DOCUMENT OF THE EUROPEAN BANK
FOR RECONSTRUCTION AND DEVELOPMENT

STRATEGY FOR ESTONIA

As approved by the Board of Directors at its meeting on 11 May 2004.

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EXECUTIVE SUMMARY

Estonia continues to meet the conditions specified in Article 1 of the Agreement Establishing the Bank. Following the positive outcome of the September 2003 referendum, and after successful negotiations regarding signature of the accession treaty built on a high level of alignment with the *acquis communautaire*, Estonia joined the EU in May 2004. Over the past decade of transition, Estonia has made remarkable progress in structural reforms. It has maintained the most liberal foreign trade regime of all transition countries and more than 80 per cent of economic activity is now in private hands. Nevertheless, unemployment continues to be high, income per capita levels are still among the lowest in acceding countries, and a number of important reform challenges still remain. In particular, a main challenge will be to promote domestic savings in order to make high rates of domestic investment less reliant on foreign financing. In this context ongoing progress with structural reforms is necessary, by further strengthening private sector development, commercialising municipal infrastructure, further restructuring the energy sector, and strengthening non-bank financial institutions for deeper financial intermediation. The proposed strategy has been developed to help address a number of these challenges.

Despite a downturn in the external environment since the last strategy was approved, the Estonian economy has continued to post GDP of over 6 per cent per annum since 2000, fuelled by strong growth in domestic demand. The currency board system has continued to remain the cornerstone of macroeconomic policy and fiscal policies have remained tight (with the general government budget recording surpluses in the past three years). However, unemployment remains high and regional income disparities are significant. Moreover, strong domestic demand, which has been financed to a large extent by external bank borrowing, has fuelled import growth and contributed to a rapid deterioration in the current account deficit in the past 2 years (the deficit is estimated to have reached close to 14 per cent of GDP in 2003). Domestic savings at 19 per cent of GDP remain amongst the lowest in acceding countries. While Estonia is forecast to sustain annual growth rates of 5-5.5 per cent over the medium term, continued high unemployment levels, low domestic savings, fast bank credit growth and high current account deficits remain key risks to the economy.

In the past years Estonia has made continued progress in building the necessary market-supporting institutions for its transition to a market economy. It has made some more improvements to the business environment, including the adoption of a new Courts Act, which introduced a number of changes to the judiciary. New labour market policies were introduced in 2003, placing particular emphasis on re-integrating the long-term unemployed and promoting job creation. Reforms continued in the energy sector and a new Electricity Market Act was adopted in 2003, although market opening is delayed. In the financial sector, the Financial Supervision Authority (FSA) moved to revoke the licences of several smaller investment firms and has significantly enhanced supervision over issuers of securities, the provision of investment services, disclosure of information and insider dealing.

However, in order to tackle high unemployment and decrease dependence on foreign financing, Estonia must further improve the business environment for domestic savings/investment and business creation, commercialise municipal infrastructure, progress with reforms in the energy sector and promote deeper financial intermediation. In particular:

- Keeping the external position sustainable will require tight fiscal policies, continued monitoring of potential vulnerabilities in the financial sector and ongoing progress with structural reforms.
- In this context, the accountability and efficiency of public administration should be enhanced. This should include further progress in implementing medium-term budget planning, in enhancing monitoring and control systems of local budgets and in further rationalising local government. In this light it is encouraging that the Estonian authorities will switch to a medium-term budget planning framework for the 2005 budget.
- Judicial reforms are necessary to further improve the legal environment for secured transactions and corporate governance and ensure the effective implementation of commercial laws.
- Special attention should be paid to providing support to smaller municipalities and SME development in order to overcome the remaining high regional income and unemployment disparities.
- Priority should also be given to promoting the commercialisation of municipal and transport infrastructure and improving regulatory frameworks in order to prepare the grounds for an efficient use of EU structural funds.
- In the energy sector the priority will be to establish fully free and transparent pricing, securing the independence of the regulator, developing competitive regional electricity markets, and continuing the restructuring of the oil shale industry.
- The support of non-bank financial institutions will be necessary to deepen financial intermediation.

As of 31 December 2003, the Bank had signed 42 projects with a total project cost of EUR 1016 million, including EBRD financing of EUR 454 million, or 45 per cent, from the Bank. The private/state sector portfolio ratio stands at 87/13, indicating a strong component of the private sector in the portfolio. At the time of the previous strategy the private sector accounted for 84 per cent of the portfolio.

The Bank’s activities in the coming years will continue to be private sector focused and have a particular orientation towards equity investments where possible. Given the above, and provided additionality is demonstrated, the Bank will focus it's activities around the following operational objectives:

- *Enterprise Sector*
  Where possible, the Bank will seek to support some of the larger industrial and service enterprises, particularly with a view to facilitating continued high inflows of non-privatisation related FDI and the expansion plans of Estonian enterprise to other countries of operation. Increasing emphasis will be given to equity instruments.
- *Infrastructure and Environment*
  The Bank will continue focusing on financing infrastructure investments and utilities at both the national and local levels (in particular in the electricity, utilities

and transport sectors) without recourse to sovereign guarantees. Where possible, the Bank will promote transaction structures that involve, or can lead to, the participation of the private sector. The Bank will also aim to participate in the financing of projects that can improve cooperation and lead to the development of efficient markets (e.g. electricity sector) within the Baltic region and beyond. The Bank will explore the opportunities to work directly with the second tier municipalities to support the regional development.

- *Financial Sector*
  Reflecting the advanced stage of development of the banking sector, the Bank will continue supporting SMEs (credit lines, leasing, equity) via local and regional financial institutions.

The Bank will continue to ensure that all EBRD operations in Estonia are subject to the Bank's Environmental Procedures and incorporate, where appropriate, Environmental Action Plans.

LIST OF ABBREVIATIONS

BAS	Business Advisory Service
EU	European Union
EIB	European Investment Bank
EMU	European Monetary Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
IBRD	International Bank for Reconstruction and Development
IMF	International Monetary Fund
KfW	Kreditanstalt für Wiederaufbau
NIB	Nordic Investment Bank
SME	Small and Medium-sized Enterprises
TAM	Turnaround Management Programme

1. THE BANK'S PORTFOLIO

1.1 Overview of Bank Activities to Date

As of 31 December 2003, the Bank had signed 42 projects in Estonia with a total project cost of EUR 1,016 million, including EBRD financing of EUR 454 million, or 45 per cent, from the Bank. The Bank's activities in Estonia are characterised by high disbursement rate with EUR 426 million, or 94 per cent of the Bank's financing being disbursed. The private/state sector portfolio ratio stands at 87/13, indicating a strong component of the private sector in the portfolio. The table below summarises the Bank's activities to the end of 2003.

EUR millions

Sector	No. of Ops	Total Project Cost	EBRD Finance	% EBRD from Total	% EBRD Disbursed
Energy	1	27	25	93%	100%
Financial Institutions	26	409	224	55%	94%
General Industry	5	70	30	43%	100%
Infrastructure	7	404	143	35%	95%
Specialised Industries	3	107	32	30%	76%
Total	42	1,016	454	45%	94%

1.2 Implementation of the previous country strategy

Achievements against the main objectives from the previous Strategy are as follows:

- *The Bank will focus on financing infrastructure investments and utilities at both the national and local levels (in particular in the electricity, environmental and urban transport sectors) without recourse to sovereign guarantees, and with a view to supporting infrastructure and service enterprises through their more advanced stages of transition.* On the municipal infrastructure side the Bank financed with EUR 55 million the privatisation of Tallinn Water by international syndication of United Utilities and International Water in 2002 and in the end of 2003 the Bank became a shareholder in Tallinn Water with an investment of EUR 11.6 million in the holding company together with United Utilities. The ongoing dialogue with the City of Tallinn and Tallinn Tram and Trolley Company (TTK) led to TAM project with TTK to facilitate the preparation of the public service contract which could form a basis for long term financing. However, the investment project with TTK has not yet materialised. In the transport sector the Tallinn Airport sovereign guaranteed USD loan was replaced with a EUR 7.5 million commercial loan without sovereign guarantee based on the company's own credit risk.

- *Reflecting the stage of development of the banking sector, the Bank will focus its activities on further expanding support to SMEs (credit lines, leasing, equity) via local and regional financial institutions. The Bank will promote the development of* *non-banking financial institutions, in particular in the pension area, and the availability of a wider variety of more sophisticated financial products and services within the financial sector.* SME credit of EUR 12 million was provided through EU leasing facility to Hansa Capital. In 2002 an equity commitment of up to EUR 20 million was provided to the EUR 80 million Askembla Growth Fund, a regional equity fund for the Baltics. Consequently the Bank is actively contributing to increasing the volume and spectrum of the medium-term financing for SMEs and this approach is expected to continue. The Bank contributed to the success of the Estonian pension reform by investing EUR 1.1 million into the equity capital of LHV Asset Management.

- *Where possible, the Bank will seek to support some of the larger industrial and service enterprises, particularly with a view to facilitating continued high inflows of non-privatisation related FDI and the expansion plans of Estonian enterprise to other countries of operation. Increasing emphasis will be given to equity instruments. Priority will also be given to SMEs, in particular to assist regional development.* On 2 March 2004 the Board approved EUR 19 million investment (including EUR 5 million equity participation) into the Estonian Cell project which should be signed by the end of the current strategy period of the Bank. Estonian Cell Greenfield project with EUR 165 million total cost will be the second largest FDI into Estonia. The project will also contribute to the regional development as it will be located in the North-Eastern part of Estonia.

Estonia has achieved considerable progress in aligning with the *environmental acquis*, and in developing the necessary administrative capacity to implement the *acquis* in this area. Concerning administrative capacity, attention has been devoted to implementation issues and institutional strengthening.

1.3 Transition impact of the Bank's portfolio and lessons learned

In the first four years (1992-1995) of its activities, the Bank programme included an important component of public sector infrastructure financing in the energy, transport and municipal infrastructure sectors, as well as support to the banking sector. Since 1996, support for the banking sector was substantially expanded, and so was support of private enterprise through commercial banks. From 1996 onwards, the Bank expanded its direct financing of private enterprise in the industrial sector, initiated the financing of utilities without recourse to the sovereign at municipal level (water/waste water projects), and strengthened the financing of SMEs.

1.3.1 Transition impact in the enterprise sector

- The Bank has made an important contribution in terms of supporting/facilitating FDI in the enterprise sector: Norma [Autoliv], Imavere Sawmill [StoraEnso], Fiesta [Kesko].
- There has been selective involvement with larger enterprises through direct EBRD financing (e.g. Norma, Imavere, Fiesta) but limited in number given a) the size of country and the small size of most domestic enterprises, and b) the availability of funding from a dynamic domestic banking sector. Some of these projects, in addition to helping support FDI, also achieved important transition impacts in terms of technology transfer and/or transfer of due diligence skills to local cofinancing banks.

- Substantial assistance has been provided to private enterprises through the local banking sector, leasing facilities, equity funds and TAM. The Bank contributed to SME support through three SME credit lines, with Hansapank, Ühispank and Sampo Pank (the former two cofinanced under the Baltic Investment Programme, the third under the EBRD/EC SME Finance Facility), leasing finance and BAS Fund technical assistance. Furthermore, the Bank participated in the establishment of a number of regional Baltic States equity funds which invest primarily in SMEs. An important share of investments by these funds went to Estonian enterprises (EUR 19 million covering a wide variety of sectors, including construction, furniture, brewing, meat processing, manufacturing, media, IT and biotech).

1.3.2 Transition impact in the infrastructure sector

- In the energy sector, the Bank has financed one project, an emergency rehabilitation project which has had an early transition impact in terms of energy efficiency/conservation through a number of sub-projects, including an energy conservation campaign and boiler conversions. The project assisted Estonia in the field of security of energy supply and contributed to improving management of energy utilities and energy tariff reform. Despite delays in implementation of this complex operation (the project was the first public sector project in the sector after independence), it achieved an economic rate of return exceeding 40%.
- Except for an early emergency rehabilitation loan in the energy sector there has been no further investment in the sector by the Bank, despite efforts by Bank staff over recent years. This mainly reflects the cancellation of the partial privatisation of the Narva Power Plants and the willingness of international commercial banks to finance refurbishment without IFI participation at very attractive terms.
- The Bank's impact has been significant in the municipal sector where it has had a number of pioneering transactions under the Baltic Sea Environmental Programme, with the Tallinn Water Company and with smaller municipalities. The initial Tallinn project facilitated the commercialisation of the water utility, including through the installation of water meters and twinning with Helsinki Water. Once the company was privatised, the Bank provided a major financing in 2002. A state-guaranteed environmental loan channelled to 12 municipalities supported financial management and discipline in the sector, with participation of all in competitive procurement. The project inspired a new programme to 17 small domestic municipalities currently underway with Nordic support.
- In the transport sector, a Bank financing for the railways, which prepared the grounds through an associated TC for the privatisation of the freight operations, was cancelled. This was a result of the main sponsor deciding to modify at a late stage the terms that had been agreed with EBRD, in a manner that the Bank could not support.
- The Bank also provided three loans to Tallinn Airport. The first was provided in 1994 to rehabilitate the runway and lighting systems in order to meet international aviation safety standards (the project led to the introduction of airport charges and the removal of a cross-subsidy of the regional airports by Tallinn Airport, the introduction of IAS, the development of commercial management capabilities, and the privatisation of ancillary activities). A second loan was provided in 1999 to modernise the passenger terminal and associated services. The project reinforced market-oriented management and operational practices at the airport, provided facilities for increased competition in retail and handling activities, and led to

increases in non-aeronautical revenues. The third financing was restructuring of an old USD nominated sovereign guaranteed loan into a EUR nominated commercial loan without a sovereign guarantee.

- The EBRD assisted Estonia with the development of its telecommunications regulatory framework. This project, completed in 1997, resulted in the drafting of a new telecommunications policy, a new telecommunications law, as well as licence and implementing regulations.

1.3.3 Transition impact in the financial sector

- The Bank has played a significant role in the overall development of the financial sector through extensive involvement. In particular:
- EBRD has been the leading IFI in providing long-term funding to local banks (with financial involvement with leading banks holding over 90 per cent of commercial banking assets in the country). EBRD’s objective has been to help create centres of excellence in order to increase stability, build confidence in the local banking industry, facilitate access to foreign borrowings from commercial sources and support SMEs. Starting in the early stages of sector transition, the Bank gave the sector credibility in the market, unlocking access to private finance.
- EBRD contributed to the consolidation process and privatisation in the sector, in selected cases even playing a substantial role (e.g. Hansapank-Hoiupank merger, including that of their respective subsidiaries in Latvia, and the pre-privatisation financing of Optiva Pank, subsequently privatised to Sampo of Finland).
- EBRD has been a long-term investor in the banking sector. In the case of Hansapank, the largest bank in Estonia, it became a shareholder in 1998.
- Credit lines have been successfully disbursed to numerous important private sector sub-projects, including more recently increasingly to SMEs.
- Through its housing loans, the Bank played a major role in initiating the development of the Estonian mortgage market for private individuals.
- The Bank’s role in the non-banking financial sector has been more limited, although this role increased in recent years with a major leasing project into Russia (HansaCapital).
- A smaller transaction (equity of DEM 3 million) with Maapank was unsuccessful, due to fraudulent securities transactions, which ultimately resulted in bankruptcy of the bank. The EBRD’s nominees in the Council were unsuccessful in changing management, due to their minority position in the Council.

1.4 Financial performance, mobilisation of co-financing and portfolio ratio

The following data is as of 31December 2003.

- With a portfolio in Estonia of EUR 199 million, and disbursed operating assets of EUR 171 million, the Bank's performing assets represent 97 per cent, or EUR 166 million, of operating assets.
- In providing financing of EUR 454 million to projects with a total cost of EUR 1,016 million, the Bank has mobilised EUR 562 million in co-financing with a mobilisation ratio of 1.2.
- During the strategy period there has been a slight increase in the proportional share of the private sector in the Bank's portfolio, to 87 per cent currently from 84 per cent in the beginning of 2002.

