nearly EUR 40 million in 2027 and more than EUR 60 million annually thereafter. Revenue will also increase through an additional dividend from the State Forest Management Centre (RMK) and higher tax receipts generated by competitiveness-enhancing subsidies.

The State Budget Strategy also includes funding for national defence and security. National defence expenditure will remain at least 5% of GDP annually. Following the revision of the national defence procurement plan, some national defence expenditure will be shifted from 2028 to 2030.

A significant expenditure-reducing measure is the VAT exemption for defence procurement financed through the SAFE instrument. Another major measure is the planned reclassification of Hexest Materials AS outside the general government sector. This is conditional on identifying a strategic business partner and meeting the other requirements necessary for the factory to be classified outside the general government sector; otherwise, the Government will not approve the investment. These measures are expected to reduce the general government deficit by more than EUR 70 million in 2027.

The amendments to the Funded Pensions Act and the Taxation Act affect both revenue and expenditure. Revenue will increase as people rejoin the second pension pillar, while

expenditure will rise due to additional state contributions to pension funds and the transfer of tax revenue to the social security funds.

The main amendment to the Funded Pensions Act and the Taxation Act shortens the waiting period for rejoining the second pension pillar from ten to five years. Individuals may rejoin once and may also withdraw part of their pension savings before retirement age.

The measure does not affect total social tax revenue but changes its allocation between the first and second pension pillars. As people rejoin, state contributions to the second pillar—4% of gross income—increase, while contributions to the first pillar decrease. Around 26,000 people are expected to rejoin in 2027. They will also contribute 2%, 4% or 6% of their gross income, in addition to the state contribution. As these contributions are deducted from gross income before personal income tax is calculated, personal income tax revenue will decrease.

Overall, the State Budget Strategy measures, including lower interest expenditure, will reduce the general government deficit by approximately EUR 221 million in 2027. By 2030, however, the annual measures are projected to increase the deficit by EUR 255 million.

Table 7. Discretionary measures taken by General Government

	Title/description measure	Exp / Rev	Sub-sector		2027
				ESA Code	% GDP
1	Revenue from prison rent	Revenue	S 13 General Government	P11+P12+D39+ D7+D9	0.09%
2	Other revenue, incl tax fraud	Revenue	S 13 General Government	D2, D4, D5, Other	0.05%
3	Lower interest expenditure, incl savings from consolidation	Expenditure	S 13 General Government	D4	-0.03%
4	Adjustment of investment timing, incl Rail Baltic	Expenditure	S 13 General Government	P51	-0.13%
5	New business plan and partner for state-owned enterprise	Expenditure	S 13 General Government	D16	-0.16%
6	Adjustment of CO2 and property investments co-financing	Expenditure	S 13 General Government	P51, P2	-0.03%
7	Additional funding for education and science	Expenditure	S 1311 Central Government	D1, P2	0.03%
8	Additional funding for culture sector	Expenditure	S 1311 Central Government	D1, P2, D62	0.01%
9	Additional funding for social and healthcare sector	Expenditure	S 1311 Central Government	D1, P2, D62	0.02%
10	Additional funding for public transport	Expenditure	S 1311 Central Government	P2	0.01%
11	Additional wage bill for teachers, cultural workers, coaches, and internal security personnel	Expenditure	S 1311 Central Government	D1	0.04%

12	Increase in the funded pension contribution transferred because of amendments to the Funded Pensions Act and the Taxation Act	Expenditure	S 1311 Central Government	D.61	0.06%
13	Other expenditure	Expenditure	S 1311 Central Government	D1, P2, D62, P51	-0.16%
Total revenue measures					**0.14%**
Total expenditure measures					**0.34%**
Overall impact of the measures					**0.48%**

Source: Ministry of Finance.

Discretionary revenue measures (DRMs) include the non-indexation of the basic allowance.

