Key points

**Past & future SME performance**: SMEs in Estonia generate 75.7% of total value added and 77.9% of total employment — 18.9 and 11.4 percentage points above the respective EU averages. Estonian SMEs grew steadily in 2013-2017, with SME value added increasing by 22.7% and SME employment by 11.0%. Growth in micro firms was particularly strong, at 33.2% in value added and 14.3% in employment. The sharpest growth was in 2016-2017, when SME value added increased by 10.0% and employment by 5.1%. In 2017-2019, SME value added is predicted to rise by a significant 14.7%, while growth in employment is expected to be more subdued at 2.5%, corresponding to around 8,800 new SME jobs.

**Implementing the Small Business Act for Europe (SBA)**: Estonia has one of the best SBA profiles in the EU. It is first in the EU for ‘responsive administration’ and single market and second for entrepreneurship and access to finance. Estonia performs in line with the EU average for ‘second chance’, state aid & public procurement and internationalisation. The only areas in which it performs below the EU average are skills & innovation and environment. Estonia has made substantial policy progress since 2008, implementing most of the SBA recommendations.

**SME policy priorities**: Closing the gap with the EU average in skills & innovation remains an SME policy priority for Estonia. Key objectives in this respect are to increase the number of SMEs that produce product, process, marketing or organisational innovations in-house and to increase workers’ skills. Measures that will help bring Estonia closer in line with the EU average include: (i) introducing incentives for SMEs to engage in research and innovation activities that will help them grow and/or increase their value; (ii) encouraging more business collaboration through open-innovation schemes that connect SMEs with technology centres; (iii) exploiting industrial cluster synergies to better position SMEs in value-chains; and (iv) stronger economic diplomacy to introduce a fresh strategy for growth. Other priorities for Estonia are: (i) to increase the proportion of SMEs that implement resource efficiency measures; (ii) to continue to address the speed of its insolvency resolution process and to prevent or mitigate insolvency; and (iii) to continue to develop the ‘Think Small First’ principle to improve policy-making for SMEs.

About the SBA fact sheets

The Small Business Act for Europe (SBA) is the EU’s flagship policy initiative to support small and medium-sized enterprises (SMEs). It comprises a set of policy measures organised around 10 principles ranging from entrepreneurship and ‘responsive administration’ to internationalisation. To improve the governance of the SBA, the 2011 review of it called for better monitoring. The SBA fact sheets, published annually, aim to improve the understanding of recent trends and national policies affecting SMEs. Since 2011, each EU Member State has appointed a high-ranking government official as its national SME envoy. SME envoys spearhead the implementation of the SBA agenda in their countries.
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1. SMEs — basic figures

<table>
<thead>
<tr>
<th>Class size</th>
<th>Number of enterprises</th>
<th>Number of persons employed</th>
<th>Value added</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Estonia</td>
<td>EU-28</td>
<td>Estonia</td>
</tr>
<tr>
<td></td>
<td>Number</td>
<td>Share</td>
<td>Share</td>
</tr>
<tr>
<td>Micro</td>
<td>67 080</td>
<td>90.8 %</td>
<td>93.1 %</td>
</tr>
<tr>
<td>Small</td>
<td>5 501</td>
<td>7.4 %</td>
<td>5.8 %</td>
</tr>
<tr>
<td>Medium-sized</td>
<td>1 077</td>
<td>1.5 %</td>
<td>0.9 %</td>
</tr>
<tr>
<td>SMEs</td>
<td>73 658</td>
<td>99.8 %</td>
<td>99.8 %</td>
</tr>
<tr>
<td>Large</td>
<td>181</td>
<td>0.2 %</td>
<td>0.2 %</td>
</tr>
<tr>
<td>Total</td>
<td>73 839</td>
<td>100.0 %</td>
<td>100.0 %</td>
</tr>
</tbody>
</table>

These are estimates for 2017 produced by DIW Econ, based on 2008-15 figures from the Structural Business Statistics Database (Eurostat). The data cover the ‘non-financial business economy’, which includes industry, construction, trade, and services (NACE Rev. 2 sections B to J, L, M and N), but not enterprises in agriculture, forestry and fisheries and the largely non-market service sectors such as education and health. The following size-class definitions are applied: micro firms (0-9 persons employed), small firms (10-49 persons employed), medium-sized firms (50-249 persons employed), and large firms (250+ persons employed). The advantage of using Eurostat data is that the statistics are harmonised and comparable across countries. The disadvantage is that for some countries the data may be different from those published by national authorities.