2. OPERATIONAL ENVIRONMENT

2.1 The General Reform Environment

Since its independence in 1991, Estonia has been a parliamentary democracy based on the rule of law, with a 101-member single-chamber parliament (Riigikogu), a Prime Minister as head of government, and a President as head of state. The general election on 2 March 2003 resulted in victory for centre-right forces. The left-leaning Centre Party won the most votes but Res Publica, a new right-wing party, won the same number of parliamentary seats. In view of the strength of the other right-wing parties, Juhan Parts, Res Publica's leader, was asked by the President to form the new government. His coalition, with 60 seats in a 101-seat parliament, consists of the pro-business Reform Party, the left-leaning rural People's Union and his own Res Publica. New elections are not due until 2006. The government is reform-minded and respects the constitutional provisions for an independent judiciary. The government respects the human rights of its citizens and the large ethnic Russian non-citizen community. Relations with Russia have improved recently, but the border treaty initialled in 1997 still remains un-ratified by the Russian side. Russia has continued to apply double-tariffs on its imports from Estonia, though this will now cease in the framework of the recently signed EU-Russia Partnership and Cooperation Agreement (PAC), which also covers the new members who joined on 1 May 2004. The country ranks well in international assessments on corruption and the Estonian government has developed a comprehensive national strategy, complete with implementation measures, for fighting corruption in the public sector. For further detail on political and social issues, please refer to Annex 1.

2.1.1. Legal Environment

Estonia has made significant reforms to its legal framework which has led to major improvements of the country's legal environment. Despite the success of the country towards the establishment of a market-oriented economy and stable democratic institutions, efforts are still needed to overcome existing challenges presented by the legal system, including in the areas of secured transactions and corporate governance. However, key legislation has recently been implemented in the areas of bankruptcy, property law, general contracts law and the regulation of the securities market.

Estonia is a parliamentary democracy where separation of powers and independence of the judiciary are recognised. Estonia has continued to make significant progress in judicial reform, including the adoption of a new Courts Act and Penal Code in 2002. Although efficiency in courts and the enforcement of decisions could improve, public confidence in the legal system upholding contractual rights in Estonia is the highest among the Bank's countries of operation and administrative reforms of the judiciary continue apace. As regards personal freedoms, although there are a few areas in need of further improvement, Estonia is viewed as one of the best performing transition counties, which affects positively the economic and legal reforms in the country.

Alignment of Estonian laws with EU law appears to be progressing well. Overall, the EU's 2003 Comprehensive Monitoring Report on Estonia's Preparation for Membership reveals that Estonia has now achieved a high degree of alignment of legislation in most areas, and the country has taken significant steps to implement the *acquis* and create the appropriate institutions. While passage of further legislation is still necessary in some areas, Estonia has already implemented substantial bodies of new legislation.

An overall assessment of commercial law reveals that Estonia has developed a legal system generally comparable with international standards. However, the position of the country in relation to the development of its commercial laws appears to be below those in the group of the most advanced transition countries and is presently perceived as being in a similar, or in certain instances even less developed, state as those of the two other Baltic states, Lithuania and Latvia. Investors continue to be encouraged by a stable political environment and low corruption levels, which are perceived as being among the lowest in transition countries. For a more detailed assessment of the legal environment, please see Annex 2.

2.1.2. Environmental Issues

EU accession has been among the environmental policy priorities for Estonia. According to European Commission's Comprehensive Monitoring Report on Estonia's Preparations for Membership, which reflects the situation at the end of September 2003, Estonia is essentially meeting the commitments and requirements arising from the accession negotiations. Enhanced efforts are required to amend the legislation in the areas of ambient air and nature protection, where also administrative capacity need strengthening so as to ensure the implementation of the environmental *acquis*. Ensuring compliance with the *acquis* requires significant investments, but also brings significant benefits for public health and reduces costly damage to forests, buildings, landscapes and fisheries.

2.2 Progress in Transition and the Economy's Response

2.2.1 Macroeconomic conditions for Bank operations

Since the last strategy was approved, the Estonian economy has witnessed a slowdown in the external environment, but growth in real GDP has remained robust at 6 per cent in 2002 and 4.7 per cent in 2003. Since demand conditions in Estonia's main trading partners are starting to improve, and EU-related grants are on the rise, growth is likely to accelerate in 2004 to 5.5 per cent. In addition, the positive fiscal revenue performance of 2002 continued in 2003, with rapid growth in revenue from corporate and personal income taxes and VAT, and the general government budget recorded a surplus of 2.6 per cent of GDP in 2003. The currency board remains the cornerstone of monetary policy and confidence in the system remains strong, as evidenced by the historically low interest rates. Following several years of sustained growth, employment has started to increase and the unemployment rate fell to 10.3% in 2002 from 12.6% in 2001, but structural unemployment and regional income disparities remain a serious concern. More worryingly, the current account deficit has more than doubled from 6.1 per cent of GDP in 2001 to 13.7 per cent of GDP in 2003. The high current account deficits have resulted from continued high levels of domestic investment, while domestic savings rates have barely improved. Although its financing has so far not been at risk, FDI inflows are covering a smaller share of the current account deficit than in previous years and debt levels are consequently rising rapidly. The challenge will be to address high unemployment levels, promote domestic savings and financial intermediation in order to foster the accumulation of adequate wealth for fast rises in standards of living and make high rates of investment less dependent on foreign financing. This will require ongoing progress with structural reforms (see next section). For a more detailed analysis of macroeconomic performance, please refer to Annex 3.

2.2.2. Transition success and transition challenges

Estonia is one of the frontrunners of the transition process, with the privatisation process (excluding in the postal, port and energy sectors) complete and the private sector now accounting for over 80% of GDP. Most prices, with the exception of some administratively regulated energy, housing and public service prices, are determined by market forces. Over 90% of bank assets are owned by foreign strategic investors. Structural reforms in 2002 and 2003 were mainly limited to the introduction of the second pillar of a fully-funded defined contribution pension system and the establishment of a new unemployment insurance scheme.

The main remaining transition challenge is to continue to promote the development of a vibrant private sector, which would also address the high unemployment. This will require further improvements to the business environment, particularly in the accountability and efficiency of public administration. It will also require further progress in the judicial sphere to tackle the continued backlog of cases and the low penalties imposed. Special attention should be paid to providing support to smaller municipalities and SME development. Moreover, further reforms are necessary in the energy sector to continue the restructuring of the oil shale industry, gradually enable third-party access and competitive electricity markets, transparent pricing, and a fully independent regulator. Continued efforts are needed to ensure a well-capitalised pension system and develop the non-bank financial sector in order to deepen financial intermediation.

Transition challenges in the enterprise sector: *With privatisation virtually complete, the challenge for the government will be to further improve the business environment for continued business creation, to promote further restructuring of large-scale enterprises, and to continue to attract high inflows of FDI to enable further productivity increases.* Privatisations are now virtually complete, and there are no current plans for additional privatisations in the near future. The central government maintains minority shares only in Estonian Air (34 per cent) and Estonian telecoms (27.3 per cent), and fully owns the Port of Tallinn, the national post office and Estonian Energy. As a result, the private sector's share in GDP is now around 80 per cent. While productivity increases in the industrial sector have been rapid when compared to other Central and eastern European countries in recent years (see Annex 3 on comparative indicators), the level of productivity is still amongst the lowest in acceding countries (together with Latvia and Lithuania).[1] In addition, productivity increases have recently been less than wage increases (see Annex 3)..Despite having attracted the second highest per capita net FDI inflows in the CEB over the recent years (of US$ 2,341 per capita), it will be crucial to further attract greenfield and brownfield FDI in order to maintain robust growth To enable continued business creation, rapid productivity growth and attract high inflows of foreign investment, the challenge will be to:

[1] According to new Eurostat data released in March 2004, productivity per employed person was Euro 12,000 in Estonia and Latvia in 2002, and lower in Lithuania where it was Euro 10,700. This compares to Euro 25,400 in Slovenia, the highest in acceding countries, and an average of Euro 57,600 in the current EU member states.

- *The accountability and efficiency of public administration should be enhanced, particularly in the judicial system, to enable further improvements to the business environment.* According to the World Bank/EBRD Business Environment and Enterprise Performance Survey (BEEPS) conducted in 1999 and again in 2002, a number of enterprises continued to report high incidences of administrative corruption, problems in the judicial system and in the area of taxation, and lack of confidence in the areas of taxation and regulations. Since the survey, and under the aegis of the accession negotiations, Estonia has made substantial further progress in the legislative alignment of company and bankruptcy laws with international standards (see Annex 2). Most recently a new Courts Act entered into force in July 2002, which introduced a number of improvements in the judiciary, including enhanced independence and administration of the courts system. A new law on contractual and non-contractual relations entered into force in July 2002. However, the backlog of cases continues to be high, the number of decisions upheld at appeal is increasing only slowly, and the penalties continue to be low, undermining the effectiveness and enforcement of the law.

- *The removal of red tape and other regulatory obstacles is still necessary to encourage the development of SMEs and job creation and promote regional integration.* Ongoing problems mentioned by small businesses in surveys are the complex and changing tax requirements, the cumbersome legal framework, administrative corruption, the lack of financing, and the shortage of skilled labour. Efforts therefore need to focus on improving tax administration, simplifying business administration and licensing requirements, encouraging skills training and labour mobility, and supporting the provision of finance to SMEs. Reforms in the agricultural sector, including agribusiness enterprises, should be advanced to address the challenges in rural regions.

- *Labour market flexibility still needs to be strengthened.* Although the Estonian unemployment rate has decreased markedly in recent years, this has been primarily due to a decline in the size of the labour force rather than through significant job creation. There are still severe skills mismatches and a large number of long-term unemployed. New labour market policies were set out in the Employment Action Plan of the Republic of Estonia 2002 and the Joint Assessment Paper of March 2003, placing particular emphasis on re-integrating the long-term unemployed, promoting vocational training, and job creation. However, the authorities now need to place urgent priority on implementing these policies.

- *A comprehensive research and development (R&D) policy to underpin productivity growth, inter alia through the implementation of the 2002-2006 R&D Strategy, would help to increase potential growth and support investment prospects.* Currently, R&D spending in Estonia is comparatively low, with business R&D being particularly weak.

- *Quality and technological improvements are needed to increase the productivity and competitiveness of the agricultural sector and to address the challenges in rural regions*. Agriculture is one of the sectors that have seen the biggest changes over the transition period in Estonia. By 2002, the agriculture sector accounted for only 3.4% of GDP and 5% of employment (compared to 12% and 15% respectively in 1992). The development of rural areas is still constrained by the inefficiencies in the operation of the land market, the small size of farms, the lack of infrastructure and the lack of alternative job opportunities outside of agriculture. Quality and technological improvements are needed to increase the productivity and competitiveness of the agribusiness sector and to address the challenges in rural regions. These quality improvements would be best achieved through the standards demanded by downstream agribusiness enterprises as well as the enforcement of EU phytosanitary standards. The issue of lack of access to financing applies to farmers and small agribusiness enterprises as much as it does to SMEs, although in agriculture it is especially important that farmers receive adequate working capital.

Municipal and environmental infrastructure sectors: *further reforms and commercialisation of municipal infrastructure are necessary.* Given the widening current account deficit and the fiscal challenges involved in EU and NATO membership, it is important that the authorities maintain a balance between fiscal prudence and undertaking necessary capital investments. Most importantly this will require public sector reforms and medium-term budget planning. But it will also require a reprioritisation of expenditures by, for example, reducing the public sector wage bill, improved targeting of social costs, and effective cuts in expenditures on goods and services. However, the authorities should also seek ways to encourage private sector investments into the infrastructure and environment sectors, including for those investments and activities that fall under the jurisprudence of municipalities.

- *An immediate challenge for the authorities is to progress with fiscal reform and strengthen the financial discipline of municipalities.* In the past two years, growing deficits at the local government level have been offset by surpluses at the central government. Continuing the policy of a balanced budget requires better coordination between central and local government, in terms of both budget planning and execution. According to the IMF/EU, reform of the current framework should be regarded as essential for improving the effectiveness of fiscal policy and stopping the unorthodox circumvention by some municipalities of legal borrowing limits of 60 per cent of projected annual revenue (Tallinn in particular). At the same time, the authorities have made it a habit to approve supplementary budgets in 2002 and 2003 for additional expenditures, which is worrying against the background of high GDP growth and an ever-widening current account deficit. Whereas the budgetary results have been impressive for many years in a row, the budgetary framework as such is too much focussed on the short run, with the budget balanced on year-on-year basis. A framework focusing on a medium term balanced position, with accompanying expenditure ceilings, would ensure that the current fiscal discipline will remain during the coming years and that automatic stabilisers are allowed to work. It would also allow the long-term planning of investments and the maximum use of structural funds. In view of the large current account deficit, the authorities would be advised to tighten fiscal policy even further in order to restrict domestic demand.

- *Another challenge for the authorities is to consolidate the number of municipalities.* The number of local governments continues to be too large for a country the size of Estonia. Overall, there are 15 counties and 241 municipalities/cities in the country. Around 50% of local municipalities govern populations of less than 2,000 residents, while about 70% have populations of less than 3,000. The Ministry of Internal Affairs devised a "Strategy of Local

Government Administrative Reform" in January 2001,[2] which included a specific timetable for implementing reforms by the end of 2001. However, the initiative faces ongoing delays, not least because of the political sensitivities involved.

- *Priority should also be given to enhancing private sector participation in the municipal services sector.* Given the constraints on municipality financing sources and the limitations on borrowing imposed by the government, municipalities should consider public-private partnerships to meet their investment needs, also in light of insuring sufficient absorption capacity for EU structural funds. Involvement of the private sector could be sought either through the privatisation of municipal-owned service companies, contracting out certain elements of municipal services, or through concessions. Borrowing restrictions have an even greater impact in the small municipalities and "bundling" measures of similar investment projects across the municipalities may increase their attractiveness to potential private investors.

Energy sector

The energy sector remains dominated by the vertically integrated 100% state-owned Estonian Energy, which controls generation, transmission, most of distribution and sales. The most important domestic primary energy source is local oil-shale, although there is also peat and other biofuels (especially wood).[3] The two largest oil-shale power plants at Narva produce more than 90% of electricity used in Estonia. Electricity output was 7,523 GWh in 2002, 92.5 per cent of which was produced from oil-shale at the Narva Power Plants. Around 12 per cent of produced electricity in 2002 was exported to Latvia and Russia. As part of its final EU accession negotiations, Estonia won important concessions for its oil shale industry. The EU has acknowledged the special role that the fuel plays in guaranteeing Estonia's self-sufficiency in energy generation and the industry's role in protecting employment in an already depressed region. As a result, Estonia was granted two transition periods in the energy sphere, relating to a) the creation of a minimum reserve of liquid fuel until the end of 2009, and b) a delay in the opening of the electricity market until the end of 2012.

A comparison with other countries shows that the efficiency of the sector is low in the areas of generation, transmission/distribution and consumption. The efficiency factor of the old power stations is less that 29%, which compares poorly to the 57% efficiency levels achieved by modern Combined Cycle Gas Turbines. The energy losses incurred in the electricity distribution and transmission system are also much higher than the EU average.

- *A key priority will be the continued modernisation of the Narva power plants.* Restructuring of the oil-shale sector should continue in line with the Restructuring Plan for the Estonian Oil-Shale Sector 2001-2006 in line with gradual market opening. To finance the restructuring costs, Estonian Energy has already taken out loans from the NIB (Kroons 60 million) and the KfW (Kroons 90 million) and has

[2] The strategy was to reduce the number of local governments to 40-110. In general the criteria was that a local government should have a population of at least 3,500 residents.
[3] Oil-shale is highly polluting, both in terms of mining and electricity generation. For example, the oil-shale industry, including the power plants and the production of oil-shale, is responsible for about 60% of total CO_2 emissions in Estonia.

issued Eurobonds (worth a total of Euro 200 million). In parallel, certain oil shale mines have been closed and their workers redeployed.

- *In certain areas, Estonia has to step up its efforts to adhere to the EU acquis in the energy sector.* Estonia was granted a transitional arrangement to implement the market opening provisions of the EU electricity directive until the end of 2008. However, in its recent Monitoring Report the EU stated that Estonia still needs to ensure that market opening takes place according to these commitments and that access to the grid takes place on a non-discriminatory basis. A new Electricity Market Act entered into force in July 2003 and requires legal separation of production, transmission and distribution. However, the activities will be all carried out by subsidiaries of Estonian Energy, which continues to hold a monopoly in production, transmission and distribution. Although broadly intended to advance liberalisation, in practice the Act has not achieved that objective yet.

