



# 2019 SBA Fact Sheet

## ESTONIA

### Key points

#### **Past & future SME performance<sup>1</sup>:**

SMEs play a significant role in Estonia's 'non-financial business economy', generating 76.7% of total value added and 79.2% of total employment. In 2014-2018, SMEs in the 'non-financial business economy' generated a strong increase of 34.5% in SME value added. SME employment grew by 8.8% in the same period. Micro-firm value added and employment rose most strongly, by 48.4% and 15.0% respectively. The outlook is also positive for value added, with predicted growth of 12.5% in 2018-2020, while the expected growth of SME employment is 1.6%.

#### **Implementing the Small Business Act for Europe (SBA):**

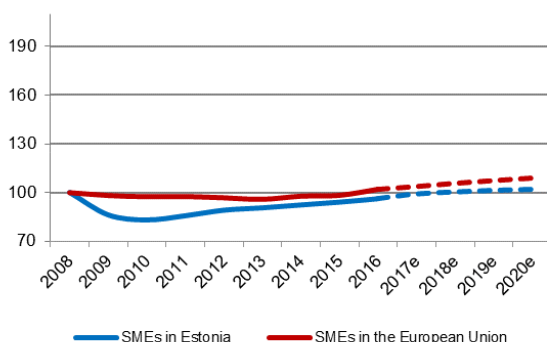
Estonia has one of the best SBA profiles in the EU. The country is the EU's best performer in 'responsive administration' and single market and the second best in entrepreneurship. It performs above the EU average in access to finance, and is in line with the EU average in 'second chance', state aid & public procurement, skills & innovation and internationalisation. Environment is the only area in which Estonia scores below the EU average. Estonia has made substantial policy progress since 2008, implementing most of the SBA recommendations.

#### **SME policy priorities:**

Policy efforts should be directed at improving the proportion of SMEs that take resource-efficiency measures. Despite progress in skills & innovation, there is still significant room for improvement and more policy efforts are needed to upskill the labour force in information and communication technology.

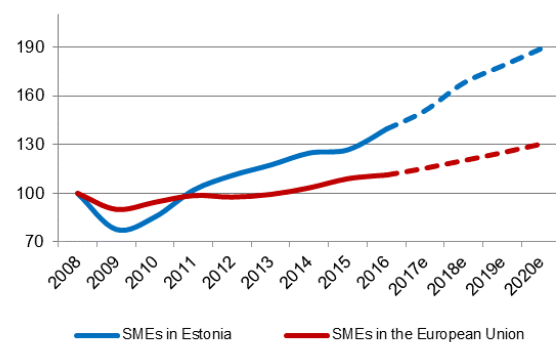
**Number of persons employed in SMEs**

(Index: 2008=100, estimates as from 2017 onwards)



**Value added of SMEs**

(Index: 2008=100, estimates as from 2017 onwards)



#### **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

Class size	Number of enterprises			Number of persons employed			Value added		
	Estonia		EU-28	Estonia		EU-28	Estonia		EU-28
	Number	Share	Share	Number	Share	Share	Billion €	Share	Share
Micro	70,344	91.3%	93.0%	143,216	32.8%	29.7%	4.0	29.3%	20.8%
Small	5,500	7.1%	5.9%	106,171	24.3%	20.1%	3.2	23.1%	17.6%
Medium-sized	1,012	1.3%	0.9%	96,144	22.0%	16.8%	3.3	24.3%	18.0%
<b>SMEs</b>	<b>76,856</b>	<b>99.8%</b>	<b>99.8%</b>	<b>345,531</b>	<b>79.2%</b>	<b>66.6%</b>	<b>10.6</b>	<b>76.7%</b>	<b>56.4%</b>
Large	166	0.2%	0.2%	90,673	20.8%	33.4%	3.2	23.3%	43.6%
Total	<b>77,022</b>	<b>100.0%</b>	<b>100.0%</b>	<b>436,204</b>	<b>100.0%</b>	<b>100.0%</b>	<b>13.8</b>	<b>100.0%</b>	<b>100.0%</b>

*These are estimates for 2018 produced by DIW Econ, based on 2008-16 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 play a particularly important role in the 'non-financial business economy' in Estonia. They generate 76.7% of total value added and 79.2% of total employment, well above the respective EU averages of 56.4% and 66.6%. Estonian SMEs employ 4.5 people on average, which is slightly higher than the EU average of 3.9. Similar to most EU countries, the most significant SME sectors are *wholesale and retail trade*, and *manufacturing*. The average productivity of Estonian SMEs, calculated as value added per person employed, is around €30,600, 31.4% lower than in the EU as a whole.

In 2014-2018, SMEs in the 'non-financial business economy' generated a strong increase of 34.5% in SME value added. SME employment grew by 8.8% in the same period. Micro-firm value

added and employment rose most strongly, by 48.4% and 15.0% respectively. Most recently, in 2017-2018, SME value added increased strongly by 11.3% and SME employment rose by 1.3%. Again, the highest growth in SME value added and employment was in micro firms, at 15.8% and 3.6% respectively.