First, the basic allowance for people in working-age will remain unchanged rather than being indexed to the consumer price index. Under the European Commission's methodology, countries without automatic indexation must estimate the impact of a hypothetical "normal" indexation. The additional revenue resulting from unchanged tax thresholds is classified as a policy measure. The impact is calculated by comparing the forecast with a hypothetical scenario in which the allowance is indexed annually using the previous year's consumer price index or, where actual data are unavailable, the Ministry of Finance's summer forecast.

Second, the same methodology is used to estimate the budgetary impact of keeping the basic allowance for people of pension age unchanged.

We also considered whether any measures were suitable for a distributional impact analysis (DIA). While changes to the second pension pillar will increase the future disposable income of people who rejoin, the distributional impact in 2027–2030 is expected to be negligible. No other measures suitable for DIA were identified.

6. Links between the draft budgetary plan and country specific recommendations

In this chapter information is presented on how the measures in the draft budget plan take into account the country-specific recommendations (CSRs).[6]

Table 8.a. Country-specific recommendations

CSR no	List of measures	Description of direct relevance
1.	1. Continue adhering to the maximum growth rates of net expenditure recommended by the Council on 21 January 2025, while making use of the flexibility under the national escape clause for higher defence expenditure. 2. Reinforce defence readiness while ensuring spending efficiency and gradually adapting the budget to sustain structurally higher defence spending.	1.1 According to the Summer Economic Forecast of the Ministry of Finance and the State Budget for 2027, adopted by the Government, the growth rate of the net nationally financed primary expenditure in 2026 is 10.7% and in 2027 2.8%. Ministry of Finance considers that both domestic and EU fiscal rules continue to be adhered to, taking into account the full use of the flexibility under the national escape clause and keeping the defence spending over 5% of GDP. 1.2 The ReArm Europe Plan provides the possibility of increasing defence spending, i.e. for countries to temporarily increase their budget deficits. On April 29, 2025, Estonia applied for the implementation of a country-specific exemption clause for the years 2025-2028 and it was activated on 8th of July. In the current national budget strategy, the Government of the Republic decided to use the defence spending exemption clause in 2026-2028, which will allow raising defence spending above 5% of GDP. The increased funding is directed primarily towards meeting NATO capability targets, expanding ammunition stocks, developing air, land and maritime defence capabilities, strengthening defence infrastructure and improving the reception and reinforcement of Allied forces. The 2027–2030 State Budget Strategy also adjusts the annual distribution of defence expenditure to maintain the minimum 5% level throughout the period and makes use of the SAFE instrument for eligible defence procurement. In parallel with the rapid increase in expenditure, particular attention is being given to improving procurement, inventory accounting, contract management and

[6] C_202603919EN.000101.fmx.xml

		internal control processes to strengthen the efficiency and accountability of defence spending.
	3. Ensure that any measures taken to mitigate the impact of the hike in energy prices are temporary, targeted at protecting vulnerable households or at addressing the needs of energy intensive firms, preserve incentives for energy savings while ensuring that their fiscal cost is compatible with the commitments under the EU fiscal framework.	1.3 To avoid additional price increases the Government abandoned the fuel, gas and electricity excise duty increases in Mai 2026 for a year. The impact of the change is about 36 million euros in year 2026 and about 20 million euros in 2027. While Estonia's strategic priority remains the deployment of structural measures that permanently reduce energy demand and households' exposure to future energy price volatility, the government retains the option of introducing targeted and temporary energy price support for households in 2027 should market conditions warrant such intervention. Any decision on the scale and design of support measures for winter 2026/27 will be guided by developments in electricity and natural gas prices and an assessment of fiscal affordability. Long-term support is channelled primarily through investments in residential building renovation and energy-efficiency improvements, including complementary measures to be financed through the Social Climate Fund. This approach addresses energy affordability by reducing underlying consumption rather than creating recurring budgetary obligations. For energy-intensive industries, competitiveness concerns are addressed through targeted instruments such as preferential excise treatment and reduced renewable electricity charge level, while preserving incentives for demand-side response, energy efficiency, renewable energy deployment and storage investments. The budgetary impact of these policies is mitigated through the use of EU funding, EU Emissions Trading System auction revenues and other earmarked financing sources, thereby limiting pressure on general government finances and supporting compliance with Estonia's commitments under the EU fiscal framework. Should additional direct energy price support become necessary, it would be explicitly temporary, narrowly