- *The regulatory powers and independence of the Energy Market Inspectorate (EMI) still need to be enhanced.* The Inspectorate needs to be strengthened, in particular to reduce the potential conflict of interest inherent in its role both as owner of Estonian Energy and as regulator for consumers. In addition, the Inspectorate remains under the control of the Ministry of Economic Affairs and is subject to repeated interference by the government.

Transition challenges in the financial sector: *given the developed state of the banking sector, the main challenges of the financial sector concerns the development of non-bank financial institutions in order to increase financial intermediation*. There are currently 7 banks in Estonia (of which 4 are foreign owned). Concentration is high, with around 80 per cent of banking assets held by Swedish banks, and over 90 per cent of banking assets in the hands of the top three (foreign) banks. The sector remains highly profitable with a capital adequacy ratio about 5 percentage points higher than the required minimum of 10 per cent. A further easing of monetary conditions and more aggressive lending by some banks contributed to particularly strong money and credit growth in 2002 and 2003, which will have to be closely monitored going forward. However, financial intermediation remains low. Total bank assets as a percentage of GDP are still only about 80 per cent in Estonia mid 2003, compared to 265 per cent in the euro area. Broad money accounts for only 44 per cent of GDP, less than in many of the other acceding countries. Total domestic credit to the private sector was still less than 30 per cent of GDP in 2002 (see Annex 3), lagging many of the CEE economies. A high share of the credit goes to the real estate sector, with about 40 per cent of loans outstanding secured by mortgages in mid-2003. Given the continued high investment needs in the country, the challenge will be to promote higher domestic savings and increased financial intermediation.

- *The remaining challenge of the financial sector remains to support the development of SMEs and non-bank financial institutions.* The most developed sector of the financial system is the leasing sector. Leasing activities now account for around 18 per cent of GDP, representing about one third of total credit to the private sector. As in the other Baltic States, leases have to some extent replaced more traditional bank lending, which has been due primarily to the relative inefficiency of the legal process in asset liquidation cases and the lack of borrowers' collateral. Despite the 2002 merger with the Helsinki stock exchange, the capital market in Estonia continues to be underdeveloped, reflecting in part a weak institutional investor base. Prudent fiscal policies have also limited the extent to which government debt securities have driven the corporate debt market. The Estonian authorities issued their first Eurobond in 2002, partly to refinance World Bank loans but also to test the market sentiment towards Estonia. As a result, the fixed income market is only now gaining in importance as an alternative source for financing for marketable companies and local governments. Stock market capitalisation at the end of 2003 was around 40 per cent of GDP, lower than in most of the other advanced transition countries. There are 14 insurance companies (8 non-life and 6 life) nine life insurance companies and 21 non-life insurance companies, but the total insurance premiums underwritten still less than 5 per cent of GDP (compared with 8 per cent in the EU).

- *Development of the pension sector needs to be supported.* In response to the build-up of unfunded pension liabilities, the authorities have reformed the pension system from a pay-as-you-go pension system to a three-tier partially funded scheme. The first pillar, or state pension reformed in 1998, involved the gradual raising of the pension age for men and women to 63 and 59, respectively (and for women to 63 as well by 2016) as well as the indexation of pensions. A fully-funded second tier offers additional pension coverage financed by mandatory individual contributions, making participation mandatory for new entrants to the labour market, but voluntary (although irreversible) for existing workers. To date almost one half of the working age population has joined the fully funded second pension pillar since its launch in May 2002, far exceeding expectations. Finally, a third pillar was introduced with generous tax treatment to stimulate the development of voluntary retirement savings administered by private pension funds and insurance companies. So far a total of seven institutions have been licensed to manage mandatory pension funds in Estonia, and they have set up 17 new pension funds. Pension funds do not face any restrictions on the types of assets they can invest in. Estonia's largest fund manager as of end-2003 was Hansa Investeerimisfondid (Hansa Investment Funds) with a market share of over 50 per cent.

2.3 Access to Capital and Investment Requirements

The Estonian banking system is well capitalised and highly liquid from growing deposits. With EU accession accomplished and reducing credit risk, banks are willing to lend to 10 years for corporate loans and to 20 years for mortgage loans, with interest rates typically at 4 to 7 per cent per annum. Loan default rates on average are less than 2 per cent. Household credit (consumer loans, credit cards and mortgages) and leasing markets have grown rapidly in the past three years. However, local banks are generally unwilling to lend to start-ups and newly established companies. Consequently small companies continue to cite the lack of access to reasonably priced long-term financing as the most significant barrier to growth. Other barriers include bureaucratic regulatory authorities and the lack of suitably qualified staff.

Throughout the whole of the 1990s, Estonia has been successful in attracting high inflows of FDI. By the end of 2003, cumulative net FDI inflows had reached USD 3.2 billion, making up USD 2,362 per capita, which is next to the Czech Republic the highest per capita figure among all transition countries. FDI levels are expected to remain strong post-accession, provided that the authorities sustain the competitiveness of enterprises by addressing the main macroeconomic challenges outlined above and pursuing further reforms to the business environment. The significance of FDI has also been high in financing the current account deficit, however in future years FDI is expected to cover only half of the deficit.

Estonia’s foreign currency sovereign credit ratings are A1 (Moody's), A- (Standard & Poor’s, outlook upgraded to positive from December 2003), and A- (Fitch, outlook upgraded to positive from October 2003). Standard & Poor's revised the outlook to positive from stable in December 2003 and at the same time affirmed the 'A-/A-2' long and short-term sovereign credit ratings on the Republic. Estonia’s ratings are supported by a track record of fiscal prudence, robust growth, comprehensive reforms of markets and institutions, and predictable and prudent economic policies. However, the ratings are constrained by the significant external imbalances, i.e. the persistent and high current account deficits. The Bank of Estonia has noted that if trust of foreign investors in the Estonian economy weakens, current high credit ratings may get jeopardised, leading to the increase of interest rates.

3. STRATEGIC ORIENTATIONS

3.1 Bank's Priorities for the Strategy Period

Given its mandate and the challenges outlined above, and provided that additionality is demonstrated on a case-by-case basis, the Bank will focus on those sectors in which it continues to be additional in Estonia during the next strategy period. Drawing also on the findings from the Board of Directors' visit to Estonia in October 2003, a particular strategic emphasis will be in the areas of regional development where major disparities still exist. Capitalising on the lessons from the previous strategy and on the main operational priorities, the Bank has retargeted its key priorities and objectives in Estonia as follows:

- **Regional development** will be promoted through SME finance projects, and providing financing to rural areas in conjunction with EU funding via local financial intermediaries. In addition, the Bank will act as a catalyst in financing higher risk projects in less developed regions of Estonia by providing structuring expertise to local banks through participation in debt and/or equity financing in such projects.
- **Private Enterprise Sector.** Where possible, the Bank will seek to support some of the larger industrial and service enterprises in particular in the higher risk areas and in conjunction with the local banks as stated above. The Bank will work to assist in attracting non-privatisation related FDI and the further expansion of local enterprises, both domestically and abroad. Increased emphasis will be given to equity investments.
- **Infrastructure and Environment Sectors.** Provision of non-sovereign finance to municipalities and utilities. The main attention will be devoted to working directly with the second tier municipalities. Where possible, the Bank will promote transaction structures, which involve, or can lead to, the participation of the private sector. The Bank is prepared to support state or municipally-owned infrastructure enterprises through their more advanced stages of transition, and to participate in the financing of projects that can improve cooperation and lead to the development of efficient regional markets (e.g. energy) within the Baltic States region and beyond. The Bank will stand ready to assist local authorities to prepare, co-finance and implement projects eligible for EU Cohesion and Structural Funds. The Bank has valuable experience in working with the EU on designing and jointly implementing financing operations to support a variety of sectors, including SME development, transport infrastructure and municipal infrastructure.
- **Financial sector**. Further support for SMEs (credit lines, leasing, equity) through local and regional financial institutions, inter alia with a view to ensuring a more balanced regional development, and further development of non-banking financial institutions. The Bank will aim to promote the availability of a wider variety of more sophisticated financial products and services.

The Bank will continue to cooperate with the European Commission and to coordinate with other donors and IFIs to ensure additionality and to ensure that the Bank's funds complement those available from sources such as the EIB and other important IFIs which support Estonia.

The Bank's environmental approach for Estonia reflects the country's advanced stage of legislation framework and economic development. The Bank's project portfolio addresses some of Estonia's key environmental concerns by focusing on further improving specific environmental management areas through the Bank's projects. The Bank continues to seek opportunities to finance environmentally oriented projects in Estonia. In addition, all EBRD operations in Estonia are subject to the Bank's Environmental Policy and incorporate Environmental Action Plans (EAPs) to ensure projects are structured to meet applicable EU environmental standards. Where appropriate, the EAPs include measures to actively support environmentally sound and sustainable development.

3.2 Sectoral Challenges and Bank Objectives

3.2.1 Private Enterprise Sector

- Provide financing to projects that require more extensive structuring. The Bank will act as a catalyst in financing higher risk projects in less developed regions of Estonia by providing structuring expertise to local banks through participation in debt and/or equity financing in such projects.
- Cross-border investments both by Estonian companies into Russia or other CIS countries but also by Russian companies into Estonia.
- Continue to pursue the investment opportunities into forestry related sectors where the Bank has accumulated substantial expertise in Estonia through three Imavere Sawmill projects and Estonian Cell pulpmill project. Continue to monitor closely the environmental aspects of these investments, in particular the authorities' efforts to curb (il)legal logging that is environmentally damaging.
- Provide financing also in enterprise sectors such as food processing and manufacturing where Estonia has some competitive advantage, both for markets in Western Europe and in Eastern Europe and CIS countries.
- With emphasis on equity investments, particular attention will be given to corporate governance, transparency, accountability and progress towards best international practice.
- In the industry sector the Bank will pay increasing attention to ensuring environmentally sound and sustainable raw material supply, particularly where the industry is utilising significant amount of natural resources, such as forests.

3.2.2 Energy Sector

- The Bank will monitor closely the developments in the area of alternative/green energy and stand by to provide equity/mezzanine, and also long term debt financing if required. Such projects will combine the Bank's expertise from energy efficiency and environmental units.
- The Bank will facilitate the expansion of Estonian Energy on the regional energy market including ventures to/with the other Baltic countries once the investment environment is ready for co-operation. This will also contribute to the business environment for SMEs outside the larger cities, which are now often

confronted with qualitative and quantitative limitations as regards their electric power supply. The Bank will stand by to provide long-term financing to the regional Slink power cable project. The Bank will continue to encourage the development of a pan-Baltic energy market and the gradual opening Baltic energy market to third parties in order to enhance competition and broaden the variety of supplies available to consumers.

3.2.3 Infrastructure **Sector**

- Focus on financing state-owned and municipal entities, to support priority investment needs, while facilitating restructuring and private sector participation. Financing would be structured solely on a non-sovereign public or private basis to help reduce fiscal pressures.
- Priority areas will be the transport sector and municipal infrastructure in particular in the smaller second tier municipalities. In transport sector the Bank will support the development of private port infrastructures, where possible backed-up by rail connections, facilitating East-West trade in the newly enlarged EU.
- Assist local authorities to prepare, co-finance and implement projects eligible for EU Cohesion and Structural Funds. In developing financing structures, the Bank will work closely with the EIB and other Ibis in order to generate synergies.
- The Bank continues to be involved in developing municipal environmental services, including public transport, waste management and water and wastewater services, through MEI projects.

3.2.4 Financial Sector

- Amongst the EBRD countries of operation Estonia has a one of the most advanced banking sector which, at the current stage of transition, can be utilised as a tool to reach SMEs and also to facilitate regional development where major disparities still exist. In particular, the Bank aims to address regional income disparities with facilities such as the EU SME Rural Finance Facility which will be introduced to the financial intermediaries. The Bank will continue providing debt and equity financing to smaller enterprises in Estonia via financial intermediaries such as banks, leasing companies and equity funds.
- Also in the area of non-bank financial institutions (e.g. insurance, leasing and mortgage institutions) the emphasis will be on ensuring the availability of medium-term funding to SMEs and to finance mortgage lending.
- Equity funds will be utilised selectively, to address smaller investment needs which cannot be funded directly, based on the focus on SMEs and improving competitiveness in the EU market.
- In the financial sector, the Bank has provided environmental due diligence training for a number of Estonian FIs. The training ensures that the Bank's financial intermediaries (FIs) adopt environmental due diligence procedures and are capable of implementing those. The Bank will continue to provide such training to any new partner financial institutions to ensure they will have the skills to manage environmental issues associated with their portfolio.

4. OTHER IFIS AND MULTILATERAL DONORS

4.1 EUROPEAN UNION (PRE AND POST ACCESION FUNDS)

Pre-accession assistance

There are three pre-accession instruments financed by the European Union to assist the candidate countries in their accession process: the Phare programme, which provides aid to institutional development; ISPA, which finances infrastructure projects in the transport and environment sectors; and SAPARD, which provides aid for agriculture and rural development. For the period 2000-2002 the financing package approved for Estonia amounted to Euro 32 million annually from Phare and Euro 12.5 million from SAPARD. In addition, the ISPA funds – which amounted to about Euro 29 million per year from 2000 until 2003 – have been used for financing of road projects such as Via Baltic and the East-West road corridor construction, but also sewerage plants, waste-water treatment plants and landfills, etc. However, as in other accession countries, the take up of these allocations was much slower than expected, largely due to the difficulties in putting adequate administrative capacities in place.

Post-accession assistance

According to the financial framework for enlargement agreed at Copenhagen, the total indicative commitment appropriations for Estonia for the period 2004-2006 are as follows: Euro 134 million for Agriculture, Euro 618 million for Structural Actions, Euro 69 million for Internal Scheme policies, and Euro 22 million for a special cash-flow facility. The EU grant funds through Structural and Cohesion funds, the CAP and special budgetary support following the EU accession in May 2004 have been estimated by the IMF to amount to approximately 3.3-4.2% of GDP in 2004-2006. Of course these funds depend on whether the necessary institutional capacities will have been put in place, but Estonia seems to be making good progress in this regard. At the same time, however, EU-related expenditures have been estimated to increase with the initiation of payments to the EU budget and higher co-financing expenditure requirements to reach 4.7-5.5 per cent of GDP in 2004-2006, leaving a sizeable funding gap over the medium term. Additional expenditure priorities will be agriculture, defence, social services and healthcare.

4.2 EUROPEAN INVESTMENT BANK (EIB)

Since 1993, when the first EIB loan in Estonia was signed, the EIB has gradually built up a portfolio of EUR 280 million. During the last strategy period EIB has concentrated its activities on the Banking sector and has provided three loans under its Regional Global Loans (RGL) programme. These were two EUR 30 million loans to Hansapank and EUR 20 million loan to Sampo Bank. The EIB's activities in Estonia will be closely co-ordinated with the EU Structural and Cohesion Funds.

4.3 KREDITANSTALT FÜR WIEDERAUFBAU (KFW)

Kreditanstalt für Wiederaufbau has provided financing in Estonia for SME development. In early 2002, KfW provided a €25 million credit line for 10 years to Hansapank to support SME development Estonia and Latvia.

4.4 International Monetary Fund (IMF)

Estonia joined the IMF in May 1992. Throughout the course of the 1990s, Estonia requested from the IMF a total of three Stand-By Arrangements as a precautionary measure. The latest of these was approved in March 2000 for the amount of SDR 29 million and expired successfully in August 2001 with all performance criteria met. There are no further current or projected obligations to the IMF. However, the authorities have expressed interest in maintaining close collaboration with the IMF and the IMF has had missions in 2001 advising on tax policy, fiscal transparency and data quality. In December 2003 the IMF sent a Technical Assistance mission to advise the authorities on medium-term budgeting. Since 2001 the Article IV consultations are held on the standard 12-month cycle.