In 2014-2018, the sector with the highest growth in SME value added was *construction*, at 69.8%. SME employment also grew strongly, by 23.0%. The *construction of buildings* sub-sector contributed most to SME growth in this period, with a strong overall economic performance<sup>2</sup> generating solid growth in residential construction activity in particular. In this period, construction of new residential buildings rose steadily, totalling 6,472 by 2018, an increase of 134.8% from 2014<sup>3</sup>. Moreover, the

number of building extensions and reconstructions also grew in 2014-2018<sup>4</sup>, helped in part by support and loan schemes developed by the Ministry of Economic Affairs and Communications to improve the energy performance of buildings<sup>5</sup>. Examples are the reconstruction grant for apartment buildings, available since April 2015, and a grant, available since the end of 2016, for increasing the energy efficiency of residential buildings, e.g. by installing replacement windows and insulating facades<sup>6</sup>. The amount of issued grants in euros has increased<sup>7</sup>. In parallel, the construction price index rose, mainly due to increasing labour costs, which contributed to growth in value added<sup>8</sup>.

*Information and communication* has been one of the most dynamic sectors for SMEs in recent years. In 2014-2018, SME value added grew by 63.6% and SME employment grew by 30.1%, exceeding the growth of large firms. The *computer programming and consultancy* sub-sector was the key driver of this growth, benefiting from a surge in international demand for IT services. Exports in this sub-sector accounted for two thirds of total sector exports in 2018, more than double the percentage compared with 2014<sup>9</sup>.

At the beginning of 2019, there were 234,343 registered businesses in Estonia, an increase of 8.6% compared with the number of registered businesses in the beginning of the previous year<sup>10</sup>. In 2018, there were 23,294 new registrations, 4,892 deregistrations, 1,362 liquidations and 105 bankruptcies<sup>11</sup>. Compared to 2017, the number of new registrations increased by 6.1%, while deregistrations dropped sharply, by 72.7 %<sup>12</sup>.

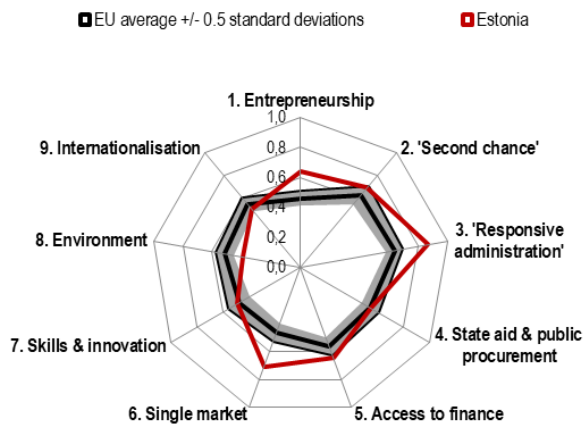
As per the data collected by the European Startup Monitor 2019 project<sup>13</sup>, 72% of the Estonian startups that responded to the online questionnaire were set up by one male founder or an all-male team of founders. 4% were set up by one female founder

or an all-female team of founders. The remaining 24% were set up by at least one man and one woman. In terms of their stage of development, 48% are in the pre-seed or seed stage, 24% in the start-up stage, and 28% in the growth stage. Regarding financial aspects, 76% are operating at a loss, 12% currently break-even and 12% are profitable. Of those start-ups that are operating at a loss, 58% expect to break-even in less than 2 years, while 42% expect that it will take them over 2 years to break-even. 65% have a turnover between €1 and €500,000; 26% report having no turnover yet and the remaining 9% have a turnover of over €500,000. They have 10 employees on average, of which around 37% work on a part-time basis. On average, they plan to hire 7.4 people within a year.

In 2016, 512 firms (7.5% of all firms in the 'business economy'<sup>14</sup> with at least 10 employees) were high-growth firms.<sup>15</sup> This is 3.3 percentage points lower than the EU average. The highest percentage of high-growth firms was in the *information and communication* sector, at 10.2%. In the 'non-financial business economy', specialised SMEs in the *knowledge-intensive services* and *high-tech manufacturing* sectors, which are usually R&D-intensive, accounted for 24.5% of SME value added in the manufacturing and service sectors in 2018. This is significantly lower than the EU average of 33.0%.

For Estonian SMEs, the outlook is positive for value added, with growth of 12.5% predicted in 2018-2020. In contrast, the growth of SME employment is expected to be more subdued, at 1.6% within the same period, corresponding to around 5,600 new SME jobs by 2020.

## 2. SBA profile<sup>16</sup>



Estonia has one of the best SBA profiles in the EU. It is the EU's best performer in 'responsive administration' and single market and the second best in entrepreneurship. It performs above the EU average in access to finance, and is in line with the EU average in 'second chance', state aid & public procurement, skills & innovation and internationalisation. Environment is the only principle in which Estonia scores below the EU average. Since 2008, good progress has been achieved in the SBA area of access to finance and single market whereas in 'second chance' and skills innovation the scores have deteriorated somewhat.

Since 2008, Estonia has adopted/implemented the vast majority of the SBA recommendations. A notable exception is the 'second chance' principle, with far fewer recommendations implemented.

