

7 steps towards new economic growth

Action plan for turning Estonia into a business hotspot!

With the help of our partners, we should immediately take the steps described below to give a new boost to our economy. The proposed steps would increase the availability of the principal resources – capital, skilled professionals and energy – necessary to ensure long term economic growth in Estonia.

Better environment for capital

1. Quick adoption of the Euro must be our priority

The national budget policy must serve this objective and a so-called Euro Work Group must immediately be set up at the Prime Minister's Office to coordinate the preparations necessary for fulfilling the Maastricht criteria and to ensure wide cooperation between political parties as well as between the Government and its social partners.

- In order to fulfil the criterion of budgetary balance, legislation should immediately be amended to improve the flexibility of the budget; for this purpose, fuel, alcohol and tobacco excise duty must be untied from concrete input items.
- In order to fulfil the criterion of budgetary balance, a legislation package for reforming the all-inclusive social benefits and making them needs-based should be presented to the Cabinet within six months.
- In order to fulfil the inflation criterion, we should exclude any public sector pay rises which exceed the growth of productivity in the private sector.
- In order to fulfil the inflation criterion, the environmental taxes should be frozen for two years at the 2009 level.

2. Taxation of work force must continue to decrease and the general taxation environment must be improved

- We must continue the income tax reform in line with the Nordic Countries and decrease the income tax from the present 21% to 18% by the year 2011.
- We must foster the sense of security of companies and continue the effective tax exemption system on their investments.
- We need to adopt an act on tax exemption of security investments of private persons as soon as possible.
- In order to attract knowledge based jobs to Estonia and keep them here, we must come to an agreement with the Government on applying an upper limit to the social tax as early as 2010, and initiate the relevant legislation.

3. We must immediately implement the reform package Business Hotspot Estonia, which will update Estonia's legal and administrative system, cut down on bureaucracy and attract capital

- Efficient protection of companies must be ensured with quick adoption of the Rehabilitation Act and improvement of professional skills of trustees in bankruptcy.

- The Commercial Code must be amended to enable the foundation of limited liability companies without share capital and the foundation of general partnerships with only one member.
- Efficient legal protection must be ensured by organising the court system in a way which would prevent any instance from proceeding a matter longer than 100 days.
- The General Part (Restrictions) of the Economic Administration Code must be adopted the next year so that no vague and unjustified obstacles are set to companies.
- In order to ensure efficient administration, the new Public Service Act must be adopted the next year, and the new Environmental Code and Construction and Planning Code by the year 2010 at the latest.
- Accessibility of justice must be improved by creating a legal advice portal in the near future and by implementing as many e-services as possible for communicating with the state.
- Competition supervision must be implemented efficiently.

4. During the next three years, state support should be concentrated on three main areas

- Improvement of transport infrastructure (EU resources)
- Building up of support infrastructure which would promote innovation and knowledge-based export industry (development foundation, research organisation)
- Improvement of the visibility and reputation capital of Estonia through an active promotion of our investment opportunities and exporters on a limited number of preferential foreign markets (shaping the common national foreign economy strategy)

A better environment for an intelligent labour force

5. Estonia's backwardness in the development of the labour market must be immediately and dramatically reduced and a national action plan for guaranteeing a sufficient number of intelligent labour force to Estonia's labour market must be implemented

- The new Employment Contracts Act must be adopted this year.
- Training expenses directly related to principal employment or change of employment must be freed of fringe benefit tax.
- The existing work permit system must be revised, proceeding from the goal of promoting intelligent economy.
- By September 2009, the Ministry of Education and Research should present to the Government a comprehensive action plan for a rapid modernisation of education system, which should include broadening of business studies in schools.
- Funding of research and development activities must be continued on long-term basis in the planned extent.

Energy security

6. A nuclear power station must be built in Estonia by 2020 and the implementation of other projects which will improve our energy security as well as alleviate the price pressure on residents and companies must be sped up

- We must set the Ministry of Economic Affairs and Communications the objective to present the legislation necessary for the construction of our own nuclear power plant to the Government by spring 2010 at the latest and start to cooperate with *Eesti Energia* in commencing the necessary preparations and preliminary research without delay.
- We must continue to promote the shaping of the common Nordic energy market and the construction of Estlink 2, and connect the Estonian electricity market to the Central European power grid.
- We must speed up the elaboration of legislation (on issues of ownership of land under sea) in preparation for large-scale wind power projects, and continue to promote other solutions and sources of alternative energy.

Free market and free citizens

7. We must expand civil liberties and free market, protect private property, business freedom, and liberal economic policy steadily and unwaveringly, and oppose any excessive interference of the state.

- The Government has nothing to give except the things that it has taken earlier from someone else. And a Government that is big enough to give you everything you want is also big enough to take everything you've got.