SMEs are the backbone of the Estonian ‘non-financial business economy’. They generate 75.7 % of total value added and 77.9 % of total employment — 18.9 and 11.4 percentage points above the respective EU averages. Estonian SMEs employ 4.7 people on average, nearly one person more than the EU average. Overall productivity in the Estonian ‘non-financial business economy’, measured as value added per person employed, is only 52.5 % of the EU average, while the productivity of Estonian SMEs is 59.7 %. At 65.2 %, Estonian micro firms are the size-class closest to the EU average for productivity.

Estonian SMEs grew steadily in 2013-2017. SME value added increased by 22.7 %, while SME employment rose by 11.0 %. At 33.2 % in value added and 14.3 % in employment, growth in micro firms was particularly strong. The sharpest growth was in 2016-2017, when SME value added increased by 10.0 % and employment by 5.1 %.

Wholesale and retail trade is one of the biggest SME sectors. In 2013-2017, SME value added in this sector rose by 20.6 % and SME employment by 7.1 %. However, this is lower than the averages for SME growth in the ‘non-financial business economy’ as a whole. Household incomes improved in the same period thanks to rising wages and this contributed to higher consumer spending. Another growth driver, particularly for retail sales, was an increase in spending by tourists. More than 6 million foreign tourists visited Estonia in 2017, 3.4 % more than in 2016. They spent an estimated EUR 1.2 billion — a 3 %
rise compared with 2016. Furthermore, trade margins have recently risen in most sub-sectors. Nevertheless, the ratio of profit to turnover has been declining in most size-classes, with rising labour costs playing a part in this trend.

The contribution of SMEs in the information and communication sector is generally low, at only 6.5% of total SME value added and 5.3% of total SME employment. This is fairly consistent with the overall proportion for the EU. However, in 2013-2017, information and communication SMEs grew the most in Estonia, exceeding the growth of large firms. SME value added in this sector rose by 60.4% and employment by 27.1%. Growth was particularly strong in micro firms, at 87.6% in value added and 36.6% in employment. Growth in this sector was largely due to increasing demand from foreign markets for information and communication technology (ICT) services. This underlines that the ability to provide services at a highly competitive quality-price ratio is the main strength of Estonian SMEs. In 2013-2017, exports in the information and communication sector grew by 61.4%. Annual export growth, with as SME value added and employment growth was highest in 2016-2017, increasing by 19.4%. The robust performance of SMEs compared to large firms is also thanks to the large number of high-growth scale-ups in this sector. In addition, the Estonian government’s national ICT policy supports the systematic development of modern IT solutions, including a wide range of state e-services and an e-residency scheme available to global citizens, all of which have contributed to sector growth. The ‘network readiness index’ 2016, which measures the propensity of countries to take advantage of the opportunities provided by ICT, ranks Estonia 22 out of 143 countries. This makes it one of the leaders in Central and Eastern Europe and emphasises the magnitude of ICT use in Estonia’s economy.

At the beginning of 2018, a total of 215,731 businesses were registered in Estonia, 2.0% more than the previous year. In 2017, there were 21,947 registrations, 17,951 deregistrations, 1,205 liquidations and 153 bankruptcies. Registrations and deregistrations both increased compared to 2016. Deregistrations have increased significantly since 2014, due to authorities forcing liquidation more actively for companies that failed to submit their annual accounts on time. In 2015, the share of Estonian high-growth firms in the total of all firms in the ‘business economy’ with at least 10 employees was 7.7%. This is 2.2 percentage points lower than the EU average. At 10.1%, a large proportion of high-growth firms, was in information and communication—a sector which also had the highest SME growth in 2013-2017.

In 2017-2019, SME value added is predicted to rise by a significant 14.7%, while growth in employment is expected to be more subdued at 2.5%, corresponding to around 8,800 new SME jobs.

