



riigikontroll
National Audit Office of Estonia

Unused state budget funds

Why are some of the expenses and investments planned for the budget year not made and is its impact on the objectives and results of areas of government monitored?

Report of the National Audit Office to
the Riigikogu
Tallinn, 11 December 2025

Summary of audit results

The National Audit Office assessed with the audit

- why a significant part of state budget expenditure and investments of areas of government is not made on time;
- whether it is known how it affects the objectives and results of the area of government;
- the considerations ministers use to extend the time for use of the money; and
- how the experience of and information on the use of the money is taken into account when the next requests for and decisions about spending are made.

The audit was prepared on the basis of the data and explanations from and examples of the following ministries:

- Ministry of Climate;
- Ministry of Economic Affairs and Communications;
- Ministry of Education and Research;
- Ministry of the Interior;
- Ministry of Regional Affairs and Agriculture;
- Ministry of Finance.

The audit also provides overview data about the state as a whole. For more details on the scope and questions of the audit, see page 42.

Ministries and the Ministry of Finance, which coordinates fiscal policy, are not making sure that the right to use is only extended for such unused state budget funds that are permitted by law and absolutely necessary. As a response to the government's will to cut public spending, ministries leave some of the state budget funds unused and carry them over to the following year to keep a financial buffer. The impact of such practices on the activities and results of the area of government is not monitored.

Some of the money that remains unspent in the budget year is claimed by the areas of government to be already booked for various commitments and pending payout or the emergence of accounting expenditure in the following year. The problem is that there is no consistent data to assess how big the share of such funds actually is.

At the same time, the allocation of state budget funds, both between the areas of government and the agencies within the areas of government, is too inert. A large share of state budget expenditure slides from year to year without ministries and the Ministry of Finance assessing critically enough whether the expenditure is essential and opening up a debate on, for example, whether all fixed or indexed state budget expenditure should remain so.

In recent years, the government has tried to curb the state budget deficit with central spending cuts. At the same time, the capacity of the Ministry of Finance to be a demanding controller of the budget has decreased. All this has deepened the 'defensive' use of the budget in the areas of government, which works against the principles of (activity-based) budgeting to use public money effectively, in a managed way and without 'silos' between state agencies.

The approach to budgeting promotes a pattern of behaviour in ministries that is inefficient for the state as a whole.

- In 2024, €2.15 billion remained unused by agencies funded from the state budget. Approximately €600 million of this was carried over to 2025 with the decisions of ministers and ca €1.1 billion, mainly foreign aid and revenues from the sale of CO₂ quotas, was carried over by default, without the minister having to make a decision on the carryover. According to ministries, it was not even planned to use some of the unused foreign aid and proceeds from the sale of CO₂ quotas last year.

- In 2024, the money allowed mainly to the sectors of climate, transport, national defence and education was not used. Money remained unused noticeably for the transition to Estonian-language education, for supporting the research and development activities of companies and developing the digital sector. According to ministries, the fact that money is not used or is left unused does not have an apparent impact on the objectives and results of their areas of government.
- Ministries claim that the allocated state budget funds remain partly unused mainly due to the following reasons:
 - significant (one-off) amounts have been allocated to the areas of government, the use of which during the budget year was unrealistic and this was often already known at the time when the money was allocated;
 - many projects and activities take several years and do not fit well into the framework of an annual budget;
 - the allocation of money near the end of the year increases the risk that it will remain unused in the same year (e.g. when money is allocated from the government's reserves);
 - procurements fail and deliveries are delayed for reasons that depend or do not depend on the areas of government;
 - in respect of foreign support, the mindset that there is no rush with its use, still tends to prevail in the areas of government. There is also the problem that money may remain unused not because of the provider of the support, but the recipient (there is little interest, the preparation of payment requests and documents is slow, etc.);
 - the desire of ministries to build up reserves to cope with ongoing austerity measures, to prepare for future spending cuts and to keep a financial buffer for unexpected costs and additional tasks for which no money is allocated from the state budget has emerged as a significant reason why the funds are not used.
- The allocation of money from the state budget within the area of government is largely an automatic process, where the prior use of money and its monitoring generally play no visible role. The budget departments in ministries usually have a fairly good overview of how money is spent, but it does not seem to be of much use in preparing the budget of the area of government.
- Excessive inertia in applying for, using and transferring state budget funds has been fostered by the deliberate decision of the Ministry of Finance from years ago to reduce its role as the substantive controller of the state budget. The idea was to give areas of

government more responsibility and flexibility in planning and using their budgets, but this has rather introduced further dependency on the budgeting process of the areas of government and reduced critical assessment of the need for spending.

The National Audit Office recommends that ministers among other things introduce and strengthen in the area of government the practice that unused budget funds are not automatically carried over to the following year, but that in the area of government a substantive application for the transfer of funds takes place on the basis of the guidelines, priorities and objectives of the management of the area of government/agency.

The ministers mostly agreed that monitoring the use and carryover of state budget funds in line with the objectives of the area of government must be consistently improved. In respect of several recommendations made by the National Audit Office, ministers see the need for the leadership of the Ministry of Finance as the fiscal policy coordinator. In its response to the National Audit Office, the Minister of Finance stated that he supports the recommendation of the National Audit Office that the carryover of the remaining budget of an area of government could be preceded by a defence of the remaining budget within the area of government. This would help raise awareness of the remaining funds and the achieved/unachieved objectives in the area of government and thereby improve the quality of the explanations.

The National Audit Office recommends that the Minister of Finance clarify, among other things, the role of the Ministry of Finance in the carryover of the remaining budget, if necessary, with final decision-making powers. Also, find out for an analysis of the amount, reasons and impacts of the remaining budget funds, how much of the unspent money is actually already covered by commitments.

The Minister of Finance replied that whilst the Ministry of Finance checks the carryover decrees for shortcomings, the areas of government themselves are responsible for their use of funds. The Minister acknowledged the need to reduce excessive budget surpluses while maintaining flexibility and avoiding administrative burdens. He also noted that there is no central IT solution for monitoring coverage with commitments, which is why the proportionality of the outcome of the implementation of the recommendation with the workload will be analysed.