		targeted to specific consumer groups, and subject to clearly defined exit criteria to contain fiscal risks, avoid market distortions and preserve incentives for energy savings.
	4. Ensure sustainable financing for spending needs, including defence, by broadening the tax base, tapping into taxes that are less detrimental to growth, including property taxation, and directing spending to priority areas based on public spending reviews.	1.4 Estonia continues to implement budget revision, including comprehensive budget reviews (zero-based budgeting) and horizontal spending reviews. In 2025-2026, comprehensive budget reviews assessed the efficiency of expenditures and activities within the administrative areas of the Ministry of Climate, the Ministry of Regional Affairs and Agriculture, the Ministry of Justice and Digital Affairs, and the Ministry of Foreign Affairs. Based on the results, the Government decided on savings amounting to 16.8 million euros in 2027 and 166 million euros over the period 2026-2030. In addition, spending reviews were conducted on domestic grants, non-formal adult education, and public investments. As a result of the investment review, proposals were made to reduce investment expenditure by 39.1 million euros in the 2027 budget and by 149.1 million euros over the period 2027-2030. Next phase of budget reviews will cover: comprehensive spending review of the governance area of Ministry of Defence; spending review on indexed and fixed costs in the state budget; spending review of the state fee system and fee rates, and an ex-post analysis and monitoring of State Budget Strategy measures.
2.	1. Ensure continuity of reforms and investments implemented under the Recovery and Resilience Facility.	2.1. All reforms and investments planned under the RRP have been completed, and all final milestones and targets have been achieved, ensuring their continuity. At the same time, building on the measures implemented under the RRP, Estonia continues its efforts to advance both the green and digital transitions, including through the planned NRPP.
	2. Sustain implementation momentum under cohesion policy programmes, building, where appropriate, on the reallocation to strategic priorities and flexibilities	2.2. Implementation of Cohesion Policy operational programme (OP) in Estonia is progressing well – level of commitments in October 2026 is 89% and payment rate 35%. OP amendment was prepared in the frames of MTR to introduce new REARM priorities and use flexibilities agreed. After OP amendment was adopted

	agreed in the context of the mid-term review of the cohesion policy framework.	in February 2026, new defence related measures are being launched in order to leave sufficient time for their successful implementation.
	3. Address the unique socio-economic, security and civil preparedness challenges affecting regions on the EU's external eastern border, including the need to invest in dual-use infrastructure.	2.3. Estonia is addressing the socio-economic, security and preparedness challenges of its eastern border region through measures supporting economic diversification, business investment, job creation and workforce skills development. Support is provided for SME investments, knowledge-intensive activities and cooperation between businesses, research institutions and regional colleges. Investments in energy infrastructure, dual-use technologies and resilient supply chains contribute to both regional competitiveness and security objectives. Investments continue in the development of the eastern border infrastructure and modern technical surveillance systems, with 170.1 million euros allocated for the development, construction, and maintenance of the eastern border until 2029. Further investments are planned to develop drone surveillance and counter-drone capabilities. Civil preparedness is being further developed by strengthening the national framework and capabilities for public sheltering, large-scale evacuation, the civil protection reserve and crisis preparedness at local government level.
3.	1. Better leverage public investment in R&I and address obstacles to commercialisation of R&I.	3.1. Allocations in research and development expenditures will remain close to 1% of GDP in 2027, the aim is to maintain 1%. The TemTA (thematic research and development) program aims to enhance the capacity and cooperation of research and development institutions in order to meet the demands of society, including businesses. The second stage of the program supports projects based on real-world development challenges faced by business and society, where practical solutions are sought through collaboration between research and development institutions, universities, and universities of applied sciences, as well as companies and the public sector. Increasing the impact of research and supporting the institutional knowledge transfer capacity of research institutions and higher education institutions is also