2. SBA profile

Estonia has one of the best SBA profiles in the EU. It is first in the EU for ‘responsive administration’ and single market and second for entrepreneurship and access to finance. Estonia performs in line with the EU average for ‘second chance’, state aid & public procurement and internationalisation. The only areas in which it performs below the EU average are skills & innovation and environment.

Since 2008, Estonia has implemented most SBA recommendations, with the notable exception of ‘second chance’ and ‘Think Small First’.

In 2017 and the first quarter of 2018, which is the reference period for policy measures in this year’s fact sheets, Estonia has implemented eight policy measures, addressing 6 out of the 10 policy areas under the SBA. The most significant policy progress was made in the areas of skills & innovation (with two measures), access to finance, state aid & public procurement, internationalisation, ‘responsive administration’, and entrepreneurship. Measures included: (i) a new green paper on industrial policy; (ii) grants for new business models in the tourism sector; (iii) joint accelerator and ‘business angel’ finance services for scale-ups; and (iv) legal reforms to help SMEs participate in the public procurement process.

Areas with least progress were ‘second chance’, single market and environment. No new measures were introduced in the first two areas and in environment, only one measure — to improve energy efficiency — was introduced. All measures announced in the previous reference period (2016 and first quarter of 2017) were adopted or implemented. Estonia has also made progress on the European SME action programme. Notably, it has established a ‘fund-of-funds’ for alternative equity and debt financing and to support the digitalisation of SMEs.
SBA performance of Estonia: state of play and development from 2008 to 2018

Legend:
1. Entrepreneurship
2. 'Second chance'
3. 'Responsive administration'
4. State aid & public procurement
5. Access to finance
6. Single market
7. Skills & innovation
8. Environment
9. Internationalisation

Note: The scores presented in the chart above are not fully comparable to those displayed in previous versions of the fact sheet. This is due to a review of the framework of indicators used to assess performance across the SBA principles. Only the aspects with sufficient background data are presented. The value for progress over time was set to 0% in case of insufficient data and marked in the above chart by a diamond shape. For more details, please consult the methodological note on the webpage of the SME Performance Review:
3. SBA principles

3.0 ‘Think Small First’

The ‘Think Small First’ principle is meant to be a guiding principle for all policy- and law-making activities. It requires policymakers to take SME interests into account at the early stages of the policy-making process. The principle also calls for newly designed legislation, administrative rules and procedures to be made simple and easy to apply.

Despite efforts made since 2008, Estonia’s performance in ‘Think Small First’ is still inadequate. Although regulatory impact assessments are conducted, they are not used effectively to amend or cancel proposed legislation. Furthermore, the ‘SME test’ developed in 2013-2014 has not yet been adopted or applied systematically. In addition, few policies target SMEs specifically — most target companies in general.

However, since 2008, there have been substantial policy efforts to reduce the administrative burden and simplify regulations, including the financial reporting rules for micro firms and SMEs. Furthermore, Estonia launched the ‘zero-bureaucracy project’, responding to proposals from businesses, to minimise administrative costs and procedures.

The government also regularly consults stakeholders through formal advisory groups, special commissions, supervising committees, etc. The quality of consultations is steadily improving thanks to stakeholders being involved at an earlier stage and having more time to develop their positions. However, SMEs still face a considerable administrative burden and further effort is needed to make legislation ‘SME-friendly’.

In 2017 and the first quarter of 2018, no new measures were implemented under ‘Think Small First’.

3.1 Entrepreneurship

Variation from the EU average (measured in standard deviations, EU average=0)

- Early stage entrepreneurial activity (%); 2017: Estonia: 19.38; EU avg: 8.28
- Early stage entrepreneurial activity for female population (%); 2017: Estonia: 14.35; EU avg: 6.31
- Established business ownership rate (%); 2017: Estonia: 11.37; EU avg: 7.09
- Opportunity-driven entrepreneurial activity (%); 2017: Estonia: 50.87; EU avg: 50.27
- Entrepreneurial intentions (percentage of adults who intend to start a business within 3 years); 2017: Estonia: 18.14; EU avg: 11.21
- Entrepreneurship as a desirable career choice (%); 2017: Estonia: 64.74; EU avg: 58.58
- High status given to successful entrepreneurship (%); 2017: Estonia: 60.99; EU avg: 55.63
- Media attention given to entrepreneurship (%); 2017: Estonia: 64.74; EU avg: 67.04
- Entrepreneurship education at basic school (1-5); 2017: Estonia: 2.96; EU avg: 2.05
- Entrepreneurship education at post-secondary levels (1-5); 2017: Estonia: 3.39; EU avg: 2.86
- Share of high growth enterprises (%); 2015: Estonia: 7.72; EU avg: 9.9

Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.
Estonia continues to perform well in entrepreneurship and has the second highest overall score in the EU. On individual indicators, it has the third highest established-business-ownership rate in the EU, having increased from 5.0 % in 2013 to 11.4 % in 2017. Entrepreneurial intentions and the quality of entrepreneurship education at basic school and post-secondary level are among the highest in the EU. Estonia also has the EU's highest rate of early-stage-entrepreneurial-activity both in general and by women. This grew respectively from 9.4 % to 19.4 % and from 7.7 % to 14.4 % since 2014.

Estonia has maintained its reputation for having a favourable environment for entrepreneurs. In 2016-2017, the World Bank ranked Estonia 12th out of 190 countries for ease of doing business and also 12th for ease of starting a business, up from 14th in 2016.

Since 2008, Estonia has introduced numerous measures to promote entrepreneurship. These include: (i) start-up accelerators; (ii) mentoring programs; and (iii) entrepreneurship education at primary and secondary school levels. In 2013, Estonia adopted its 2014-2020 Estonian entrepreneurship growth strategy. In 2014, it was the first country to introduce an ‘e-residency’ scheme, which further opened the country’s market and public services to foreign entrepreneurs. However, schemes for business transfers have been largely lacking, except for those directed at farmers.

Start-ups and scale-ups are a key policy priority for the Estonian government. The KredEx Foundation and its ‘StartUp Estonia’ division aim to provide early stage capital, funded partly by the EU and partly by the Estonian government. The initiative includes: (i) training programmes for start-ups; (ii) measures to attract foreign investors to Estonia; and (iii) accelerator services, combined with seed- and early stage capital. Start-up grants and loans, hackathons and business plan competitions for young entrepreneurs are also part of the start-up and scale-up ecosystem.

In 2017 and the first quarter of 2018, one major new policy initiative was introduced.

- The ‘a school day at a company’ (Tööle kaaso) initiative, which involves companies opening their doors to their employees’ children, aims to give school children an understanding of working life, entrepreneurship and what different jobs within a company entail. The initiative is described in detail in Section 4.

3.2 ‘Second chance’

Variation from the EU average
(measured in standard deviations, EU average=0)

Strength of insolvency framework index (0-16); 2018; Estonia: 14; EU avg: 11.8

Time to resolve insolvency (in years); 2018; Estonia: 3; EU avg: 2.01

Cost of resolving insolvency (cost of recovering debt as percentage of the debtor's estate); 2018; Estonia: 9; EU avg: 10.25

Fear of failure rate (%); 2017; Estonia: 31.76; EU avg: 38.01

Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

‘Second chance’ refers to ensuring that honest entrepreneurs who have gone bankrupt get a second chance quickly. Estonia is in line with or above the EU average for all but one ‘second chance’ indicator. This is the time taken to resolve insolvency, which has not changed since 2008 and is still 1 year higher than the EU average which is quite high in absolute terms. More positively, the fear-of-failure rate has fallen steadily since 2014 and by 10 percentage points over the last 3 years.

SBA recommendations under ‘second chance’ were largely ignored in recent years. Estonia does not have a policy framework that gives a ‘second chance’ to honest entrepreneurs who have gone bankrupt. In addition, re-starters are not treated on an equal footing with new start-ups and there is neither an automatic discharge for honest entrepreneurs after liquidation nor a fast-track insolvency procedure in place for SMEs. Nor is there an early warning scheme to prevent bankruptcy.

However, legislation and policy shortfalls are expected to be addressed soon. In 2016, the Ministry of Justice set up a special committee to begin consultations with business representatives on the matter. However, there is no tangible progress to date.

