

**IMMEDIATE
ATTENTION**

SM/11/297
Supplement 1

November 10, 2011

To: Members of the Executive Board

From: The Secretary

Subject: **Republic of Estonia—Staff Report for the 2011 Article IV Consultation—
Informational Annex**

The attached informational annex is being issued as a supplement to the staff report for the 2011 Article IV consultation with the Republic of Estonia (SM/11/297, 11/10/11), which is being considered on a lapse of time basis. Unless an objection from the authorities of the Republic of Estonia is received prior to the conclusion of the Board's consideration, the document will be published. Any requests for modifications for publication are expected to be received two days before the Board concludes its consideration.

Questions may be referred to Mr. Hoffmaister (ext. 35883) and Mr. Lutz (ext. 36588) in EUR.

Unless the Documents Section (ext. 36760) is otherwise notified, the document will be transmitted, in accordance with the procedures approved by the Executive Board and with the appropriate deletions, to the European Central Bank and the WTO Secretariat on Friday, November 18, 2011; and to the European Bank for Reconstruction and Development, the European Commission, the European Investment Bank, and the Organisation for Economic Cooperation and Development, following its consideration by the Executive Board.

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities. This supplement is not being disseminated in hard copy. It can be accessed in the Institutional Repository. A link to this document can be found in the daily list (<http://www-int.imf.org/depts/sec/services/eb/dailydocumentsfull.htm>) for the issuance date shown above.

Att: (1)

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REPUBLIC OF ESTONIA

STAFF REPORT FOR THE 2011 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

November 9, 2011

Prepared By

European Department

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FUND RELATIONS

(As of October 31, 2011)

Membership Status

Joined: May 26, 1992; Article VIII

General Resources Account

	SDR Million	Percent Quota
Quota	65.20	100.00
Fund holdings of currency	65.19	99.99
Reserve position in Fund	0.01	0.01

SDR Department

	SDR Million	Percent Allocation
Net cumulative allocation	61.97	100.00
Holdings	62.03	100.10

Outstanding Purchases and Loans

None

Latest Financial Arrangements

In millions of SDR, (mm/dd/yyyy)

Type	Approval Date	Expiration Date	Amount Approved	Amount Drawn
Stand-by	03/01/2000	08/31/2001	29.34	0.00
Stand-By	12/17/1997	03/16/1999	16.10	0.00
EFF	07/29/1996	08/28/1997	13.95	0.00

Projected Payments to Fund

None

Implementation of HIPC Initiative:

Not applicable.

Implementation of MDRI Assistance:

Not applicable.

Implementation of PCDR Assistance:

Not applicable.

Exchange Arrangements:

As of January 1, 2011, Estonia's currency is the euro, which floats freely and independently against other currencies.

Estonia has accepted the obligations under Article VIII, Sections 2(a), 3 and 4 of the Fund's Articles of Agreement, and maintains an exchange system free of restrictions on the making of payments and transfers for current international transactions, except for those measures imposed for security reasons in accordance with Regulations of the Council of the European Union, as notified to the Executive Board in accordance with Decision No. 144-(52/51). An updated and comprehensive list of all EU restrictions can be found at:

http://ec.europa.eu/external_relations/cfsp/sanctions/measures.htm

Article IV Consultation:

Estonia is on the 12-month consultation cycle. The last Article IV consultation was concluded on January 31, 2011. The Executive Board assessment is available at

<http://www.imf.org/external/pubs/ft/scr/2011/cr1134.pdf>

FSAP Participation and ROSCs:

A review under the Financial Sector Assessment Program (FSAP) was completed at the time of the 2000 Article IV Consultation.

Further Reports on Observance of Standards and Codes (ROSC) modules were discussed in the 2001 Article IV Consultations and updated during the 2002 Consultation. A FAD mission concluded a fiscal transparency ROSC in January 2009 and an FSAP update was completed in February 2009. MONEYVAL conducted its evaluation of Estonia's AML/CFT framework in February 2008, and its report was adopted in December 2008.