4.5 Nordic Investment Bank (NIB)

The Nordic Investment Bank is a multilateral financial institution owned by the five Nordic countries: Denmark, Finland, Iceland, Norway and Sweden. The projects signed by NIB during the last strategy period include EUR 60 million 15-year loan to Estonian Energy in June 2002, and EUR 20 million 5-year loan to City of Tallinn in May 2003. On 11 February 2004 Estonia signed an agreement for membership in the NIB. After the ratification of the agreement during 2004 Estonia is expected to become a member of the NIB from 1 January 2005.

4.6 World Bank

Following an initial quick-disbursing Rehabilitation Loan in early 1993, the World Bank's lending program has supported projects focusing on improving the environment, fostering private sector investment and growth, improving the efficiency of infrastructure services, improving human resources, and enhancing Estonia's human development services. The World Bank's most recent loan to Estonia, approved in March 2000, was to support the upgrading of the highway between Tallinn and Tartu, the two largest cities in the country. The Bank also assisted in the health sector and helped to promote sustainable and effective financing of public services. Moreover, the World Bank assisted in the establishment of an integrated Financial Sector Supervision Agency, which has already conducted several on-site inspections since becoming operational in the beginning of 2002. It has devoted resources for the supervision of the establishment of the second-pillar pension system. The World Bank has committed a total of US$150 million for eight operations. In June 2001, the World Bank closed its Tallinn Office in recognition of the decline in lending assistance and the size of the World Bank's program in Estonia.

ANNEX 1: POLITICAL AND SOCIAL ASSESSMENT

Internal political situation

Estonia became independent in 1920, was occupied by the Soviet Union in 1940 and regained its independence in 1991. It has a single-chamber 101-seat parliament elected by proportional representation. There is a 5% threshold for parties to enter parliament. Executive power rests with the Cabinet. The president's office is a largely ceremonial one, but he has the power to appoint the prime minister, to return legislation to parliament (and thus delay its implementation) and to declare the state of emergency. He is elected for a five-year term by parliament, but if parliament fails to deliver a two-thirds majority, the election passes to a broader electoral college including the local councillors (this happened in September 2001 when Arnold Ruutel was elected president). Estonia's post-independence institutions are modelled on West European ones. Estonia's judiciary is independent. All citizens over the age of 18 have a right to vote. Russian-speaking residents who have failed to pass a citizenship test, which includes basic competence in the Estonian language, or have chosen not to seek Estonian citizenship, cannot vote for parliament. However, they are allowed to vote in local elections.

Estonia's fourth post-independence parliamentary election took place on 2 March 2003. The campaign was dominated by taxation, family welfare questions and the issues of honesty and integrity in public life. The election produced a majority coalition government led by Res Publica, a new centrist party formed in late 2001, which got 28 seats. Its coalition partners are the neo-liberal Reform Party (19 seats) and the agrarian People's Union (13 seats). The left-leaning Centre Party had actually won the most votes by a narrow, 4,000-vote margin, but both it and Res Publica, the second contender, got the same number of seats. In view of the strength of the other centre-right parties and doubts concerning the ability of the Centre Party to form a stable coalition, President Ruutel asked Juhan Parts, Res Public's leader and, until August 2002, Estonia's State Auditor, to form the new government. The opposition is now made up of the Centre Union (28 seats) on the left and, on the right, the conservative Pro Patria Union (7 seats) and the social-democratic Moderate Party (6 seats) in a 101-seat parliament. Neither of the two main minority Russian parties managed to cross the 5% threshold necessary to secure a seat. However, a number of ethnic Russians were elected as MPs of other parties. In November 2003 the People's Union, the smallest party in the coalition, called for an end to tax reform and for a rise in social expenditure as its price for remaining in the government. A compromise was reached under which the other two parties agreed to postpone the planned tax cuts and raise spending on certain social programmes. The next parliamentary elections are due in 2006.

International relations

On 14 September 2003, EU accession was endorsed by 67% of voters, on a turnout of 63%. Estonia joined the EU on 1 May 2004, with elections for the European Parliament due in June. Estonia had become a member of NATO in April 2004. The two events - EU accession and NATO membership – signify that Estonia has achieved its two most important foreign policy objectives since independence. Estonia's relations with all its neighbours are good but problems in those with Russia remain.

Russia describes Estonia's citizenship and language laws as discriminatory. Estonia points out that a number of those laws' provisions have been relaxed (see below). The issue of double import tariffs imposed by Russia against Estonian goods was discussed by senior Estonian and Russian officials on 25 February 2004. The context was the EU's demand for the extension of the EU-Russia Partnership and Cooperation Agreement (PCA) to new members of the EU, including Estonia, to which Russia agreed in April 2004. Another bilateral issue is Russia's failure so far to ratify the border treaty between the two countries initialled in 1997 and to return the Estonian presidential insignia taken by Soviet forces in 1941. Progress was said to be made in the joint fight against drugs, crime and AIDS as well as in cooperation in transport.

Minority rights

Estonia's ethnic composition has changed dramatically since 1945 when native Estonians made up 95% of the population. After the war the balance was altered as a result of mass deportations and immigration of other Soviet nationalities, particularly Russians. According to the 1989 census, Estonians accounted for 61.5% of the population, Russians 30.3%, Ukrainians 3.1% and Belorussians 1.8%. According to the 2000 census, Estonians accounted for 68%, while the percentage of Russians had fallen to under 26% and Ukrainians to 2%. Legislation that came into force in 1995 obliged non-ethnic Estonians who had settled in the republic after 1940 to apply for residents' permits. Naturalisation required a minimum of five years of residence and a basic knowledge of Estonian. In 1999 proficiency in Estonian became obligatory for parliamentary and local government officials, teachers and those working in the private sector and dealing with the public. But, also in 1999, Estonia granted Estonian-born children of stateless parents automatic citizenship. In 2000 the requirement for private-sector workers was abolished. Disabled applicants for citizenship were exempted from examinations in the language and on the constitution. In 2002 parliament abolished the Estonian language requirement for parliamentary and local government officials. In response to those measures, the OSCE ended monitoring human rights in Estonia and closed its Tallinn office

Integrity issues

Corruption remains at a relatively low level in Estonia, according to international studies. Transparency International's 2003 Corruption Perceptions Index placed Estonia in the 33rd place out of 133 countries - after Slovenia in the 29th place but ahead of all the other transition countries. There is a consensus that the legislative framework concerning the fight against corruption in Estonia is mostly in place. The number of corruption cases, although very small, has increased since 1999 (from 8 in 1999 to 15 in 2002) due to improvements in investigation and wider awareness among the public. This awareness was reflected in the campaign for the March 2003 election. Res Publica, a newcomer on the political scene, put forward as its raison d'etre to offer 'new clean politics'. The November 2003 report by the European Commission on Estonia's preparation for EU membership noted that Estonia still needed to develop a comprehensive national strategy, complete with concrete implementation measures, for fighting corruption in the public sector. Customs officers and border guards remain vulnerable to corruption and the procedure concerning conflict of interest and the declaration of assets by elected officials and civil servants performing managerial functions, as well as law enforcement officers, should be strengthened. An inter-ministerial committee was set up in May 2003 to develop an anti-corruption strategy and co-ordinate the implementation of anti-corruption measures. The law prohibits trafficking in persons but, according to the US Department of State report on Human Rights practices in Estonia published on 25 February 2004, women were being trafficked from the country to Nordic countries and Western Europe. The maximum penalty for trafficking is 12 years' imprisonment. As of December 2003, according, to the US State Department report, one trafficking case was pending in court while another five cases involving 15 individuals were under investigation. The Ministry of Social Affairs in cooperation with the Nordic Council of Ministers has initiated a large-scale anti-trafficking campaign, mostly geared toward prevention

Social conditions

Population. Estonia's population is 70% urban. According to the 2000 census, it was 1,370,052, a 12.5% drop from 1989, the year of the previous census. By the beginning of 2003, the population had dropped to 1,365,000. In the 1980s, before independence, the population had been growing by an average of nearly 1% a year as a result of Estonia's relative prosperity, attracting immigrants from all parts of the Soviet Union. After independence Estonia experienced a severe economic contraction. In addition to deteriorating living and healthcare standards and falling life expectancy, Estonia experienced a net emigration of Russians and other nationalities. The crude death rate had peaked in 1994, but it still exceeds the birth rate as a result of contraception and the trend towards smaller families. Estonia's demographic trends have resulted in an increasingly ageing population, with an ever smaller workforce supporting a growing number of retired people. At the beginning of 2002 a quarter of the population were under 20 while 15% were over 64, compared with 29% and 12%, respectively, in 1990.

Poverty. According to Eurostat data, per capita GDP calculated in purchasing power terms in 2003 was only 43% of the EU average. A 2002 poverty study by PRAXIS, the Estonian center for policy studies, which drew the relative poverty line at 60 per cent of median income per household member, showed that the groups that have the highest rate of poverty include jobless households (62 per cent), families with 3 or more children (37 per cent), and single parent families (35 per cent).

Health. After Estonia's annexation by the Soviet Union in 1940, a highly centralised health service system, providing universal free medical care but with an emphasis on specialist and hospital care rather than primary services, was introduced. Since 1992 the service has been re-organised. It is now financed by a health insurance scheme administered by the Central Sickness Fund and 17 regional funds, which have contracts with primary providers. Private-sector provision is most evident in dentistry (75% of practitioners) and pharmacies (80%) Many health indicators deteriorated since independence as a result of economic contraction but have since recovered. Life expectancy at birth for males fell from 66.6 years in 1988 to 61.1 in 1994 and from 75.1 to 73.8 for women. By 1999 it had risen to 65.3 and 76.1 respectively. In 2001 those rates stood at 64.7 and 76.2. Infant mortality fell from 16 per 1,000 live births in 1987 to 10.2 in 1990, rising to 13.8 in 1992. Since then it has steadily declined, to 7.5 by 2001. Circulatory diseases account for 55% of all deaths, followed by cancer at 18%. Health education has been responsible for the reduction in male smokers from more than 50% of the population in 1994 to 40% in 1998. The rate of tuberculosis, at over 40 per 100,000 of the population, is well above the Nordic average rate of 10 per 100,000. The number of newly diagnosed HIV cases has risen from nine in 1999 to 390 in 200 and 1,474 by the end of 2001. It is seen as an epidemic, centering on north-eastern Estonia among intravenous drug users. Total registered HIV-positive cases reached 2,859 by the end of 2002, part of a Baltic-wide epidemic. Estonia is the worst off of the three Baltic countries, with more than 200 cases per 100,000 of the population, compared with 98 in Latvia and 22 in Lithuania.

Education. Estonia has an old and highly-developed educational system. The literacy level is 99%. The right to education is enshrined in the Constitution, but the language of instruction depends on the institution. Education is compulsory from seven until students reach 17 or complete their basic education. More than 95% of basic school students go on to secondary education, either at a gymnasium or secondary vocational school. Pre-school facilities, once provided by large state-owned enterprises, have declined in number since independence. Many municipal kindergartens have closed down because of lack of children. But private-sector initiatives such as playgroups are being set up for children of working mothers. Entry to higher education is by exams. Higher education is becoming more popular in response to the demands of the labour market. The number of enrolled students rose from 25,800 in 1991 to 60,409 in 2001. The number of universities, applied higher education institutions and higher vocational institutions rose from 11 in 1991 to 51 in 2001. Public education is funded by state and local budgets, though schools are encouraged to resort to private finance for additional study materials. Private education is more in evidence in higher education, with the number of private universities increasing from 1 in 1996 to 10 in 2001. Many of those specialise in business studies and economics. It is state policy to integrate Russian schooling into the Estonian system through language education. It is a legal requirement that by 2007 all basic and secondary school graduates must be sufficiently proficient in Estonian to continue further studies in that language.

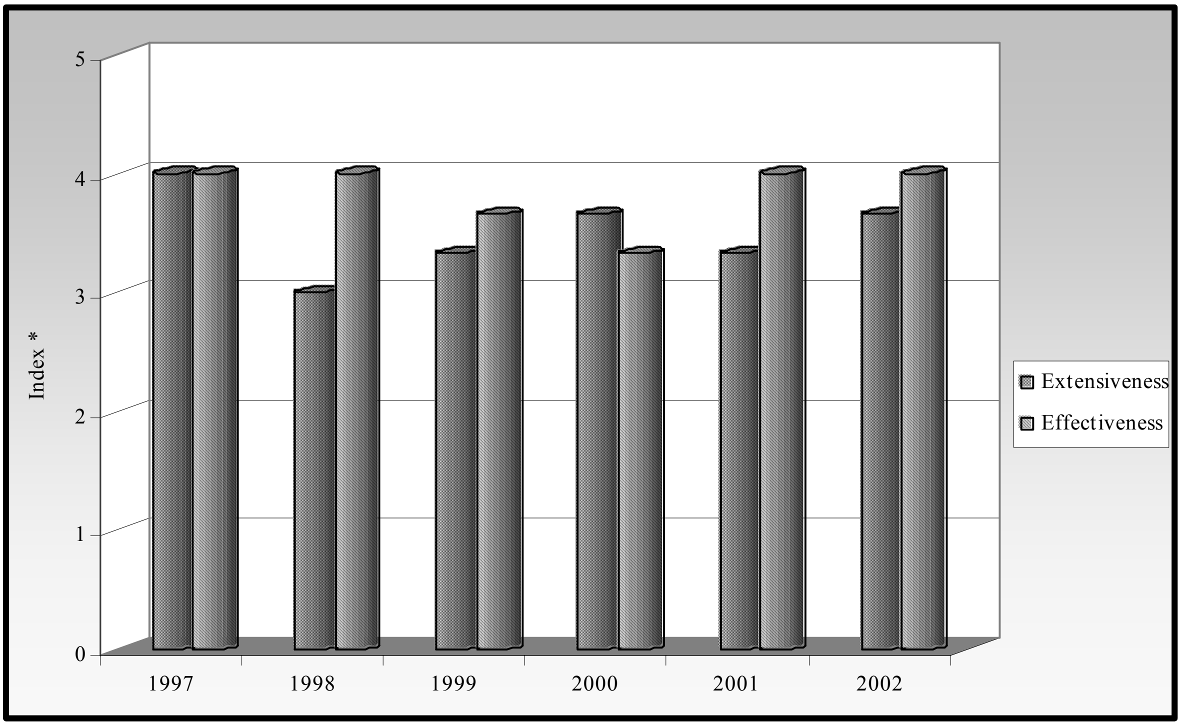
Labour issues. Estonia has rather flexible labour legislation and relatively harmonious labour relations. The Constitution provides for the right to form and join a trade union or employee association. The right to strike is legal, and unions are independent of the government and political parties. In January 2002, a new unemployment insurance scheme became effective. Insurance is paid in the case of redundancy, termination of collective agreements and employer insolvency. According to the scheme, employees and employers pay 1 per cent and 0.5 per cent respectively of wage income into an unemployment insurance fund administered by the Ministry of Finance. The scheme, together with the 2 per cent contribution of wage income to the second pension pillar, substantially increases the already high level of payroll taxation. High unemployment remains a serious concern (see the next Annex). New labour market policies were set out in the Employment Action Plan of the Republic of Estonia 2002 and the Joint Assessment Paper of March 2003, placing particular emphasis on re-integrating the long-term unemployed, promoting vocational training, and job creation. However, labour market flexibility still needs to be enhanced.

ANNEX 2: LEGAL TRANSITION

COMPARATIVE ASSESSMENT OF ESTONIA'S COMMERCIAL LAW

I. Assessment Over Time

Extensiveness and Effectiveness of Estonia's Commercial Law[4]



Source: OGC Legal Indicator Surveys; 1997 - 2002
**Note:* Indicators along the y axis range from 1 (little progress) to 5 (substantial progress)

In recent years, Estonia's laws have been regarded as very effective, at the same time being reasonably comprehensive in comparison with other transition countries. However, additional progress needs to be made by Estonia in a number of commercial law areas, in particular secured transactions and concessions.

II Situation in Other Transition Countries

Estonia's normative laws are approaching international standards, supported by institutional mechanisms to implement these laws, and as a result the country overall compares very well with other transition countries. Based on the 2002 EBRD Legal

[4] From 1997 to 2002, the EBRD has conducted a Legal Indicator Survey each year to measure the progress in legal reform in Central and Eastern Europe, the Baltic States and the Commonwealth of Independent States, as viewed by local lawyers and academics. The results of such survey are based on responses to the questionnaire sent out to lawyers practising in any given country. The survey represented their perception of the country's legal system and, in particular, the degree to which key commercial and financial laws have reached internationally acceptable standards (extensiveness) and to which extent these laws are implemented and enforced (effectiveness). The survey is based purely on local lawyers' perception of their own country legislation and does not represent EBRD's own view on these legal systems. In addition, it must be noted that each respondent is asked to answer the questionnaire for his/her country only, and not on a comparative basis.