		supported by the ASTRA+ programme. The implementation of ASTRA+ grants will continue to strengthen the knowledge transfer and business cooperation capabilities of research and development institutions and higher education institutions. Support will be provided for activities necessary to develop universities and research institutions, including enhancing staff competencies in knowledge transfer, establishing effective management systems and services, and strengthening capacities for intellectual property protection and commercialisation. Support will be available for both programme-based joint activities and institution-specific initiatives. The development grant (proof-of-concept grant) provided under the program (Activity 3) is designed to simultaneously increase both the technological readiness level (TRL) of research results and their innovation readiness level (IRL) regarding their application.
	2. Improve access to finance, including for scaling up, especially for small and medium-sized enterprises and companies outside main urban areas, including by integrating innovation and business support frameworks.	3.2. Estonia supports business investment, productivity growth and the digital and green transitions through a combination of grants, loans, equity instruments and innovation support measures. A permanent support scheme is also available for large industrial investments exceeding 100 million euros. Support is provided for innovation projects, product development, applied research and business growth, helping companies increase productivity and scale up their activities. Innovation and business support services are integrated through coordinated support schemes, including innovation vouchers, development programmes, applied research support and innovation loans. In addition, Estonia has introduced a dedicated framework to accelerate permitting and planning procedures for strategically important investments, improving the overall investment environment. Additional measures support knowledge-intensive investments and business development in regions outside the main urban centres.
4.	1. Further invest into energy efficient renovations, including through financial instruments, to reduce energy demand and contribute to increasing the affordability of housing.	4.1 Estonia is continuing substantial investment in energy-efficient renovation to reduce buildings' energy demand and households' energy costs. Funding for apartment building renovation amounts to 111.6 million euros in 2027, 87.9 million euros in 2028 and 80 million euros in 2029, (grant rate 20%). Planned home renovation measures under the Social Climate Fund will further

		support vulnerable households, while the national renovation plan and related studies will improve the design and targeting of future measures. However, the use of financial instruments alongside grants is not yet specified in detail. Discussions with stakeholders are ongoing to identify the most appropriate mix/combination of financial measures, while ensuring that access to private financing remains affordable and is not adversely affected.
	2. Reduce overall reliance on fossil fuels and the share of oil shale in the energy mix by investing in renewable energy and by promoting energy storage.	4.2 Estonia will continue to reduce its dependence on fossil fuels, including oil shale, through investments in renewable energy generation capacity, energy storage and electricity grid development. The target is to increase the share of renewable energy in gross final energy consumption to 65% by 2030[7]. The achievement of this target is supported by measures promoting wind energy development, including 12 million euros in support and a 37 million euros investment to facilitate the deployment of wind energy generation capacity in north-eastern Estonia. The uptake of biomethane, renewable gases and hydrogen solutions will also be promoted. The development of battery, hybrid and thermal energy storage, demand-side response and electricity grid capacity will create the conditions for the broader integration of weather-dependent renewable energy into the energy system. The use of fossil fuels will also be reduced in the district heating sector by promoting low-temperature district heating solutions and the uptake of renewable energy, waste heat and thermal energy storage.
	3. Increase energy security and resilience against hybrid threats, for example by ensuring the sufficient capacity of electricity interconnections and strengthening the grid infrastructure's resilience.	4.3 Estonia is strengthening energy security and the resilience of its energy system by developing cross-border electricity interconnections, reinforcing the transmission and distribution grids, and improving the continuity and protection of critical energy infrastructure. Planned activities include developing the fourth Estonia–Latvia electricity interconnection, ensuring sufficient dispatchable generation capacity and the capability for electricity system island operation, and promoting energy storage and demand-side response. To mitigate physical and hybrid threats, crisis preparedness, information security and

[7] Energy Sector Organisation Act-Riigi Teataja § 32'