In 2017 and the first quarter of 2018, no relevant policy measures were adopted or announced.
3.3 ‘Responsive administration’

‘Responsive administration’ refers to public administration being responsive to the needs of SMEs. Since 2013, Estonia is the EU’s best performer in ‘responsive administration’ and it has improved every year. Estonia performs either well above or in line with the EU average for all key indicators. It has the shortest time taken to pay taxes in the EU. Furthermore, a far lower proportion of SMEs than the EU average consider either fast-changing or burdensome legislation or complex administrative procedures to be problems for doing business.

Estonia’s exemplary performance in ‘responsive administration’ is thanks to the country’s advanced and comprehensive system of e-government. It has established multiple e-government services since 2008, including: (i) an ‘e-tax office’; (ii) an online public procurement register; (iii) an online system for reporting statistics; and (iv) a comprehensive, one-stop shop for companies to fulfil most of their administrative requirements electronically. Procedures to establish a company in Estonia make full use of e-services which are even available to foreigners registered in the country as ‘e-residents’. Furthermore, various public administration databases are connected through the ‘X-Road’ secure data exchange system. This has put the ‘only-once’ principle in practice, thus reducing duplication in reporting by companies. The ongoing ‘zero-bureaucracy project’ also provides companies with relief from burdensome administration.

No new significant measures were adopted or announced in 2017 and the first quarter of 2018, but a dialogue between the government and the private sector is under way.
3.4 State aid & public procurement

Estonia performs in line with the EU average for state aid & public procurement. It has the EU’s third highest share of businesses that submit proposals via an electronic tender system. However, the proportion of businesses that participate in public tenders has dropped by 13 percentage points since 2013. The average delay in payments from public authorities has also decreased from 4 days to 1 day since the last reference period.

Estonia has a highly developed e-procurement system, along with guidance and training to help businesses use e-procurement. The Estonian e-procurement portal was launched in 2011.

In line with the government’s new support scheme for innovative public procurement, in 2017 and the first quarter of 2018, one new measure was adopted:

- The 2017 public procurement Act (Uus riigihangete seadus), which encourages getting tenders to be divided into lots and reduces the minimum requirements for participation, completes turning EU public procurement directives into national law. Innovative procurement measures include R&D on green, sustainable, socially responsible, and low carbon procurement. Since the Act was adopted, five calls for proposals have been launched and nine more approved for small scale projects worth a total of EUR 2 million. Most of the projects relate to ICT applications in policy areas such as healthcare, police and border guard administration. They include a project on solar energy-producing road pavements for the Tallinn city government and a smart road-crossing path for the Tartu city government.
3.5 Access to finance

Estonia performs well above the EU average in access to finance and is second in the EU in this area. However, the data available on rejected loan applications and unacceptable loans are not reliable enough to draw conclusions. For example, the stated rise in rejected applications and unacceptable loans coincides with a 7.2 percentage point increase since 2015 in respondents that claim that there has been deterioration in the willingness of banks to provide a loan. On the other hand, the time it takes to get paid is the second shortest in the EU, despite an increase of around 2 days on the previous reference period. To offset the reduction in traditional bank lending, Estonia’s alternative funding market has been steadily growing since 2015 and business angels and equity funding has improved. Access to public financial support has also improved since the last reference period.

Most of the SBA recommendations on access to finance were put in place. For example, a financial instrument was set up to address the lack of affordable micro-credit schemes. Created under Estonia’s 2014-2020 rural development plan, this takes the form of a loan with a subsidised interest rate, reduced collateral requirements and an extended interest-free period. The measure shifts aim to decrease SMEs’ reliance on grants and increase the availability of state-backed loans and guarantees. Estonia has also tried to create a favourable legal environment for alternative sources of finance, e.g crowd-funding and venture capital. Two venture capital funds co-financed by the government and EU funding programmes such as EIF, ESIF and EFSI were established. The EstFund which provides around EUR 100 million for smaller and earlier stage investments in the coming years was set up in 2016. This is complemented by the Baltic innovation fund established in 2012, which targets high-growth SMEs in Lithuania, Latvia and Estonia.