Indicator Survey, which measured the perception of lawyers familiar with Estonian law, the commercial laws of Estonia can be characterised as adequate for supporting investment and other commercial activity.

Compared with other countries in Central Europe, Estonia's commercial laws are perceived by lawyers in the field as being of the highest standard among the transition countries, i.e., on the same footing as the laws of most other central European countries and the other two Baltic states.

LEGAL SECTOR ASSESSMENT

Bankruptcy

Bankruptcy procedures are governed by the new Bankruptcy Act of 2003 (the Bankruptcy Act), which came into effect on 1 January 2004. In case of the insolvency of a bank, other credit institution or insurance company, the Bankruptcy Act can be applied only in combination with special provisions of other laws such as the Credit Institutions Act and the Insurance Activities Act. The Bankruptcy Act makes a number of significant changes to the general insolvency law regime, which was previously governed by the Law on Bankruptcy of 1992. Most notably, the Bankruptcy Act attempts to add additional rehabilitative provisions in order to make restructuring, as opposed to liquidation, more viable.

Bankruptcy cases are handled by the general civil courts and there are no specialised bankruptcy courts or judges. The purpose of bankruptcy proceedings are to determine if an insolvent debtor (a debtor that cannot pay its liabilities as they generally come due in the ordinary course of business) should be wound-up and liquidated or whether it should be restructured and permitted to continue. A debtor may initiate its own bankruptcy proceedings by submitting a bankruptcy petition. Similarly, a creditor may submit a bankruptcy petition and, if doing so, must be able to substantiate at least one of the debtor insolvency grounds specified in the Bankruptcy Act for such petition.

After the filing of the petition, the court appoints a bankruptcy trustee and, thereafter, the debtor loses its right to deal with its property. Thereafter, the court will determine whether the debtor can be re-organised or is to be liquidated.

Some important features of the new Act with respect to the bankruptcy trustee are:

1. The bankruptcy trustee must give notice of the insolvency proceedings to all known creditors, including foreign creditors (previously unprotected under the old regime);
2. the bankruptcy trustee must report at the first meeting of creditors on the viability of restructuring the debtor (the judge in charge of the case must also be at this meeting); and
3. the bankruptcy trustee must maintain sufficient liability insurance for the conduct of its duties.

Ultimately, if it is determined by the court that the debtor is to be liquidated, the Bankruptcy Act makes significant improvements in the streamlining of the distribution process. Gone are the priority claims previously afforded to certain government agencies, thereby, rightfully, elevating secured creditors to the top position. Unfortunately, however, secured creditors can still be stripped of their secured status by virtue of failing to file a claim in the bankruptcy in a timely manner. This leaves the system open to abuse and protracted disputes in cases where a secured creditor is stripped of its status for failure to file on time but asserts that it did not receive proper notice.

If the court opts for restructuring, the Bankruptcy Act makes provision for additional credit to be advanced to the debtor, subject to creditor approval, on a “super-priority” basis. A provision such as this is vital if, as is desired, restructurings are to become more common and liquidations are to decline. This provision makes it possible for a debtor to both obtain funding for its actual costs of restructuring and to obtain additional working capital to operate throughout the restructuring process and, thereby, preserve going-concern value.

As the Bankruptcy Act is relatively recent, it is too early to determine its practical effectiveness. From a legislative standpoint, however, it should be noted that the Bankruptcy Act represents a significant attempt to comply with international standards and best practices in the field of insolvency.

Capital Markets

Pursuant to the Financial Supervision Authority Act (the "FSAA") adopted in 2001, a unified Estonia Financial Supervisory Authority (the "EFSA") was established as the single supervisory authority for the Estonian financial sector (including banking, securities market and insurance markets) and has become operational from 1 January 2002. The supervision functions of the EFSA have consolidated those previously carried out by the Banking Supervisory Department of the Bank of Estonia, the Securities Inspectorate and the Insurance Supervisory Authority. The EFSA is an autonomous governmental agency with a separate budget and operates at the Bank of Estonia. The EFSA has the sole power to grant and withdraw licenses for institutions operating in the Estonian market and has the authority to impose sanctions for non-compliance.

The primary legislation governing the Estonian securities market includes the Securities Market Act (adopted in 2001), the Investment Funds Act (1997), the FSAA (2001), the Guarantee Fund Act (2002) and the Estonian Central Register of Securities Act (2000). Among these laws, the Securities Market Act ("SMA") came into force on 1 January 2002 with the intention of harmonising the legal frames of Estonian securities market with EU requirements and standards. Compared to its predecessor adopted in 1993, the SMA regulates in detail public offerings of securities, activities of investment firms (including cross-border services), and clearing and settlement activities. It also regulates more extensively on issues concerning insider dealing and take-overs. Together with the FSAA, the SMA ensures that the Tallinn Stock Exchange (the "TSE") is subject to appropriate oversight by the EFSA.

Established in 1995, the TSE opened for trading in 1996 and has a Surveillance Committee to oversee the activities of the member firms of the TSE. On the other hand, the Estonian Central Depository for Securities registers security ownership, clears transactions and provides market information services. In January 2001, a united Baltic list comprising stocks of the largest companies listed on the Riga Stock Exchange, Tallinn Stock Exchange, and Lithuanian National Stock Exchange was established. Also in 2001, the Helsinki Stock Exchange became a major shareholder in the TSE. This move was intended to help both Finnish and Estonian investors to gain access to each other's capital markets and facilitate the integration of the Estonian stock market into the EU ones.

With respect to the insurance market, the most important legislation includes the Insurance Activities Act (the "IAA") adopted in August 2000 and Section 4 of the Law of Obligations Act effective in July 2002. The IAA governs forms and classes of insurance, the establishment and activities of insurance companies (including merger, division, transformation and bankruptcy of insurers and transfer of insurance portfolios), accounting and reports, supervision of insurance activities, liabilities etc. In addition, Section 4 of the Law of Obligations Act sets forth the general terms of insurance activities and requirements for different types of insurance contracts.

Company Law and Corporate Governance

Adopted in 1995 and most recently amended in 2003, the Commercial Code is the primary legislation concerning the formation and operations of companies. Under the Commercial Code, a company shall be entered in the commercial register maintained by the registration departments of the county and city courts, whose territorial jurisdiction covers the place where the registered office of the company is located. Entries in the commercial register are public. Therefore, everyone has the right to examine the relevant data and files specified by the Commercial Code.

For a public limited liability company ("PLLC"), it is required by the Commercial Code to maintain a share register of shareholders with the registrar of the Estonian Central Register of Securities. The persons who have the right to examine the company's share register include, among others, shareholders and other persons with legitimate interest. A PLLC is prohibited from subscribing its own shares by itself or through a third person acting at the expense of the company. A subsidiary is also prohibited from subscribing the shares of its parent company. The Commercial Code also has strict rules governing the situations where a PLLC can acquire or take as security its own shares.

A PLLC shall convene the annual general meeting of shareholders no later than six months after the end of the financial year with at least three week's advance notice. The persons who are listed as having the right to demand a special general meeting of shareholders to be held include, among others, the shareholders owning 10% or more of the company's share capital. The same threshold also applies to the shareholders' right to demand the inclusion of certain issues into the agenda of the shareholders' meeting. For resolutions to be adopted at relevant shareholders' meetings, the principle of "one-share one-vote" is established by the Commercial Code. Shareholders have the right to petition to the court to declare invalid a resolution adopted at a shareholders' meeting which is in conflict with the law or the company's charter within three months after the relevant resolution is adopted. According to the Commercial Code, the right of shareholder to vote on a matter is restricted in certain circumstances where conflict of interest issues may arise with regard to the shareholder in question.

A PLLC shall have a management board, members of which shall be elected (and removed) by the supervisory board of the company. Pursuant to the Commercial Code, the residence of at least half of the management board members should be in Estonia. The supervisory board in a PLLC shall consist of at least three members, to be elected by the general meetings of shareholders. The members of the supervisory board shall be liable for any damage wrongfully caused by violation of the law or of the articles of association, or by failure to perform their obligations, unless a dissenting opinion has been made in connection with the adoption of the resolution which was the basis for the illegal activity, and is recorded in the relevant minutes.

According to the 2003 results of the EBRD's Corporate Governance Sector Assessment Project, Estonia is a country whose existing corporate governance related laws (i.e., the quality of the "law on the books", as opposed to how the relevant legislation is being implemented) when compared to the OECD *Principles of Corporate Governance* were rated among "medium compliance" countries. General reform priorities for countries in this category are to improve effective implementation and enforcement of existing legislation, while continuing to reform their existing laws.

Concessions

Estonia does not have a general framework Concessions Act. Instead, the country takes a sector-by-sector approach to establish the concession or privatisation policy. Several sector specific acts regulate the right of a private legal entity to utilise public assets in order to provide facilities or services to the public.

According to the Railways Act the Railway Administration may grant licences to perform certain activities/services in connection with the operation and/or maintenance of a railway system. The licences may be granted to private entities listed in the commercial register. A foreign company may only be awarded an operational licence if it operates through a branch listed in the commercial register. The following types of licences exist: construction, management and the operation of railway infrastructure. Operating licences are issued for an unspecific term and are not transferable. They may be withdrawn under conditions stated in the Railways Act, but the licensee has to be given the opportunity to rectify the deficiencies that constitute the basis for a revocation.

In order to obtain a license, the applicant has to fulfil a number of prerequisites stated in the Railways Act. A tendering procedure, or any other form of selection procedure, is not regulated in the Railways Act. However, this is counter-balanced by the clearly defined prerequisites that have to be met by the licensee so a certain level of transparency is ensured.

The Water Supply and Sewage Act and the Water Act only provide for a framework for the privatisation of the water supply and sewage sector, and concessions are not awarded in these sectors.

General provisions on contractual arrangements which could be agreed in the context of a concession can also be found in the Contracts and Extracontractual Obligations Act which came into effect on 1 July 2002.

Secured Transactions

Secured Transactions is an area governed by the Law on Property (the "Property Law") of 9 June 1993 and the Law on Commercial Pledge of 5 June 1996. On 15 January 2003, amendments to the Property Law were adopted, which created a new, advanced system to take security over rights (generally all intangible property). The law entered into force into force on 1 July 2003.

There are four types of security over personal (movable) property in Estonian law:
1. "traditional' possessory charges, which require transfer of the collateral to the creditor, and are governed by the Property Law;
2. (non-possessory) registered charges over registered movables (i.e. vehicles, aircraft, boats, intellectual property rights, etc) governed by the Property Law;
3. so-called commercial pledges, which encumber the whole of an enterprise, hence referred to as enterprise charges, governed by the Commercial Pledge Law and Property Law; and
4. charges over rights (claims, accounts receivables, rights over real property, etc), governed by new specific provisions of the Property Law.

This system limits the ability of parties to decide on the package of assets and rights they want to use to secure the debt. The registered charge can only be created over registered assets (such as vehicles and intellectual property rights) and securities. Other movable assets may be charged under a non-possessory charge only by way of a commercial pledge (enterprise charge) as part of an enterprise. Assets described generally and after-acquired assets may only be pledged as part of a commercial pledge (enterprise charge), which will encumber the "economic unit through which an undertaking operates". Moreover, commercial pledges (enterprise charges) can only be granted by enterprises which are registered in the commercial register.

Security over immovable assets (mortgage) is governed by the Property Law. Mortgages are registered in the Registry of Real Property, except when the owner of the building does not own or have the 'building title' over the land beneath (in which case taking security over buildings will be created by way of a "pledge over movables"). There is a continuing process in Estonia of registration of land in the Registry of Real Property. A registered or commercial pledge requires the notarisation of the charge agreement, and the fees vary proportionally to the amount of the secured debt. Commercial pledges (enterprise charges) must be registered in the commercial pledge register, which is run by the Register Centre of the Ministry of Justice ("Kommertspandiregister"). Mortgage registration takes place at the Real Estate Registry which is maintained at the local court. The legal regime on charges over rights is comparable to conditional assignment: it requires the sub-debtor to be notified of the existence of the charge and the creditor can enforce the charge by receiving direct payment from the sub-debtor.

The Property Law provides for realisation of the charged assets through a sale by public auction but it also allows the parties to agree a different method of sale. The creditor is liable for damages if he does not comply with the agreement for the method of sale. The Supreme Court held in 2002 that such an agreement of purchase and sale should be in accordance with fair practice. In a survey on enforcement of charges conducted by the EBRD in the summer 2003 (EBRD New Legal Indicator Survey 2003), results for Estonia showed that the enforcement system worked efficiently, in that which secured creditors are able to realise the secured assets speedily at a good return. Surprisingly, the survey revealed that creditors prefer enforcing through courts rather than directly because of the lack of practice of out-of-court enforcement.

Generally, Estonia has made a good attempt to reform secured transactions law but it has not been far enough and the scope and effects of the reform have proved to be too limited. The recent reform of charges over rights evidenced a pressure to offer more flexible solutions, however, a piecemeal approach is not desirable. Estonia could valuably consider a more integrated approach, as the one successfully adopted in both Latvia and Lithuania.

Telecommunications

The telecommunications sector is currently regulated by the Estonian National Communications Board (ENCB) and is governed by the Telecommunications Act 2000. ENCB carries out the policies set by the Ministry of Economic Affairs and Communications (the 'Ministry'). ENCB is a fully independent regulatory authority with responsibility for licensing, frequency allocation, type approval and elaboration of laws and standards concerning telecommunications. The Ministry is responsible for preparation of telecommunications policy, elaboration of draft laws, representation of Estonia in international bodies and intergovernmental organisations and handles the state budget in the field of telecommunications.

The Estonian telecommunications market was fully liberalised in January 2001 with the opening up of local, long distance and international markets and the removal of the fixed line monopoly of Elion Enterprises Ltd (formerly Eesti Telefon, the incumbent operator). Since then Estonia has achieved significant progress both in terms of liberalisation of the telecommunications market and implementation of its regulatory framework. The EU considers Estonia to be at a considerably advanced level of alignment with sector *acquis* and the authorities have remained unwavering in their implementation of the full sector *acquis* package. More particularly, modern individual frameworks have been applied with respect to interconnection, licensing, etc., and work is understood to be advancing on updating the legislative basis to take account of the 2002 telecommunications acquis.

While most modern regulatory measures are, or will soon be, in place, the attention of the authorities must remain focussed on full implementation of measures that will facilitate a competitive and progressive marketplace for telecommunications. In this respect it is notable that despite a number of years of market openness, the former monopolist remains dominant, reportedly holding an estimated 89% of total call minutes, 88% of domestic call minutes, 70% of international call minutes, 75% of fixed-to-mobile minutes and 95% of dial-up minutes during the first part of 2003. While alternative operators continue to make in-roads into these markets, the authorities should ensure that all appropriate regulatory measures are taken to support introduction and maintenance of a truly competitive marketplace throughout the sector. Full implementation of EU carrier pre-selection and local loop unbundling requirements will doubtlessly assist in this regard, as will the introduction of fixed line number portability and the entry of an additional mobile player during 2004.

ANNEX 3: MACROECONOMIC DEVELOPMENTS

Output: ***after somewhat slower growth in mid-2003 the Estonian economy appears to be back on the fast track.*** Following growth of 6.5 per cent in 2001 and 6 per cent in 2002, the Estonian economy slowed down to 4.7% for the year as a whole in 2003. Projected growth for 2004 and over the medium term is between 5% and 5.5% per annum. The economy has thus proved surprisingly resilient to the slow down in the external environment, thanks to the continued strength in domestic demand (supported by employment growth, rising real wages, and increased bank lending). Growth in 2003 was fuelled by a strong increase in gross fixed capital formation (with growth of 11.5 per cent), along with sustained private consumption (6.2 per cent), and public consumption (5.6 per cent). Imports grew by 9 per cent, at a much faster pace than export which increased by 6 per cent. Growth in 2003 was mainly driven by manufacturing (with growth of 8.4 per cent), transport, storage and communication (4.4 per cent), wholesale and retail trade (4.3 per cent), and construction (6.9 per cent) among others.