	4. Increase the use of sustainable and less polluting transport, by accelerating the completion of Rail Baltica, and by facilitating the integration of public transport systems.	cybersecurity in the energy infrastructure will also be strengthened. 4.4 Estonia is promoting sustainable transport through substantial investment in Rail Baltica new EU gauge rail connection and public transport integration. The State Budget Strategy allocates 445 million euros to Rail Baltica construction in 2027. Preparations for the operation and commissioning of the 1435 mm railway are ongoing, including the procurement of rolling stock. Further measures include 2.4 million euros in 2027 to improve the accessibility of public transport. In addition, 53.4 million euros has been allocated for railway reconstruction and electrification. Estonia has adopted legislative amendment in line with Directive (EU) 2025/2459, providing for the exemption of zero-emission heavy-duty vehicles from road user charges until 30 June 2031. This exemption promotes the uptake of zero-emission heavy-duty vehicles in Estonia, with the aim of improving energy efficiency and reducing adverse environmental impacts.
	5. Raise resource productivity by supporting the uptake of resource-efficient technologies.	4.5 Estonia is supporting higher resource productivity through investments in circular production and consumption solutions, waste management infrastructure and resource-efficient technologies. In 2027, 17.34 million euros is allocated to circular economy measures, including improving energy and resource efficiency in industry and the service sector, reducing waste and packaging, promoting reuse and recycling, and developing separate waste collection infrastructure. Additional measures include CO_2 reuse and greenhouse pilot projects, as well as support for clean technologies and green innovation. These measures facilitate the uptake of resource-efficient technologies, reduce the use of primary raw materials and increase the value generated from the resources used. In addition, Estonia promotes resource productivity by supporting digital transformation, applied research and innovation projects, as well as the uptake of AI and robotics solutions in enterprises. These activities help businesses improve resource efficiency, productivity and competitiveness.

5.	1. Improve skills by expanding opportunities for low-skilled and older adults and strengthening STEM education across all levels. 2. Reduce early school leaving by addressing teacher shortages and supporting learners with special needs.	5.1-5.2 To reduce early school leaving, the reform of the obligation to learn raises the compulsory education age. All basic school graduates must continue their education until at least age 18 or until they complete secondary or vocational education. As a part of the broader vocational education reform, national curricula for vocational upper secondary education have been renewed. Starting from the 2026/27 academic year, basic school graduates can enrol in 32 upper secondary VET programmes (particularly in fields such as IT, engineering, construction, biotechnology and healthcare). Since 2026 the career model for teachers has been introduced, establishing clear career stages and associated salary levels. The new model enhances transparency, supports workforce planning and provides teachers with a clearer professional pathway, thereby strengthening both teacher development and future teacher supply. A new support measure has been launched, supporting adults' participation in formal education (TAHE), to encourage adults with low levels of educational attainment to resume their studies. Regarding specialists' need in STEM area, Estonia's STEM strategy is under preparation (finalised by the fourth quarter 2026).
	3. Improve employment of young people through more effective active labour market policies, while paying particular attention to regional disparities.	5.3 Estonia continues to strengthen youth employment through targeted active labour market measures. Special attention is given to young people at risk of becoming NEET and to school graduates who have not continued in education or employment. The Unemployment Insurance Fund provides dedicated youth counsellors who support young people in finding suitable education, training and employment opportunities. Additional measures focus on career guidance, work-based learning and targeted support for young people with weaker labour market attachment.
	4. Strengthen social protection to reduce the risk of poverty among vulnerable groups by increasing the adequacy and	5.4 Estonia has implemented a major reform of the unemployment benefit and labour market services system. The new framework harmonises unemployment support arrangements, introduces a basic unemployment insurance benefit and modernises