In the current reference period, two new measures were implemented in access to finance:

- The business accelerator ‘SuperAngel’ (Ärikiirendi SuperAngel) fund combines services to speed up SMEs growth with early stage risk capital investments. The fund helps 40-60 start-ups/scale-ups with high growth and export potential in the three ‘smart’ specialisation areas (ICT, health technologies and services and efficient use of resources). The fund is managed by a private fund manager selected through a tender procedure.

- The utility networks programme for businesses (Ettevõtjate värkudega liitumise prorgamm), operated by Enterprise Estonia (EAS), addresses the poor availability and high costs of utility service networks in peripheral areas. It makes available up to EUR 100 000 in grants at a minimum co-financing rate of 40 %, to help growing SMEs that are located outside of the country’s largest cities.
3.6 Single market

Estonia is the EU’s top performer in single market. It has the lowest number of pending infringement proceedings in the EU and the highest share of SMEs with intra-EU exports of goods. The number of single market directives not yet turned into national law also decreased from 14 to 5 in 2016-2017.

Key single market support services and structures include: (i) a single contact point for all questions relating to the single market; (ii) the SOLVIT centre on solutions for administrative problems; and (iii) an internal market information system. In addition, the Estonian Centre for Standardisation provides services to SMEs to help them conform to European standards. However, awareness of the available support services needs to be raised among SMEs to increase their use.

No significant additional measures were adopted or announced in 2017 and the first quarter of 2018.
3.7 Skills & innovation

Estonia performs below the EU average in skills & innovation, especially for innovation by SMEs. This is Estonia’s weakest area with a steady decrease since 2008. Estonia lags considerably behind other EU countries in the number of employees with specialised ICT skills and the number of companies that provide ICT skills training to their employees.

Nevertheless, Estonia has made persistent policy efforts and has introduced a range of measures such as: (i) training programmes; (ii) advisory business services; (iii) grants for R&D; (iv) innovation vouchers; and (v) support schemes for developing and launching innovative business models, products or services. Furthermore, the national ‘OSKA system’ monitors and forecasts labour market needs so that education and training can be adjusted accordingly. The ‘Adapter’ online platform was also created to connect R&D institutions with SMEs, but it is too early to assess its efficiency.

As stated in the SME action programme’s recommendations, SMEs would benefit from additional financial support to train their employees on digital skills.

In 2017 and the first quarter of 2018, two new measures were implemented:

- The green paper on industrial policy (Tööstuspoliitika Roheline raamot), which was developed in 2017 by the Ministry of Economic Affairs and Communications in consultation with business representatives, defines regulatory barriers and proposes policy solutions. It will contribute to the updated business growth strategy and its accompanying measures.

- An initiative by Enterprise Estonia was launched to support innovative business models in tourism (Turismi diimudettle arendamine). It includes training, mentoring and an investment grant of up to EUR 150 000 per business. It has a total budget of EUR 4.7 million and is co-funded by the European Regional Development Fund.

The SuperAngel accelerator, mentioned earlier, will also focus on innovative companies in technology intensive sectors with high growth potential.

Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.
3.8 Environment

Estonia performs below the EU average in environment and has deteriorated in this area since 2017. Compared to last year’s fact sheet, its performance has deteriorated in all but one indicator. This is the proportion of SMEs that have benefited from public support measures for their resource-efficiency actions, which has increased by 5 percentage points. However, Estonia has the EU’s lowest share of SMEs that have taken resource efficiency measures — having steadily decreased from 72 % to 47 % in 2012–2017. There was also a dramatic drop in the share of SMEs that have benefited from public support measures to produce green products — from 91 % in 2013 to 21 % in 2017. That said, Estonia has one of the EU’s highest rates of SMEs with a turnover share of more than 50 % generated by green products or services in the EU — although this has decreased by 16 percentage points since 2015.

The country’s poor performance in environment contrasts with its significant policy progress since 2008. Estonia introduced a ‘green industry innovation’ initiative to increase companies’ uptake of renewable energy, organic raw materials and eco-friendly processes. In addition, the Environmental Investment Centre (Keskkonnoinvesteeringute Keskuse — KIK) runs several support programmes for businesses — including a multiannual resource efficiency measure launched in September 2016. This initiative includes grants for auditing resources and for investing in modern technology to improve energy and resource efficiency. Policy gaps remain, including the insufficient use of green public procurement and of incentives for SMEs to acquire EU Eco-Management and Audit Scheme (EMAS) certification.