Unemployment: ***labour market conditions are improving, but unemployment continues to be high and wages are on the rise.*** Following several years of sustained growth, employment started to increase in 2001 and the unemployment rate continued to fall to 10.0% in 2003 from 10.3% of the labour force in 2002 (according to the ILO methodology). Employment growth has been most notable in manufacturing, transport, and storage and communication, whereas jobs in agriculture, hunting, and forestry have declined. In 2003 there was also a significant decrease in the number of persons working in trade, reflecting the worsening external environment. Estonia still suffers from a high degree of structural unemployment, especially in the north-eastern part of the country (where the unemployment rate stands at 18.2% of the labour force). In contrast, unemployment in western Estonia is significantly lower at 7.8%. Future employment growth will therefore depend on retraining and other measures to reduce the apparent skills mismatch. Worryingly, the unemployment rate is highest among young people aged 15-24 (with an unemployment rate of 17.4% at end-2003). Another worrying trend is that the growth in average wages continued to surpass the growth in productivity in 2003. During the first three quarters of 2003 average real wage growth (at 8.3%) was considerably higher than real productivity growth (at 3.2%).

Fiscal policy: ***Estonia has an impressive fiscal track-record and policies should remain tight to ward against external vulnerabilities.*** The general government fiscal balance recorded a surplus of 1.8% of GDP in 2002, down from a deficit of 4.6% in 1999. In 2003 as well, the rapid growth in domestic demand contributed to higher-than-expected tax revenue (especially corporate income taxes and VAT). Although a supplementary budget was passed in June 2003 involving extra expenditure of 1.2% of GDP and the basic pension was increased in July implying extra expenditure of 0.2% of GDP, a surplus of 2.6% of GDP was achieved in 2003. Despite this positive result, some weaknesses of the underlying framework should be pointed out. First, local governments, especially municipalities, show continued difficulty in controlling expenditure, thereby partly offsetting the central government surplus. Second, the IMF is concerned that the 2004 budget appears to be predicated on the receipt of large grants from the EU which, given past experience, can take a long time to materialize. As a result, the general government is expected to run only a small surplus this year instead of running larger temporary surpluses in order to reduce the current account deficit. Third, it should be noted that whereas the budgetary results have been impressive for many years in a row, the budgetary framework at present consists of balancing the budget on a year-to-year basis. A framework focusing more on a medium term balanced position, and that would include expenditure ceilings, would ensure that the current fiscal discipline remains and that automatic stabilizers are allowed to work. In this light, it is encouraging that the authorities have announced that they will switch to a multi-year budgeting framework starting from the 2005 budget process.

Monetary policy, inflation and exchange rate: ***the currency board remains the cornerstone of monetary policy.*** Since the Ecofin Council has agreed that a currency board system based on the euro could in principle be used in ERM II, contingent on a case-by-case assessment, there is now a stronger likelihood than ever that the currency board (EEK 15.65: Euro 1) will remain in place until euro-adoption. In January 2004 the Estonian government authorised the Ministry of Finance to file an application for ERM II entry soon after EU accession, with the intention to join the euro at the earliest possible date. Under a currency board arrangement monetary policy is severely restricted and is mostly exogenously determined by the monetary policy of the country of the currency anchor. There have been no significant pressures on the exchange rate since the beginning of 1999 and confidence in the currency board remains strong, as evidenced by the historically low interest rates. Three-month talibor rates average less than 3% currently compared with rates of 19% in December 1998. A further easing of monetary conditions and more aggressive lending by some banks contributed to continued strong money and credit growth in 2002 and 2003. As a result of the low Euro interest rates and a reduction in the Estonian risk premium, domestic credit grew by around 28% in both 2002 and 2003. The IMF has encouraged the authorities to consider increasing prudential regulations in sectors that are experiencing particularly strong growth, such as real estate.

Declining import prices and lower food prices have meant that average inflation in 2003 amounted to only 1.3% (year-on-year inflation has come down further to 0.4% in February 2004). For the total of 2004, however, a substantial increase in inflation to just below 3% is expected, resulting from rising food- and oil prices and EU-accession related price increases such as those resulting from excise tax harmonisation and a further deregulation of administered prices. Over the medium-term inflation should remain close to levels seen in Estonia's main trading partners, with a 2-3% differential reflecting higher productivity growth and the liberalisation of remaining administered prices. A potential risk is that the temporary inflation increase in 2004 may turn out to be more persistent than currently expected, especially if wage growth would keep exceeding productivity growth.

Balance of payments***: rapid deterioration in the current account risks external sustainability.*** The current account deficit amounted to 12.4% of GDP in 2002 and has risen further to 13.7% in 2003. Estonia's rapid growth over recent years has been led by increasing private consumption and very high levels of domestic investment. Domestic saving is low (in 2003 it was an estimated 19.3% of GDP) and has not shown an increasing trend during recent years. Apart from one-off items related to large investments in infrastructure - contributing to 5%-points of the 2003 current account - the rapid deterioration in the underlying current account deficit mainly reflects the worsening trade deficit. In 2003 export growth (6.8%) for the third year in a row significantly lagged behind import growth (8.3) (both year-on-year). As a result, the trade deficit is expected to have widened to almost 20% of GDP in 2003, compared with 17% a year earlier. In addition, the strongly negative income balance (due to high FDI profitability) contributed to the current account deficit, which is forecast to improve only slightly this year and will take some time before falling below more sustainable levels of 6-8% of GDP.

Although Estonia has run high current account deficits since independence, the concern from a credit risk perspective is that the financing of this deficit has recently changed significantly. In previous years FDI almost always fully covered the deficit, but in 2002, as the privatisation and (bank) restructuring process neared its end, FDI coverage fell to under 20%. Portfolio inflows, such as those connected to the first Eurobond issue, partly replaced FDI inflows. However, FDI coverage improved during 2003 since more than half of the current account was again financed by FDI inflows. FDI inflows are likely to stabilise at around that share of deficit in the years to come. To the extent that the recent balance of payments changes reflect that Estonia has become an attractive place to invest and that access to the international capital markets has improved (inter alia due to increased intercompany loans following earlier FDI), the deterioration of the current account would be temporary and should be followed by higher productivity and rising exports. Yet, in case these do not materialise, the current balance of payments situation will not be sustainable for much longer.

External debt and reserves: ***external indebtedness has increased significantly.*** Given the increase in the current account deficit and the reduction in net FDI inflows, gross external debt soared to 75% of GDP in 2003. However, only around 4% of total external debt is public debt (or 3% of GDP). Public sector external debt has traditionally comprised bilateral credits and multilateral loans. However, following the first ever Euro 100 million 5-year Eurobond issue by the government in 2002, bilateral and multilateral loans accounted for only 51% of the central government's outstanding debt stock while the Eurobond accounted for a further 45%. The banking sector accounted for around one third of total external gross debt. Most of the remainder is made up of non-bank private sector debt, most of which is inter-company borrowing, and trade credits. The structure of gross debt is likely to continue to improve due to market conditions: the level of short-term debt decreased slightly to around 30% of total debt by the end of 2003. The total debt service ratio for 2002-2003, estimated at around 11% of current account revenues, remains low. The Bank of Estonia's foreign exchange reserves remain in excess of the requirements of full currency board cover by a comfortable margin. As in recent years, reserves remain in excess of 2 months of import. Furthermore, given that the government holds overseas assets equivalent to 5.7% of GDP at the end of 2003, principal repayments are unlikely to cause a problem going forward.

Annex 3
Table I Selected Economic Indicators for Estonia

Estonia

	1996	1997	1998	1999	2000	2001	2002	2003	2004
								Estimate	*Projection*
Output and expenditure			*(Percentage change in real terms)*						
GDP	3.9	9.8	4.6	-0.6	7.3	6.5	6.0	4.7	5.5
Private consumption	9.2	7.8	4.3	-2.9	6.5	4.8	9.3	6.2	na
Public consumption	-1.0	1.8	4.5	3.8	1.5	0.9	5.0	5.6	na
Gross fixed capital formation	11.4	17.6	11.3	-14.8	13.3	12.2	16.1	11.5	na
Exports of goods and services	2.4	29.5	12.0	0.5	28.6	-0.2	0.6	6.0	na
Imports of goods and services	7.6	29.1	12.9	-5.4	27.9	2.1	5.4	9.0	na
Industrial gross output	1.6	15.4	2.8	-4.2	14.6	8.5	8.6	7.0	na
Agricultural gross output	-1.2	5.8	1.1	-2.6	0.9	-5.4	1.4	-3.5	na
Employment [1]			*(Percentage change)*						
Labour force (annual average)	-2.0	3.8	-1.5	-1.9	0.4	-0.2	-1.2	1.3	na
Employment (annual average)	-2.2	4.0	-1.7	-4.5	-1.2	0.9	1.4	1.5	na
			(In per cent of labour force)						
Unemployment (annual average)	10.0	9.6	9.8	12.2	13.6	12.6	10.3	10.0	na
Prices and wages			*(Percentage change)*						
Consumer prices (annual average)	23.1	11.2	8.1	3.3	4.0	5.8	3.6	1.3	2.8
Consumer prices (end-year)	14.8	12.5	4.2	3.8	5.0	4.2	2.6	1.1	5.6
Producer prices (annual average)	14.8	8.8	4.2	-1.2	4.9	4.4	0.4	0.2	na
Producer prices (end-year)	9.9	7.7	0.1	2.2	6.0	1.7	1.4	0.3	na
Gross average monthly earnings in economy (annual average) [2]	25.7	19.7	15.4	7.6	10.5	12.3	11.5	9.1	na
Government sector [3]			*(In per cent of GDP)*						
General government balance	-1.5	2.2	-0.3	-4.6	-0.7	0.4	1.8	2.6	0.7
General government expenditure	40.5	37.6	40.5	43.5	38.5	37.3	38.4	na	na
General government debt	8.0	6.7	5.8	6.5	4.9	4.5	5.2	5.1	4.9
Monetary sector			*(Percentage change)*						
Broad money (M2, end-year)	37.2	37.8	4.2	23.5	25.1	23.8	11.1	10.9	10.0
Domestic credit (end-year)	92.5	78.3	16.5	9.6	27.2	24.4	27.6	28.7	na
			(In per cent of GDP)						
Broad money (M2, end-year)	28.3	32.0	29.0	34.5	37.7	41.7	42.0	43.3	na
Interest and exchange rates			*(In per cent per annum, end-year)*						
Inter-bank interest rate (up to 30 days maturity)	7.9	15.8	18.5	5.1	6.1	4.0	3.5	2.6	na
Deposit rate (over 12 months) [4]	10.5	10.8	8.9	8.9	6.8	4.5	3.7	2.4	na
Lending rate (over 12 months) [5]	13.9	11.2	16.3	8.6	8.9	10.1	6.6	5.1	na
			(Kroons per US dollar)						
Exchange rate (end-year)	12.4	14.3	13.4	15.6	16.8	17.7	14.9	12.4	na
Exchange rate (annual average)	12.0	13.9	14.1	14.7	17.0	17.6	16.6	13.9	12.4
External sector			*(In millions of US dollars)*						
Current account	-398	-563	-478	-247	-294	-339	-801	-1,150	-1,058
Trade balance	-1,019	-1,125	-1,115	-822	-767	-788	-1,103	-1,571	-1,851
Merchandise exports	1,813	2,292	2,690	2,515	3,309	3,359	3,516	4,593	5,052
Merchandise imports	2,832	3,417	3,806	3,337	4,076	4,148	4,619	6,164	6,903
Foreign direct investment, net	111	130	574	222	324	343	153	688	600
Gross reserves, excluding gold (end-year)	703	821	876	944	921	820	1,000	1,373	1,640
External debt stock [6]	1,534	2,562	2,924	2,879	3,007	3,279	4,704	6,270	7,000
			(In months of imports of goods and services)						
Gross reserves, excluding gold (end-year)	2.5	2.4	2.2	2.7	2.2	1.9	2.0	2.2	2.3
			(In per cent of exports of goods and services)						
Debt service	2.6	4.3	7.5	12.1	8.7	10.3	11.5	11.3	12.1
Memorandum items			*(Denominations as indicated)*						
Population (end-year, million)	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4
GDP (in millions of kroons)	52,423	64,045	73,538	76,327	87,379	97,895	108,024	116,151	125,985
GDP per capita (in US dollar)	3,098	3,312	3,788	3,790	3,767	4,094	4,795	6,205	7,544
Share of industry in gross value added (in per cent)	21.1	20.3	20.3	19.1	20.1	20.2	20.3	20.6	na
Share of agriculture in gross value added (in per cent)	7.5	7.0	6.5	6.1	5.5	5.1	4.8	4.3	na
Current account/GDP (in per cent)	-9.2	-12.1	-9.2	-4.7	-5.7	-6.1	-12.3	-13.7	-10.4
External debt - reserves (in US$ million)	831	1,742	2,048	1,935	2,086	2,458	3,703	4,896	5,360
External debt/GDP (in per cent)	35.2	55.5	53.3	58.7	58.2	59.4	65.1	74.8	68.7
External debt/exports of goods and services (in per cent)	52.5	70.9	70.1	71.9	62.6	65.5	85.5	91.8	92.9

1 New series based on ILO methodology. Population aged 15-74.
2 Starting in 1998 the data on average monthly gross wages do not include compensations from the Health Insurance Fund.
3 General government includes the state, municipalities and extra-budgetary funds. General government expenditure includes net lending.
4 Weighted average annual interest rate on time deposits.
5 Weighted average annual interest on kroon loans.
6 The debt data are from the Bank of Estonia. The data include non-resident currency and deposits, liabilities to affiliated enterprises and liabilities to direct investors.