Technical Assistance:

The following table summarizes the technical assistance missions provided by the Fund to Estonia since 2000.

Resident Representative: Mark Allen (stationed in Warsaw, Poland).

ESTONIA: TECHNICAL ASSISTANCE FROM THE FUND, 2000–11

Department	Issue	Action	Date	Counterpart
FAD	Pension reform	Mission	April 2000	Ministries of Finance and Social Affairs
MAE	Banking Supervision	Staff Visit	December 2000	Bank of Estonia
FAD	Tax Policy	Mission	March 2001	Ministry of Finance
INS	Financial Markets	Training	September 2002	Bank of Estonia
FAD	Medium-term Budget	Technical Assistance	December 2003	Ministry of Finance
FAD	Tax Reform	Technical Assistance	February 2005	Ministry of Finance
FAD	Tax Reform	Technical Assistance	October 2009	Ministry of Finance

STATISTICAL ISSUES

Estonia's data provision to the Fund is generally adequate for surveillance purposes. A May 2001 data ROSC mission found that the quality of macroeconomic statistics was generally good. The 2009 fiscal transparency ROSC indicated that Estonia now meets nearly all of the requirements of the transparency code, and approached best international practice in some areas. Estonia subscribed to the SDDS on September 30, 1998, with metadata posted on the DSSB on January 27, 1999, and met SDDS specifications on March 30, 2000. The latest (2010) annual observance report for Estonia for the SDDS was posted on the Fund's website in May 2011.

(http://dsbb.imf.org/images/pdfs/AnnualReports/2010/EST_SDDS_AR2010.pdf)

(SDDS webpage for EST)

<http://dsbb.imf.org/Pages/SDDS/CtyCtgList.aspx?ctycode=EST>

National Accounts

The national accounts are compiled by Statistics Estonia (SE) in accordance with the guidelines of the European System of Accounts 1995 (ESA 95). Quarterly GDP estimates at current and at constant prices are compiled using the production, income and expenditure approaches and statistical

discrepancies among them have at times been sizable. The annual and the quarterly national accounts are compiled at previous year prices and chain-linked to 2005. As of September 2011, data are compiled on the basis of the new version of classification of activities EMTAK 2008, and using double deflation. Data were revised at this time back through 2002, with earlier revisions to be subsequently introduced.

Public Finance

Fiscal data are published by the Ministry of Finance (MoF), while historical data are also available on Statistics Estonia's website. Monthly central government data are disseminated with a lag of up to 25 days after the end of the month. Quarterly data on foreign loans and guarantees by the central government are published in Estonian with a monthly lag. The Ministry is using one of its two allowed SDDS flexibility options on the timeliness of monthly central government operations data, and disseminate these data on the National Summary Data page. Comprehensive annual data on central and general government operations (accrual basis) are reported in the *GFS Yearbook*. These data include a statement of operations and the government balance sheet, including data on financial assets and liabilities, both domestic and foreign. Quarterly data for the general government are included in the *International Finance Statistics*.

Monetary and Financial Statistics

The Bank of Estonia (BoE) compiles and reports monetary and financial statistics consistent with the IMF's *Monetary and Financial Statistics Manual*. Aggregate financial data are compiled

by the BoE and reported on a monthly basis. The majority of statistics are disseminated on the Bank of Estonia's webpage on the 17th banking day after the end of the reporting period. Data for individual banks are also available on a quarterly basis since 2008Q1 on the Financial Supervision Authority's webpage. Estonia also regularly provides requested Financial Soundness Indicators.

External Sector

Quarterly balance of payments, external debt, and international investment position (IIP) data are compiled by the BoE consistent with the *Balance of Payments Manual* fifth edition (BMP5). Daily exchange rate data are available with a one working day lag. Monthly import/export data are available with a two month lag. The Data Template on International Reserves and Foreign Currency Liquidity is disseminated monthly according to the operational guidelines and is hyperlinked to the Fund's DSBB.