No new significant measures were introduced in 2017 and the first quarter of 2018, though preparations are under way to broaden the scope of the resource efficiency measure to include beneficiaries from all industry sectors.
3.9 Internationalisation

Estonia performs in line with the EU average in internationalisation, which is an improvement on last year’s fact sheet. Its performance in this area is mixed. Although Estonia has one of the highest proportions of SMEs with extra-EU imports and exports of goods, it is below the EU average for several indicators. These include: (i) advance rulings due to the low number of advance ruling requests; (ii) the involvement of the trade community, due to the low number of public consultations; and, in particular, (iii) border agency cooperation, due to insufficient use of interconnected computer systems.

Since 2008, Estonia has introduced measures to respond to all the SBA recommendations. These range from financial support (loans, export credit guarantees, etc.) and export business trips to setting up an agency to provide operational support to SMEs to trade internationally. In addition, Enterprise Estonia set up a network of export advisers in major target markets to help Estonian SMEs enter foreign markets. The strategy is set out in the ‘Made in Estonia’ action plan for exports which was first adopted in 2009 and updated in 2012 and 2014.

In 2017 and the first quarter of 2018, Estonia’s business diplomacy strategy (Eesti äridiplomaatia strateegia) was announced. It aims to further increase new foreign direct investments in Estonia and exports by Estonian companies through a well-targeted and well-coordinated governmental support system. The strategy is accompanied by measurable achievement indicators.
4. Interesting initiative

Below is an example of an initiative from Estonia to show what governments can do to support SMEs:

‘A school day at a company’ (Algatus Tööle kaasa)

To help young people benefit from an early understanding of various career choices, Estonian companies, in cooperation with schools and parents, opened their doors to their employees’ children for at least a day. The event gives children a better understanding of various aspects of working life and entrepreneurship and what different jobs within a company entail. The first event took place on 12–16 February 2018 with students in grades 7–9.

The initiative was launched by the Estonian Chamber of Commerce and Industry and supported and partly financed by the Ministry of Education and Science and Foundation, ‘INNOVE’. Around 500 companies, 200 schools and more than 1 600 pupils participated in the event. All participating companies provided a well-planned programme of activities for the whole day. Guidelines were developed for companies and schools to help them to prepare the programmes. The objective was to make the day meaningful and useful, not just a fun day out of school. The school children were introduced to work and the work environment and were given work-sheets and a choice of specific work assignments. Teacher-guided follow-up discussions and opportunities to share experiences with other classmates were organised in many cases.

The benefits of this initiative are:

- **School children** become more informed about the working environment, what their parents’ everyday work is like, how a work day is organised, work responsibilities and the value of work.
- **Employers** can introduce themselves to young people, contribute to their education and show themselves as socially responsible and family-friendly companies.
- **Schools** get the opportunity to cooperate with parents and companies, adding a practical aspect to career training and building a network of contacts for the future.
- **Parents** have a specific and practical opportunity to cooperate with schools and explain various aspects of their jobs to children to help them make well-informed education and career choices.

The participants gave very positive feedback, saying that this initiative should be continued and extended to a younger age group. The organisers hope to turn this initiative into an integrated part of career-training in schools.

For more information:

http://www.ettevotlikkus.ee/toolekaasa/

www.ettevotlikkus.ee/toolekaasa/#juhendid
Important remarks

The European Commission Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs (DG GROW) produces the SBA fact sheets as part of the SME Performance Review (SPR), its main vehicle for economic analysis of SME issues. They combine the latest available statistical and policy information. Produced annually, they help to organise the available information to facilitate SME policy assessments and monitor SBA implementation. The fact sheets are not an assessment of Member State policies; rather, they take stock of the situation and record progress. As such, they should be regarded as an additional source of information to improve evidence-based policy-making. For example, they cite only policy measures national SME policy experts consider relevant. They do not and cannot reflect all measures the government has taken over the reference period. There is more policy information on a database accessible from the SPR website.