Annex 3
Table II Comparative indicators. Data for 2002 unless indicated

	Czech Republic	Estonia	Hungary	Latvia	Lithuania	Poland	Slovak Republic	Slovenia
Enterprises								
GDP) [1]	7.9	1.1	na	6.0	0.2	2.5	1.6	1.1
Private sector share in GDP (in per cent)	80.0	80.0	80.0	70.0	75.0	75.0	80.0	65.0
Share of trade with non-transition countries (in per cent)	80.7	71.8	84.5	67.7	61.5	81.3	63.5	77.6
Share of industry in total employment (in per cent)	30.7	24.7	34.1	19.5	20.9	20.6	26.7	38.5
Labour productivity in manafacturing, 1998-2002 cumulative % change	19	42	15	30	42	30	24	25
Investment rate/GDP (in per cent)	34.0	31.4	26.8	29.5	22.6	19.2	na	na
EBRD index of enterprise reform [2]	3+	3+	3+	3	3	3+	3	3
EBRD index of competition policy [2]	3	3-	3	3-	3	3	3	3-
EBRD index of small-scale privatisation [2]	4+	4+	4+	4+	4+	4+	4+	4+
EBRD index of large-scale privatisation [2]	4	4	4	3+	4-	3+	4	3
Infrastructure								
Government capital expenditure as % of GDP	na	3.9	3.5	4.1	3.1	na	na	na
survey	37.8	35.1	36.1	30.1	27.1	29.5	26.1	40.7
Internet penetration rate (per 10,000 inhabitants), survey	219.6	465.9	194.5	155.7	150.8	170.0	159.3	179.0
Railway labour productivity (1989=100)	68.2	287.4	130.3	108.6	54.4	93.1	61.7	133.6
Electricity tariffs, USc kWh (collection rate in per cent)	7.96(na)	5.6(>90)	8.7(>90)	4.9(99.5)	7.9(>90)	8.75(>90)	7.5(95)	8.0(95-98)
EBRD index of infrastructure reform [2]	3	3+	4-	3-	3-	3+	2+	3
Electric power [2]	3+	3	4	3	3	3	4	3
Railways [2]	3	4+	3+	3+	2+	4	2+	3
Roads [2]	2+	2+	3+	2+	2+	3	2+	3
Telecommunications [2]	4	4	4	3	3+	4	2+	3
Water and waste water [2]	4	4	4	3+	3+	3+	2+	4
Financial institutions								
Number of banks (foreign owned) [3]	37(26)	7(4)	38(27)	23(9)	14(7)	59(45)	20(15)	22(6)
Asset share of state-owned banks (in per cent)	4.6	0.0	10.8	4.0	0.0	26.6	2.9	48.6
Non-performing loans (in per cent of total loans)	9.4	0.8	4.6	2.1	5.8	24.6	11.2	10.0
Domestic credit to private sector (in per cent of GDP)	20.0	29.8	34.5	33.4	14.2	15.2	24.6	41.0
Stock market capitalisation (in per cent of GDP)	21.0	33.6	17.6	8.0	9.5	14.3	6.9	19.1
EBRD index of banking sector reform [2]	4-	4-	4	4-	3	3+	3+	3+
institutions [2]	3	3+	4-	3	3	4-	3-	3-

[1] For the Czech Republic: subsidies to enterprises and financial institutions, including Konsolidacni Banka Agency
[2] Data for 2003 for all countries. The indices range from 1 (standards and performance norms common in a command economy) to 4+ (standards and performance norms of advanced industrial economies).
For a more detailed description of these indices, please refer to *Transition Report 2003*.
[3] For Estonia: includes Merita-Nordbanken branch and investment banks

ANNEX 4: CUMULATIVE BUSINESS VOLUME, as of 31.12.03

Sector Business Group (SIC)	Sector Team (SIC)	No. of Projects	Total Project Value	EBRD Finance	Debt	Equity	% Share of Commitments
Energy	Power and Energy	1.0	27	25	25	0	5%
Sub-total Energy		**1.0**	**27**	**25**	**25**	**0**	**5%**
Financial Institutions	Bank Equity	3.7	29	24	0	24	5%
	Bank Lending	18.4	251	149	149	0	33%
	Equity Funds	1.7	64	22	0	22	5%
	Non Bank Financial Institutions	2.4	65	29	26	3	6%
Sub-total Financial Institutions		**26.1**	**409**	**224**	**175**	**49**	**49%**
General Industry	General Industry	5.0	70	30	28	3	7%
Sub-total General Industry		**5.0**	**70**	**30**	**28**	**3**	**7%**
Infrastructure	Municipal & Env Inf	3.4	319	100	88	12	22%
	Transport	4.0	85	44	44	0	10%
Sub-total Infrastructure		**7.4**	**404**	**143**	**132**	**12**	**32%**
Specialised Industries	Agribusiness	2.2	81	27	21	5	6%
	Property and Tourism	0.1	20	3	0	3	1%
	Telecoms Informatics & Media	0.3	6	2	1	1	0%
Sub-total Specialised Industries		**2.6**	**107**	**32**	**22**	**9**	**7%**
ESTONIA TOTAL		**42.1**	**1,016**	**454**	**381**	**73**	**100%**

ANNEX 5: BILATERAL ASSISTANCE

Commitment Number	Commitment Name	Fund Short Code	Euro Committed	Euro Disbursed	Fund Approved Year	Commit. Stage Name	Operation Leader	Sector	Business Group
BTAF-1992-11-01	Estonian Investment Bank - board representation	BTAF	45,500	45,500	1992	Closed	Pilipovic-Chaffey D.	Finance, Business	Financial Institutions
BTAF-1992-11-02	Preparation of investment and Business Advisory Services relating to SMEs	BTAF	32,573	32,573	1992	Closed	Krivicky G.	Manufacturing	Central Europe
BTAF-1993-03-01	Baltic investment programme - feasibility preparation - training programme	BTAF	184,900	184,900	1993	Closed	Krivicky G.	Finance, Business	Central Europe
BTAF-1993-03-02	Assessment of SME support systems for management advice	BTAF	44,018	44,018	1993	Closed	Agius V.	Finance, Business	Russia & Central Asia
BTAF-1993-11-06	Establishment of Business Advisory Services	BTAF	52,641	52,641	1993	Closed	Agius V.	Manufacturing	Financial Institutions
BTAF-1994-02-02	Estonian Savings Bank - due diligence	BTAF	171,808	171,808	1994	Closed	Harfield J.	Finance, Business	Financial Institutions
BTAF-1994-02-03	Privatisation programme - accountancy advice	BTAF	426,063	426,063	1994	Closed	Riley-Pitt J.	Community/ Social Services	Central Europe
BTAF-1994-06-12	TurnAround Management Programme - Kalev Candy	BTAF	49,730	49,730	1994	Closed	McAlister M.	Manufacturing	TurnAround Management Group
BTAF-1994-06-13	TurnAround Management Programme - Balti Manufaktuur	BTAF	49,214	49,214	1994	Closed	White J.	Manufacturing	Financial Institutions
BTAF-1994-06-15	Estonian Investment Bank - board representation	BTAF	114,806	114,806	1994	Closed	Cicognani M.	Finance, Business	Financial Institutions
BTAF-1994-07-18	TurnAround Management Programme - NAKRO	BTAF	28,467	28,467	1994	Closed	White J.	Manufacturing	Financial Institutions
BTAF-1994-08-19	Feasibility study for establishment of an equity capital fund	BTAF	44,788	44,788	1994	Closed	Harfield J.	Finance, Business	Financial Institutions
BTAF-1994-11-26	TurnAround Management Programme - Dvigatel Cranes	BTAF	50,000	50,000	1994	Closed	White J.	Manufacturing	Financial Institutions
BTAF-1994-11-29	Post-privatisation Fund - investment preparation	BTAF	53,128	53,128	1994	Closed	Shapiro P.	Finance, Business	Financial Institutions
BTAF-1994-12-30	TurnAround Management Programme - Tarmel	BTAF	51,881	51,881	1994	Closed	McPhee J.	Manufacturing	TurnAround Management Group
BTAF-1995-01-01	TurnAround Management Programme - Tarkon	BTAF	49,953	49,953	1995	Closed	McPhee J.	Manufacturing	TurnAround Management Group
BTAF-1995-03-05	TurnAround Management Programme - Eesti Fosoriit	BTAF	46,300	46,300	1995	Closed	McPhee J.	Manufacturing	TurnAround Management Group
BTAF-1995-03-06	TurnAround Management Programme - Tartu Instrument	BTAF	47,495	47,495	1995	Closed	McPhee J.	Manufacturing	TurnAround Management Group
BTAF-1995-04-09	TurnAround Management Programme - Standard Furniture Ltd	BTAF	42,841	42,841	1995	Closed	McPhee J.	Manufacturing	TurnAround Management Group
BTAF-1995-04-15	Business Advisory Services - operating expenses for Tallinn	BTAF	88,797	88,797	1995	Closed	McPhee J.	Manufacturing	TurnAround Management Group
BTAF-1995-05-18	TurnAround Management Programme - Sangar STC Ltd	BTAF	49,710	49,710	1995	Closed	McPhee J.	Manufacturing	TurnAround Management Group
BTAF-1995-06-21	Business Advisory Services - subsidies disbursement	BTAF	1,094,054	1,094,054	1995	Closed	McPhee J.	Manufacturing	TurnAround Management Group
BTAF-1995-07-25	TurnAround Management Programme - Virko	BTAF	43,482	43,482	1995	Closed	McPhee J.	Manufacturing	TurnAround Management Group
BTAF-1995-07-26	TurnAround Management Programme - Zunda Furniture Factory	BTAF	4,500	4,500	1995	Closed	White J.	Manufacturing	Financial Institutions
BTAF-1995-09-30	Business Advisory Services - national fund director	BTAF	44,862	44,862	1995	Closed	McPhee J.	Manufacturing	TurnAround Management Group
BTAF-1995-09-33	TurnAround Management Programme - Tallinn Meat Company	BTAF	28,976	28,976	1995	Closed	McPhee J.	Manufacturing	TurnAround Management Group
BTAF-1995-10-37	Business Advisory Services - office lease for local Business Advisory Services office	BTAF	113,605	113,605	1995	Closed	McPhee J.	Manufacturing	TurnAround Management Group
BTAF-1995-10-38	Business Advisory Services - purchase of furniture and equipment for Business Advisory Services Office in Tallinn	BTAF	21,662	21,662	1995	Closed	Cicognani M.	Manufacturing	Financial Institutions
BTAF-1995-11-41	TurnAround Management Programme - IPT	BTAF	23,103	23,103	1995	Closed	McPhee J.	Manufacturing	TurnAround Management Group

BTAF-1995-11-42	Business Advisory Services - project officer	BTAF	26,518	26,518	1995	Closed	McPhee J.	Manufacturing	TurnAround Management Group
BTAF-1995-11-43	Business Advisory Services - administrative secretary	BTAF	16,443	16,443	1995	Closed	McPhee J.	Manufacturing	TurnAround Management Group
BTAF-1995-12-45	TurnAround Management Programme - BaltPlast	BTAF	32,727	32,727	1995	Closed	McPhee J.	Manufacturing	TurnAround Management Group
BTAF-1995-12-46	TurnAround Management Programme - AS Marlekor	BTAF	24,642	24,642	1995	Closed	McPhee J.	Manufacturing	TurnAround Management Group
BTAF-1995-12-47	TurnAround Management Programme - Paide Piim	BTAF	39,618	39,618	1995	Closed	McPhee J.	Manufacturing	TurnAround Management Group
BTAF-1996-05-05	TurnAround Management Programme - Dagomar	BTAF	39,372	39,372	1996	Closed	McPhee J.	Manufacturing	TurnAround Management Group
BTAF-1996-05-06	TurnAround Management Programme - RAS Estel	BTAF	50,000	50,000	1996	Closed	McPhee J.	Manufacturing	TurnAround Management Group
BTAF-1996-05-09	Baltic Post-privatisation Fund	BTAF	406,999	406,999	1996	Closed	Shapiro P.	Finance, Business	Financial Institutions
BTAF-1996-08-12	TurnAround Management Programme - AS Flora Kommerts	BTAF	46,324	46,324	1996	Closed	McPhee J.	Manufacturing	TurnAround Management Group
BTAF-1996-10-15	TurnAround Management Programme - United Dairies	BTAF	40,358	40,358	1996	Closed	McPhee J.	Manufacturing	TurnAround Management Group
BTAF-1996-10-16	TurnAround Management Programme - AS Parnu EEK	BTAF	38,423	38,423	1996	Closed	McPhee J.	Manufacturing	TurnAround Management Group
BTAF-1997-01-01	TurnAround Management Programme - Estiko Kommerts	BTAF	44,015	44,015	1997	Closed	McPhee J.	Manufacturing	TurnAround Management Group
BTAF-1997-03-06	BalticS Small Equity Fund - implementation / supervision	BTAF	999,807	999,807	1997	Closed	Gutnik S.	Finance, Business	Central Europe
BTAF-1997-03-07	Baltics Small Equity Fund - preparation	BTAF	42,157	42,157	1997	Closed	Gueorguiev I.	Finance, Business	Central Europe
BTAF-1997-03-08	Baltics Small Equity Fund - legal	BTAF	136,770	136,770	1997	Closed	Gutnik S.	Finance, Business	Central Europe
BTAF-1997-04-09	Baltics Post-privatisation Fund - project initiation	BTAF	49,500	49,500	1997	Closed	Shapiro P.	Finance, Business	Financial Institutions
BTAF-1997-07-12	TurnAround Management Programme - Estonian Railways	BTAF	47,651	47,651	1997	Closed	McPhee J.	Manufacturing	TurnAround Management Group
BTAF-1997-10-15	TurnAround Management Programme - post-investment support - Imavere Saeveski	BTAF	27,063	27,063	1997	Closed	McPhee J.	Manufacturing	TurnAround Management Group
BTAF-1997-10-19	Business Advisory Services - extension	BTAF	2,400	2,400	1997	Closed	McPhee J.	Manufacturing	TurnAround Management Group
BTAF-1998-03-16	Business Advisory Services - National Fund Director	BTAF	5,130	5,130	1998	Closed	McPhee J.	Manufacturing	TurnAround Management Group
BTAF-1998-03-17	Business Advisory Services - project officer	BTAF	3,630	3,630	1998	Closed	McPhee J.	Manufacturing	TurnAround Management Group
BTAF-1998-03-18	Business Advisory Services - Assistant to National Fund Director	BTAF	1,914	1,914	1998	Closed	McPhee J.	Manufacturing	TurnAround Management Group
BTAF-1998-06-20	Baltic Micro Business Advisory Services Programme - project officer	BTAF	2,640	2,640	1998	Closed	McPhee J.	Manufacturing	TurnAround Management Group
BTAF-1998-07-23	Baltic Micro Business Advisory Services Programme - subsidy account	BTAF	701,652	694,173	1998	Disbursing	McPhee J.	Manufacturing	TurnAround Management Group
BTAF-1998-07-25	Baltic Micro Business Advisory Services Programme - operating expenses	BTAF	11,154	11,154	1998	Closed	McPhee J.	Manufacturing	TurnAround Management Group
BTAF-1998-11-29	Baltic Micro Business Advisory Services Programme - project officer	BTAF	16,746	16,746	1998	Closed	McPhee J.	Manufacturing	TurnAround Management Group
BTAF-1998-12-31	TurnAround Management Programme - Kitman AS	BTAF	59,740	59,740	1998	Closed	McPhee J.	Manufacturing	TurnAround Management Group
BTAF-1999-01-03	TurnAround Management Programme - Eesti Raudtee II	BTAF	59,998	59,998	1999	Closed	McPhee J.	Manufacturing	TurnAround Management Group
BTAF-1999-02-05	TurnAround Management Programme - Media House	BTAF	59,970	59,970	1999	Closed	McPhee J.	Manufacturing	TurnAround Management Group
BTAF-1999-08-14	TurnAround Management Programme (TAM) - Tallinn Airport II	BTAF	45,906	45,906	1999	Closed	McPhee J.	Manufacturing	TurnAround Management Group
BTAF-1999-08-15	TunrAround Management Programme (TAM) - Sylvester AS II	BTAF	59,598	59,598	1999	Closed	McPhee J.	Manufacturing	TurnAround Management Group
BTAF-1999-09-16	TurnAround Management Programme (TAM) - AS Osel Foods	BTAF	36,020	36,020	1999	Closed	McPhee J.	Manufacturing	TurnAround Management Group
BTAF-1999-10-17	TurnAround Management Programme (TAM) - AS Saaremaa Liha-Ja Piimatoostys	BTAF	59,965	59,965	1999	Closed	McPhee J.	Manufacturing	TurnAround Management Group
BTAF-1999-11-19	TurnAround Management Programme (TAM) - AS Repo Vabrikud	BTAF	37,067	37,067	1999	Closed	McPhee J.	Manufacturing	TurnAround Management Group