Dissemination of Statistics

The Estonian authorities disseminate a range of economic statistics, with a significant amount of data are available on the Internet:

- metadata for data categories defined by the Special Data Dissemination Standard are posted on the IMF's DSBB (<http://dsbb.imf.org>);
- the Bank of Estonia website (<http://www.eestipank.info/frontpage/en/>) provides data on monetary statistics, balance of payments, IIP, external debt and other main economic indicators;

- the Statistics Estonia website (<http://www.stat.ee/en>) provides information on economic and social development indicators;
- the Ministry of Finance homepage (<http://www.stat.ee/en>) includes information on the government's annual multi-year State Budget Strategy, as well as information and data on the national budget, and government finance statistics (deficit, debt, financial assets).

ESTONIA: TABLE OF COMMON INDICATORS REQUIRED FOR SURVEILLANCE—AS OF OCTOBER 31, 2011

	Date of latest observation	Date received	Frequency of Data ⁶	Frequency of Reporting ⁶	Frequency of publication ⁶	Memo Items:	
						Data Quality – Methodological soundness ⁷	Data Quality – Accuracy and reliability ⁹
Exchange Rates	October 31, 2011	October 31, 2011	D	D	D		
International Reserve Assets and Reserve Liabilities of the Monetary Authorities ¹	September 2011	October 7, 2011	M	M	M		
Reserve/Base Money	September 2011	October 14, 2011	M	M	M	O, LO, LO, LO	O, O, O, NA
Broad Money	September 2011	October 28, 2011	M	M	M		
Central Bank Balance Sheet	September 2011	October 14, 2011	M	M	M		
Consolidated Balance Sheet of the Banking System	September 2011	October 28, 2011	M	M	M		
Interest Rates ²	September 2011	October 25, 2011	M	M	M		
Consumer Price Index	September 2011	October 7, 2011	M	M	M	O, O, O, O	LO, LO, O, LO
Revenue, Expenditure, Balance and Composition of Financing ³ – General Government ⁴	Q2/2011	September 23, 2011	Q	Q	Q	LO, LO, O, O	LO, LO, O, NO
Revenue, Expenditure, Balance and Composition of Financing ³ – Central Government	September 2011	October 2011	M	M	M		
Stocks of Central Government and Central Government-Guaranteed Debt ⁵	September 2011	October 2011	M	M	M		
External Current Account Balance	Q2/2011	September 8, 2011	Q	Q	Q	O, O, LO, O	O, O, O, O, O
Exports and Imports of Goods and Services	August 2011	October 12, 2011	M	M	M		
GDP/GNP	Q2/2011	September 8, 2011	Q	Q	Q	O, O, O, LO	LO, LO, LO, LNO
Gross External Debt	Q2/2011	September 8, 2011	Q	Q	Q		
International Investment Position ⁹	Q2/2011	September 8, 2011	Q	Q	Q		

¹ Any reserve assets that are pledged or otherwise encumbered should be specified separately. Also, data should comprise short-term liabilities linked to a foreign currency but settled by other means as well as the notional values of financial derivatives to pay and to receive foreign currency, including those linked to a foreign currency but settled by other means.

² Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

³ Foreign, domestic bank, and domestic nonbank financing.

⁴ The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

⁵ Including currency and maturity composition.

⁶ Daily (D), Weekly (W), Monthly (M), Quarterly (Q), Annually (A); Not Available (NA).

⁷ Reflects the assessment provided in the data ROSC published on November 6, 2001, and based on the findings of the respective missions that took place during May 10-18, 2001 for the dataset corresponding to the variable in each row. For fiscal data, also takes account of the 2009 Fiscal Transparency ROSC. The assessment indicates whether international standards concerning concepts and definitions, scope, classification/sectorization, and basis for recording are fully observed (O), largely observed (LO), largely not observed (LNO), or not observed (NO).

⁸ Same as footnote 7, except referring to international standards concerning (respectively) source data, statistical techniques, assessment and validation, and revision studies.

⁹ Includes external gross financial asset and liability positions vis-à-vis nonresidents.