	efficiency of the benefit system.	labour market services to better respond to the needs of jobseekers and employers. From 1 January 2026, the monthly subsistence level is €220 for a single person or the first household member, €176 for each additional adult and €264 for each minor child.
	5. Improve accessibility and affordability of healthcare and long-term care, including to address regional disparities, by ensuring funding.	5.5 The 2027 budget plan contributes to the implementation of the Country Specific Recommendation on improving the accessibility and affordability of healthcare and long-term care by strengthening the sustainability of health and social care financing and improving access to services across regions. The budget safeguards the long-term financial stability of the Health Insurance Fund while maintaining access to necessary healthcare services and preparing reforms to improve health insurance coverage and reduce inequalities related to out-of-pocket payments. It supports the integration of health and social care through regional cooperation models (TERVIKud), helping people with complex needs access coordinated services closer to their place of residence. The plan also advances the long-term care reform by simplifying access to long-term care services, improving the allocation of care places according to actual need, and expanding community-based services. Funding is secured for the integration of rehabilitation services into the healthcare system, ensuring more needs-based access to rehabilitation. Accessibility is further improved through the gradual integration of assistive devices into the health system and through continued investments in digital solutions. Additional resources are allocated to strengthen mental health services, early intervention, addiction treatment, and victim support. The budget also supports the training of healthcare professionals to help ensure the availability of services across Estonia. Together, these measures improve access, affordability, quality and regional availability of healthcare and long-term care services.

Annex

Table 9. Table of the RRF impact on programme's projections

Revenue from RRF grants (% of GDP)							
	2020	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
RRF GRANTS as included in the revenue projections		0.006	0.088	0.322	0.401	0.577	0.426
Cash disbursements of RRF GRANTS from EU		0.401	0	0.672	0.310	0.590	0.452

Expenditure financed by RRF grants (% of GDP)							
	2020	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
TOTAL CURRENT EXPENDITURE		0.004	0.017	0.035	0.076	0.074	0.059
Gross fixed capital formation P.51g		0.000	0.025	0.045	0.096	0.064	0.109
Capital transfers D.9		0.002	0.046	0.243	0.229	0.439	0.259
TOTAL CAPITAL EXPENDITURE		0.002	0.072	0.288	0.325	0.503	0.367

Other costs financed by RRF grants (% of GDP)[1]							
	2020	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
Reduction in tax revenue		0	0	0	0	0	0
Other costs with impact on revenue		0	0	0	0	0	0
Financial transactions		0	0.275	0	0	0	0

[1] *This covers costs that are not recorded as expenditure in national accounts*

Table 10. Net expenditure growth

	ESA Code	2023 (level)	2023 (% of GDP)	2024 (% of GDP)	2025 (% of GDP)	2026 (% of GDP)	2027 (% of GDP)
1. Total expenditure	TE	16.5	43.2	44.0	45.9	46.6	45.7
2. Interest expenditure	D.41p	0.1	0.4	0.6	0.5	0.6	0.8
3. Cyclical unemployment expenditure		0.0	0.0	0.1	0.1	0.0	0.0
4. Expenditure funded by transfers from the EU		0.7	1.7	1.4	2.0	1.9	1.6
4a. Of which: Investments (GFCF)		0.2	0.4	0.6	0.6	0.6	0.6
5. National co-financing of EU programmes		0.1	0.2	0.2	0.3	0.3	0.3
6. One-off expenditure (levels, excl. EU funded)		0.0	0.0	0.0	0.0	0.0	0.0
7. Net nationally financed primary expenditure (before DRM) (ne = 1-2-3-4-5-6)		15.7	41.0	41.7	43.0	43.8	43.1
8. DRM (excl. one-off revenue, incremental impact)		-0.2	-0.4	0.9	2.0	-1.0	0.2
9. Net nationally financed primary expenditure (after DRM) (ne - drm = 7 - 8)		15.8	41.4	40.8	41.0	44.9	42.9
				2024 (rate of change)	2025 (rate of change)	2026 (rate of change)	2027 (rate of change)
10. Nominal GDP growth (g) (growth rate)		-	-	4.5	5.0	6.0	5.2
11. Net expenditure growth (growth rate) $= \frac{ne_t - drm_t}{ne_{t-1}} * (1 + g_t) - 1$		-	-	4.0	3.2	10.7	2.8