BTAF-1999-12-23	Micro-BAS Programme - Project Officer	BTAF	9,322	9,322	1999	Closed	McPhee J.	Manufacturing	TurnAround Management Group
BTAF-1999-12-24	Estonia: MSE Facility Project Implementation	BTAF	1,027,620	874,114	1999	Disbursing	Cartellieri N.	Finance, Business	Financial Institutions
BTAF-2000-02-02	Business Advisory Services (BAS) Programme - Subsidies	BTAF	1,039,767	1,006,121	2000	Disbursing	McPhee J.	Manufacturing	TurnAround Management Group
BTAF-2000-03-06	TurnAround Management Programme (TAM) - AS Viisnurk	BTAF	51,937	51,937	2000	Closed	McPhee J.	Manufacturing	TurnAround Management Group
BTAF-2000-05-09	Continuation TAM Programme in the Baltic States - AS Kuressaare Sanatorium	BTAF	50,640	50,640	2000	Closed	McPhee J.	Manufacturing	TurnAround Management Group
BTAF-2000-07-19	TurnAround Management Programme (TAM) - Eesti Post II	BTAF	60,000	50,024	2000	Committed	McPhee J.	Manufacturing	TurnAround Management Group
BTAF-2001-01-01	TurnAround Management Programme (TAM) - Tallinn Airport III	BTAF	58,512	58,512	2001	Closed	McPhee J.	Manufacturing	TurnAround Management Group
BTAF-2001-01-02	TurnAround Management Programme in the Baltic States - Viru Kalatoosttuse OU	BTAF	60,000	19,256	2001	Committed	McPhee J.	Manufacturing	TurnAround Management Group
BTAF-2001-02-05	TurnAround Management Programme (TAM) - AS Viljandi Aken Ja Uks	BTAF	60,000	58,214	2001	Committed	McPhee J.	Manufacturing	TurnAround Management Group
BTAF-2001-10-11	TurnAround Management Programme (TAM) - Baltazar Trading Ltd	BTAF	52,000	30,165	2001	Disbursing	McPhee J.	Manufacturing	TurnAround Management Group
CAN-1996-02-01	Tallinn Narva railway line capacity study	CAN2	107,974	107,974	1996	Closed	Barrett S.	Manufacturing	Infrastructure
CEI-1998-08-11	Business Advisory Services - feasibility study	CEI	19,594	19,594	1998	Closed	McPhee J.	Manufacturing	TurnAround Management Group
DEN-1992-03-03	Energy sector emergency assistance	DEN	91,473	91,473	1992	Closed	Tomlinson M.	Energy	Central Europe
DEN-1993-11-04	Power engineering development advice	DEN	19,981	19,981	1994	Closed	Dyvik E.	Energy	Central Europe
DENT-2001-11-03PS	Tallinn Urban Transport	DE03	195,200	195,200	2001	Closed	Bruggeman G.	Transport, Storage	Infrastructure
EC-1992-10-44	Estonian Investment Bank - environmental adviser	ECP	29,783	29,783	1992	Closed	Bungener T.	Finance, Business	Financial Institutions
EC-1992-12-58	Energy sector emergency investment programme - project management unit	ECP	359,834	359,834	1992	Closed	Dyvik E.	Energy	Central Europe
EC-1992-12-59	Energy sector emergency investment programme - energy emergency planning group	ECP	182,977	182,977	1992	Closed	Dyvik E.	Energy	Central Europe
EC-1992-12-60	Energy sector emergency investment programme - commercial accounting systems for main energy utilities	ECP	486,939	486,939	1992	Closed	Dyvik E.	Energy	Central Europe
EC-1992-12-61	Energy sector emergency investment programme - wood and peat conversion study	ECP	188,000	188,000	1992	Closed	Noro H.	Energy	Central Europe
EC-1992-12-62	Energy sector emergency investment programme - energy tariff formulation	ECP	287,916	287,916	1992	Closed	Dyvik E.	Energy	Central Europe
EC-1992-12-63	Energy sector emergency investment programme - energy conservation awareness campaign	ECP	189,000	189,000	1992	Closed	Dyvik E.	Energy	Central Europe
EC-1993-12-62	Baltic Post-privatisation Fund - legal advice	ECP	248,297	248,297	1993	Closed	Shapiro P.	Finance, Business	Financial Institutions
EC-1994-02-05	Privatisation programme	ECP	900,449	900,449	1994	Closed	Riley-Pitt J.	Community/ Social Services	Central Europe
EC-1994-03-10	Small municipalities environment	ECP	49,111	49,111	1994	Closed	Makela T.	Energy	Infrastructure
EC-1994-09-30	Accounting systems - billing and revenue collection procedures for water utilities	ECP	386,910	386,910	1994	Closed	Covenden P.	Manufacturing	Infrastructure
ECP98-2000-12-78	BAS Programme in the Baltics	ECP	222,660	222,660	2000	Closed	McPhee J.	Manufacturing	TurnAround Management Group
FIN-1992-10-06	Baltic sea environment programme - municipal and waste water treatment feasibility study	FIN	158,332	158,332	1992	Closed	Makela T.	Energy	Infrastructure
FIN-1993-11-09	Power engineering development advice	FIN	26,477	26,477	1993	Closed	Dyvik E.	Energy	Central Europe
FIN-1994-01-01	Energy sector development advice	FIN	92,431	92,431	1994	Closed	Dyvik E.	Energy	Central Europe
FIN-1994-11-03	Energy operations monitoring advisor	FIN	172,395	172,395	1994	Closed	Amos P.	Energy	Central Europe
FIN-1995-10-05	Development and implementation of Telecommunications Regulations	FIN	103,197	103,197	1995	Closed	Lonnen K.	Telecommunications	Specialised Industries
JAP-1994-02-01	Muuga Port project	JAP	47,000	47,000	1994	Closed	Nordin L.	Transport, Storage	Infrastructure
JAP-1996-05-11	Telecommunications regulatory development	JAP	266,953	266,953	1996	Closed	Styliadou M.	Telecommunications	Non-Banking

NOR-1991-04-01	Baltic Sea Environment Programme	NOR	137,152	137,152	1991	Closed	Makela T.	Energy	Infrastructure
NOR-1991-08-02	Baltic Sea Environment Programme	NOR	42,954	42,954	1991	Closed	Makela T.	Energy	Infrastructure
NOR-1991-08-03	Baltic Sea Environment Programme	NOR	36,995	36,995	1991	Closed	Makela T.	Energy	Infrastructure
NOR-1992-03-04	Energy sector emergency assistance	NOR	335,437	335,437	1992	Closed	Tomlinson M.	Energy	Central Europe
NOR-1992-10-06	Baltic sea environment programme - small municipalities environment project	NOR	186,971	186,971	1992	Closed	Makela T.	Energy	Infrastructure
NORG-1993-11-08	Power engineering development advice	NORG	25,000	25,000	1993	Closed	Dyvik E.	Energy	Central Europe
SWE-1992-04-05	Energy sector emergency assistance	SWE	87,892	87,892	1992	Closed	Tomlinson M.	Energy	Central Europe
SWE-1992-06-06	Via Baltica transport feasibility study	SWE	40,565	40,565	1992	Closed	Nordin L.	Construction	Infrastructure
SWE-1992-09-09	Energy sector emergency investment programme - procurement advice	SWE	186,646	186,646	1992	Closed	Tomlinson M.	Energy	Infrastructure
SWE-1993-05-06	Estonian Investment Bank - training and institutional building	SWE	31,368	31,368	1993	Closed	Pilipovic-Chaffey D.	Finance, Business	Financial Institutions
SWE-1993-11-11	Power engineering development advice	SWE	19,250	19,250	1993	Closed	Dyvik E.	Energy	Central Europe
SWE-1994-06-03	National privatisation programme - legal advice	SWE	121,275	121,275	1994	Closed	Riley-Pitt J.	Community/ Social Services	Central Europe
TAI-1991-10-05	National Minorities Conference	TAI	22,169	22,169	1991	Closed	Stein M.	Community/ Social Services	Specialised Industries
TAI-1992-06-37	Railway restructuring	TAI	111,078	111,078	1992	Closed	Nordin L.	Transport, Storage	Infrastructure
TAI-1992-07-42	Baltics privatisation workshop	TAI	23,525	23,525	1992	Closed	Vuylsteke C.	Community/ Social Services	Financial Institutions
TAI-1993-05-04	Energy sector emergency investment programme - equipment for project management units (tied portion)	TAI	31,746	31,746	1993	Closed	Dyvik E.	Energy	Central Europe
TAI-1993-11-15	Energy sector emergency investment programme - cofinancing and disbursement advisory services	TAI	30,000	30,000	1993	Closed	Dyvik E.	Energy	Central Europe
TAMEC-95-09-05	TurnAround Management Programme - advisory services contract - Tallinn Machine Building	TAMEC	48,829	48,829	1995	Closed	McPhee J.	Manufacturing	TurnAround Management Group
TAMEC-95-09-06	TurnAround Management Programme - advisory services contract - Aswega Enterprise	TAMEC	49,180	49,180	1995	Closed	McPhee J.	Manufacturing	TurnAround Management Group
TAMEC-95-09-07	TurnAround Management Programme - advisory services contract - Vaba Maa	TAMEC	49,743	49,743	1995	Closed	McPhee J.	Manufacturing	TurnAround Management Group
TAMEC-95-10-16	TurnAround Management Programme - advisory services contract - Klementi Trading Ltd	TAMEC	48,282	48,282	1995	Closed	McPhee J.	Manufacturing	TurnAround Management Group
TAMEC-95-11-24	TurnAround Management Programme - advisory services contract - Sangar	TAMEC	48,244	48,244	1995	Closed	McPhee J.	Manufacturing	TurnAround Management Group
TAMEC-96-01-07	TurnAround Management Programme - advisory services contract - AS Suva	TAMEC	48,581	48,581	1996	Closed	McPhee J.	Manufacturing	TurnAround Management Group
TAMEC-96-01-08	TurnAround Management Programme - advisory services contract - Tallinn Pharmaceutical Plant Ltd	TAMEC	49,780	49,780	1996	Closed	McPhee J.	Manufacturing	TurnAround Management Group
TAMEC-96-03-10	TurnAround Management Programme - Estonian airports	TAMEC	38,201	38,201	1996	Closed	McPhee J.	Manufacturing	TurnAround Management Group
TAMEC-96-04-19	TurnAround Management Programme - advisory services contract - RAS Kiviter	TAMEC	30,193	30,193	1996	Closed	McPhee J.	Manufacturing	TurnAround Management Group
TAMEC-96-04-23	TurnAround Management Programme - advisory services contract - ARE I	TAMEC	46,086	46,086	1996	Closed	McPhee J.	Manufacturing	TurnAround Management Group
TAMEC-96-09-39	TurnAround Management Programme - advisory services contract - Hiis AS	TAMEC	27,942	27,942	1996	Closed	McPhee J.	Manufacturing	TurnAround Management Group
TAMEC-96-10-40	TurnAround Management Programme - advisory services contract - Standard	TAMEC	35,613	35,613	1996	Closed	McPhee J.	Manufacturing	TurnAround Management Group
TAMEC-96-10-41	TurnAround Management Programme - advisory services contract - Tarmel	TAMEC	38,108	38,108	1996	Closed	McPhee J.	Manufacturing	TurnAround Management Group
TAMEC-96-10-42	TurnAround Management Programme - AS Printarre Ltd	TAMEC	51,133	51,133	1996	Closed	McPhee J.	Manufacturing	TurnAround Management Group
TAMEC-96-10-43	TurnAround Management Programme - advisory services contract - Rakvere Meat Processing	TAMEC	48,741	48,741	1996	Closed	McPhee J.	Manufacturing	TurnAround Management Group
TAMEC-96-10-44	TurnAround Management Programme - advisory services contract - Estonian Airports	TAMEC	48,845	48,845	1996	Closed	McPhee J.	Manufacturing	TurnAround Management Group

TAMEC-96-11-47	TurnAround Management Programme - advisory services contract - Keila Terko	TAMEC	28,039	28,039	1996	Closed	McPhee J.	Manufacturing	TurnAround Management Group
TAMEC-97-01-01	TurnAround Management Programme - advisory services contract - Baltic Ship Repairers	TAMEC	32,309	32,309	1997	Closed	McPhee J.	Manufacturing	TurnAround Management Group
TAMEC-97-01-02	TurnAround Management Programme - advisory services contract - Rigas Miesnieks	TAMEC	49,695	49,695	1997	Closed	McPhee J.	Manufacturing	TurnAround Management Group
TAMEC-97-01-03	TurnAround Management Programme - advisory services contract - Estonian Shipping Co. Ltd	TAMEC	21,711	21,711	1997	Closed	McPhee J.	Manufacturing	TurnAround Management Group
TAMEC-97-01-04	TurnAround Management Programme - advisory services contract - Lembitu Ltd.	TAMEC	38,871	38,871	1997	Closed	McPhee J.	Manufacturing	TurnAround Management Group
TAMEC-97-01-05	TurnAround Management Programme - advisory services contract - AS Norma	TAMEC	33,532	33,532	1997	Closed	McPhee J.	Manufacturing	TurnAround Management Group
TAMEC-97-01-06	TurnAround Management Programme - advisory services contract - Tallinn District Heating	TAMEC	50,000	50,000	1997	Closed	McPhee J.	Manufacturing	TurnAround Management Group
TAMEC-97-02-18	TurnAround Management Programme - advisory services contract - AGE-Com	TAMEC	49,759	49,759	1997	Closed	McPhee J.	Manufacturing	TurnAround Management Group
TAMEC-97-04-27	TurnAround Management Programme - Estiko training	TAMEC	39,056	39,056	1997	Closed	McPhee J.	Manufacturing	TurnAround Management Group
TAMEC-97-05-31	TurnAround Management Programme - advisory services contract - Tallinn Pharmaceuticals	TAMEC	48,368	48,368	1997	Closed	McPhee J.	Manufacturing	TurnAround Management Group
TAMEC-97-06-34	TurnAround Management Programme - SE Esti Post	TAMEC	32,237	32,237	1997	Closed	McPhee J.	Manufacturing	TurnAround Management Group
TAMEC-97-06-35	TurnAround Management Programme - Tartu Olletehas	TAMEC	35,501	35,501	1997	Closed	McPhee J.	Manufacturing	TurnAround Management Group
TAMEC-97-07-38	TurnAround Management Programme - Aswega II	TAMEC	57,141	57,141	1997	Closed	McPhee J.	Manufacturing	TurnAround Management Group
TAMEC-97-08-44	TurnAround Management Programme - AS Norma	TAMEC	47,742	47,742	1997	Closed	McPhee J.	Manufacturing	TurnAround Management Group
TAMEC-97-10-45	TurnAround Management Programme - Rakvere meat processing	TAMEC	13,814	13,814	1997	Closed	McPhee J.	Manufacturing	TurnAround Management Group
TAMEC-97-10-46	TurnAround Management Programme - Sylvester AS	TAMEC	67,137	67,137	1997	Closed	McPhee J.	Manufacturing	TurnAround Management Group
TAMEC-97-10-48	TurnAround Management Programme - Age-Com II	TAMEC	17,297	17,297	1997	Closed	McPhee J.	Manufacturing	TurnAround Management Group
TAMEC-98-02-04	TurnAround Management Programme - South-West Railways	TAMEC	20,711	20,711	1998	Closed	McPhee J.	Manufacturing	TurnAround Management Group
TAMEC-98-02-05	TurnAround Management Programme - Eesti Spar	TAMEC	24,774	24,774	1998	Closed	McPhee J.	Manufacturing	TurnAround Management Group
TAMEC-98-03-06	TurnAround Management Programme - AS EMV	TAMEC	14,442	14,442	1998	Closed	McPhee J.	Manufacturing	TurnAround Management Group
TAMEC-98-04-08	TurnAround Management Programme - Rakvere Lihakombinaat	TAMEC	43,992	43,992	1998	Closed	McPhee J.	Manufacturing	TurnAround Management Group
TAMEC-98-04-10	TurnAround Management Programme - AS Norma	TAMEC	13,128	13,128	1998	Closed	McPhee J.	Manufacturing	TurnAround Management Group
TAMEC-98-06-17	TurnAround Management Programme - Estiko Ltd	TAMEC	18,043	18,043	1998	Closed	McPhee J.	Manufacturing	TurnAround Management Group
TAMEC-98-06-20	TurnAround Management Programme - Baltic Ship Repairers	TAMEC	41,409	41,409	1998	Closed	McPhee J.	Manufacturing	TurnAround Management Group
TAMEC-98-06-21	TurnAround Management Programme - AS Flora Kommerts	TAMEC	17,070	17,070	1998	Closed	McPhee J.	Manufacturing	TurnAround Management Group
TAMEC-98-06-22	TurnAround Management Programme - United Dairies Ltd	TAMEC	27,104	27,104	1998	Closed	McPhee J.	Manufacturing	TurnAround Management Group
TAMEC-98-07-24	TurnAround Management Programme - Tallinn Airport	TAMEC	36,903	36,903	1998	Closed	McPhee J.	Manufacturing	TurnAround Management Group
UK-1992-08-07	Energy sector emergency investment programme - financial planning	UK	94,649	94,649	1992	Closed	Tomlinson M.	Energy	Central Europe
UK-93-02-01PS	Baltic investment programme - project preparation and training	UK9301	47,079	47,079	1993	Closed	Krivicky G.	Finance, Business	Central Europe
UKB-1995-02-02	Advisory services on framework for private pension funds	UKB	44,217	44,217	1995	Closed	Woollett J.	Finance, Business	Financial Institutions
UKE-1999-10-03	Estonian railways privatisation advisory services	UKE	148,026	148,026	1999	Closed	Barrett S.	Transport, Storage	Infrastructure
	Report Total Euro Amount:		**17,104,727**	**16,835,755**					
	No of Commitments:		**161**						