ESTONIA

Priorities supported by indicators

Reduce entry barriers in network industries (2011)

Recommendations: Open the electricity market for more suppliers. Use more market incentives to increase energy efficiency, including a better public/private mix in passenger transport.

Actions taken: The wholesale electricity market was opened in 2010. The integration with regional Nordic-Baltic electricity networks is being improved and the power market will be fully liberalised in 2013.

Reduce administrative burdens on business (2011)

Recommendations: Consider relaxing existing restrictions on land purchases by non-EU permanent residents.

Actions taken: The restrictions on land purchases have been abolished. Legislation changes reducing administrative burdens were adopted in several areas. Ongoing development of e-services included the launch of a Central Commercial Register portal.

Improve the attractiveness for FDI in manufacturing (2011)

Recommendations: Monitor the effectiveness of implemented entrepreneurship policies, and in particular the grants-based approach to supporting businesses, which requires the ability to pick winners. Make sure those policies are also effective at enhancing attractiveness for FDI.

Actions taken: The mid-term evaluation of support programmes for business and innovation is scheduled in 2011.

Other key priorities

Improve the quantity and quality of job placement services (2011)

Recommendations: Further improve the capacity of the unemployment fund to provide efficient job-search assistance, including for those unemployed whose benefits have expired.

Actions taken: A more flexible model of financing of labour market services was introduced in 2011 allowing a temporary employment programme. Individual action plans were made more flexible and are now regularly assessed. A full range of job-search activities is now available to the unemployed and employers through an online database. The existing voucher programme was extended to retraining. Three-day job tryouts were introduced.

Improve private bankruptcy procedures (2011)

Recommendations: Review private bankruptcy procedures, including debt restructuring by relocating owner-occupiers to smaller, more affordable housing. Make sure banks cannot develop excessively high interest rates or unfair fee structures.

Actions taken: The Debt Restructuring and Debt Protection Act that came into force in April 2011 enables debtors to restructure debt more flexibly and protects them from excessive *interest*s or penalties for late payment. Simultaneously, an amendment to the Bankruptcy Act shortened the minimum period after which the court may, under specific conditions, partially relieve a person of remaining obligations.

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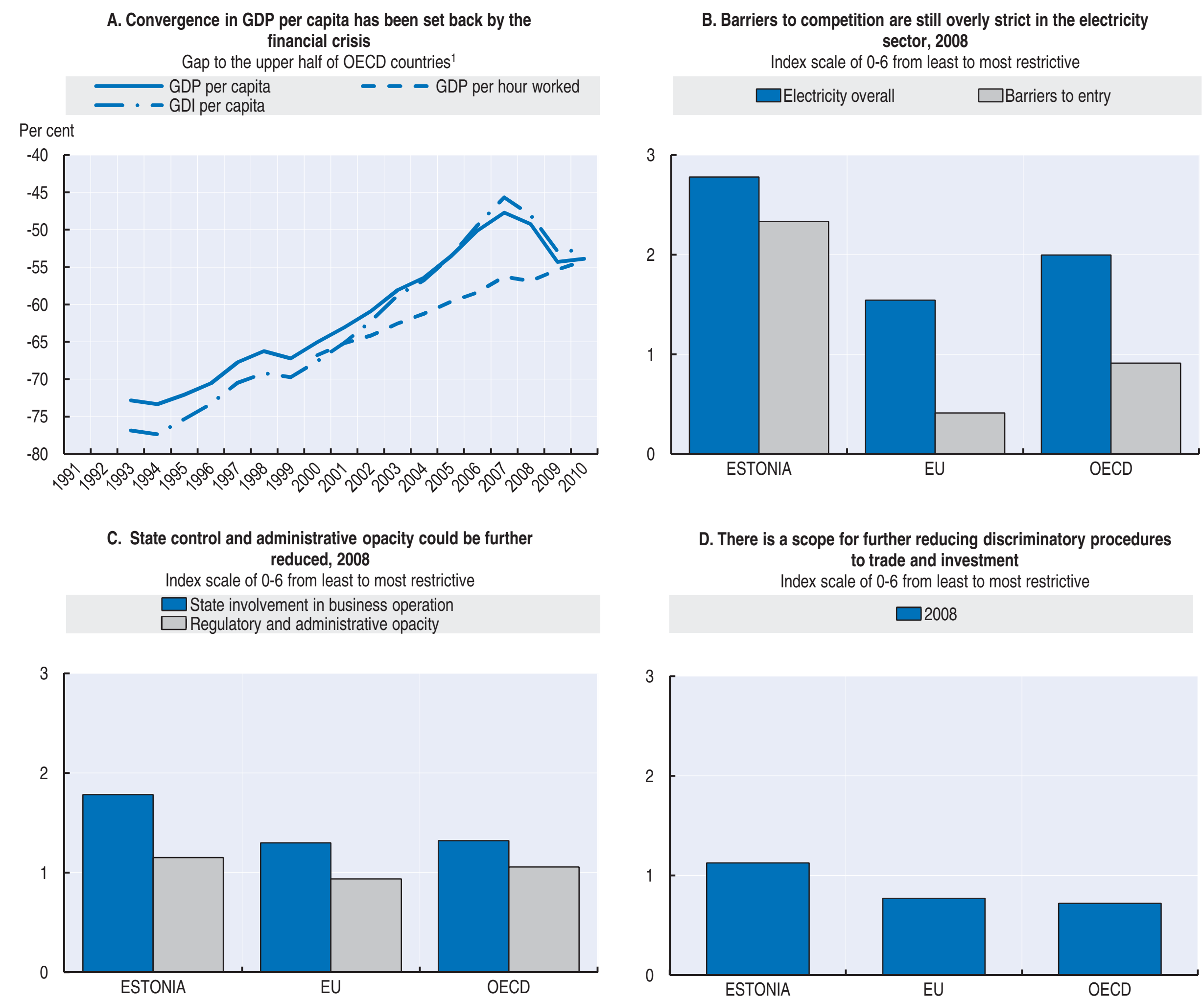
- There had been rapid catch-up in living standards in the wake of EU entry, but the large gap *vis-à-vis* the upper half of OECD countries widened again in the aftermath of the crisis. The GDP per capita gap reflects a productivity shortfall, while labour utilisation is relatively high.
- In priority areas, Estonia continued to reduce administrative burdens on business through legislative changes and development of e-services. Progress has been made in strengthening active labour market policies and improving bankruptcy procedures. Barriers to entry in energy markets have been reduced and restrictions on land purchases by non-EU residents removed.
- In other areas, the cross-border banking supervisory framework has been improved.

Performance and policy indicators



1. Percentage gap with respect to the simple average of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2005 PPPs).

Source: Chart A: OECD, *National Accounts and Economic Outlook 90 Databases*; Charts B, C and D: OECD, *Product Market Regulation Database*.

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