SME Performance Review:

grow-spr@ec.europa.eu

Small Business Act:


Entrepreneurship and SMEs:

https://ec.europa.eu/growth/smes

Endnotes

1 The two graphs below present the trend over time for the variables. They consist of index values for the years since 2008, with the base year 2008 set at a value of 100. As from 2016, the graphs show estimates of the development over time, produced by DIW Econ on the basis of 2008-2015 figures from Eurostat’s Structural Business Statistics Database. The data cover the ‘non-financial business economy’, which includes industry, construction, and trade and services (NACE Rev. 2 sections B to J, L, M and N). They do not cover enterprises in agriculture, forestry and fisheries or largely non-market service sectors such as education and health. A detailed methodology can be consulted at: http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/


15 Ibid.

16 E-Business Register, see Põhitegevusalalisest lõikes for the number of registered businesses and Uute registreeritud ettevõttjate arv for the number of registrations, yearly numbers are calculated as the sum of the monthly data, available at http://www.rik.ee/et/e-ariregister/statistika, last accessed 29.05.2018.

17 Ibid.

18 Comments provided by the Bureau of Business Register, Centre of Registers and Information Systems of Estonia, www.rik.ee

19 In line with the Commission implementing regulation (EU) No 439/2014, high-growth enterprises are defined as firms with at least 10 employees in the beginning of their growth and average annualised growth in number of employees greater than 10 % per annum, over a three-year period. The share of high-growth enterprises is the number of high growth enterprises divided by the number of active enterprises with at least 10 employees. Source of the data on high-growth enterprises is Eurostat (http://ec.europa.eu/eurostat/web/products-datasets/-/bd_9pm_r2, last accessed 13.04.2018).

20 Due to data availability, the data on high-growth firms refers to the ‘business economy’ only, which covers sections B-N including section K (financial activities, except activities of holding companies). The ‘non-financial business economy’ excludes section K.

21 The 2018 SBA fact sheets benefited substantially from input from the European Commission’s Joint Research Centre (JRC) in Ispra, Italy. The JRC made major improvements to the methodological approach, statistical work on the dataset and the visual presentation of the data.

22 The quadrant chart combines two sets of information. Firstly, it shows current performance based on data for the latest available years. This information is plotted along the X-axis measured in standard deviations of the simple, non-weighted arithmetical average for the EU-28. Secondly, it shows progress over time, i.e. the average annual growth rates from 2008 to 2018. These are measured against the individual indicators which make up the SBA area averages. Hence, the location of a particular SBA area average in any of the four quadrants provides information not only about where the country is located in this SBA area relative to the EU average at a given point in time, but also about the extent of progress made between 2008 and 2018. All SBA principles, with the exception of the ‘Think Small First’ principle for which there is not enough statistical data available, are calculated as composite indicators following the OECD/JRC Handbook guide. A detailed methodology can be consulted at: http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/

23 The policy measures presented in this SBA fact sheet are only a selection of the measures the government took in 2017 and the first quarter of 2018. The national SME policy expert that PwC (DG GROW’s lead contractor for the 2018 SBA fact sheets) contracted made the selection. The experts were asked to select only the measures they considered the most important, i.e. the ones expected to have the highest impact in the SBA area in question. The complete range of measures the experts compiled in producing this year’s fact sheets will be published alongside the fact sheets in the form of a policy database on the DG GROW website.

24 http://www.doingbusiness.org/rankings

25 Advance rulings are binding decisions by Customs at the request of the person concerned on specific particulars in relation to the intended importation or exportation of goods. Advance rulings can be requested on the classification, the origin or the Customs value of the goods in preparation for importation or exportation. Advance rulings facilitate the declaration and consequently the release and clearance process, as critical assessments in relation with the goods have already been made in the advance ruling. Advance rulings are binding throughout the Customs territory at all Customs offices and valid for a specific period of time, e.g. 3 months or 1 year.


10 Ibid.


15 Ibid.

16 E-Business Register, see Põhitegevusalalisest lõikes for the number of registered businesses and Uute registreeritud ettevõttjate arv for the number of registrations, yearly numbers are calculated as the sum of the monthly data, available at: http://www.rik.ee/et/e-ariregister/statistika, last accessed 29.05.2018.

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