



REPUBLIC OF ESTONIA
MINISTRY OF FINANCE

Mr Andrzej Domański
President (ECOFIN)
Council of the European Union

Our ref. 24.04.2025 No 11-4.1/2020-1

Mr Valdis Dombrovskis
Commissioner for Economy and Productivity,
Implementation and Simplification
European Commission

Dear Sirs,

On 6 March 2025, the European Council welcomed the intention of the Commission to recommend to the Council the activation, in a coordinated manner, of the national escape clause under the Stability and Growth Pact to accommodate higher defence spending. The Commission Communication (C(2025)2000 final) of 19 March 2025 proposes a framework for the application of flexibility under the EU fiscal framework.

Estonia hereby requests the activation of the national escape clause for the period 2025 to 2028. This request is in accordance with Article 26 (1) of Regulation (EU) 2024/1263, and considering the Commission Communication mentioned above.

Article 26(1) of Regulation (EU) 2024/1263 establishes that the national escape clause can be activated if three conditions are met: (i) there are exceptional circumstances outside the control of the Member State, (ii) finances of the Member State concerned, and (iii) the deviation from the net expenditure path as set by the Council does not endanger fiscal sustainability over the medium term:

1. As acknowledged by the European Council, the urgency for the EU Members States to significantly increase their defence spending results from the repercussions that Russia's continued war of aggression against Ukraine has for European and global security in a changing environment. This situation is an exceptional circumstance outside the control of each Member State.
2. The government of Estonia considers that this exceptional circumstance requires a significant build-up of defence capabilities with a major impact on its public finances. According to the available statistics published by Eurostat and Statistics Estonia, general government total defence expenditure (government expenditure by function (COFOG division 02)) in Estonia amounted to 2,0 percent of GDP in 2021, 2,2 percent in 2022, and 3,2 percent in 2023. Defence spending is estimated at 3,4 percent of GDP in 2024 and 3,7 percent of GDP in 2025 according to the Spring Forecast of the Ministry of Finance.

For the years to come, the government has announced a plan to increase defence spending to at least 5% of GDP from 2026 onwards.

3. An increase in defence capabilities will lead to higher net expenditure than the path endorsed by the Council for Estonia on 26.11.2024.

The government of Estonia acknowledges that, apart from the leeway for defence expenditure, the EU fiscal rules will continue to operate normally and deviations from the endorsed net expenditure paths other than those specified under the national escape clause will be recorded in the control account (Article 22 of Regulation (EU) 2024/1263) throughout the period of activation of the national escape clause.

Fiscal sustainability is an enabling condition for dynamic and competitive economies. Looking ahead, structurally higher defence expenditure in the EU Member States may require policies to preserve fiscal sustainability and compliance with the fiscal rules.

Yours sincerely,



Jürgen Ligi
Minister of Finance of Estonia

Copy to:
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