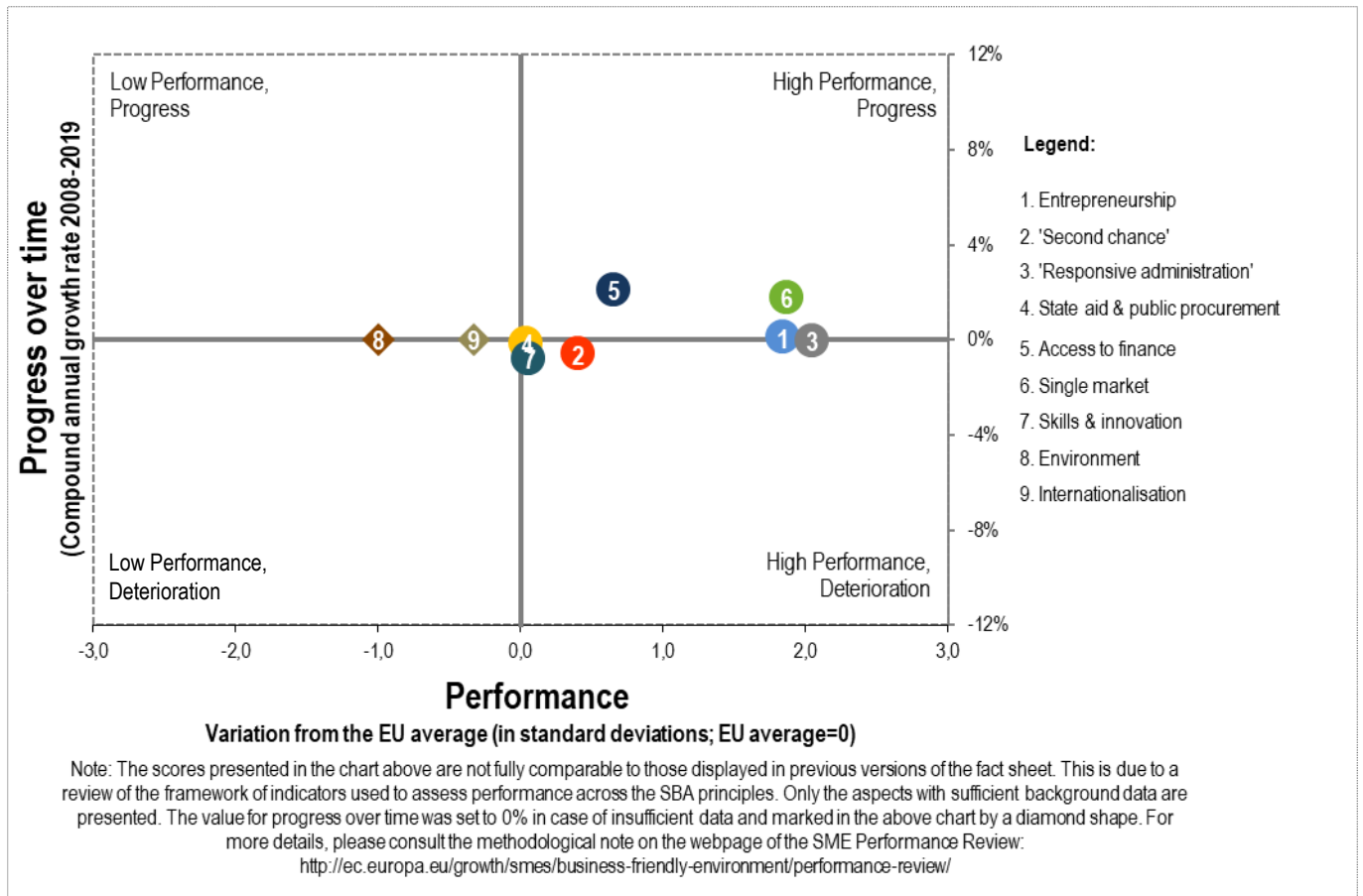
During the current reference period, 2018 and the first quarter of 2019, Estonia implemented 8 policy measures, addressing 4 out of the 10 policy areas under the SBA. Significant effort has been made in the areas of skills & innovation and internationalisation, with three new policy measures being implemented under each of these principles. New measures include:

- grants for digitalisation diagnostics, investments into digital technologies, automation and robotisation, and a grant for product development;
- a business diplomacy strategy;
- a digital platform for businesses to participate in high-level visits to foreign markets;
- grants for participation in foreign fairs;
- grants for installation of photovoltaic panels; and
- a new financial instrument - an industry loan.

The areas in which there were no new measures during the current reference period were the following: 'think small first', entrepreneurship, 'second chance', 'responsive administration', state aid & public procurement, and single market. All the measures announced in the previous reference period of 2017 and the first quarter of 2018 were adopted or implemented.

Estonia has also progressed in implementing the European SME action programme. In particular, scale-ups are receiving support through the 'StartUp Estonia' initiative.

## SBA performance of Estonia: state of play and development from 2008 to 2019<sup>17</sup>



## 3. SBA principles<sup>18</sup>

### 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 SMEs' interests into account at the early stages of the policymaking process. The principle also calls for newly designed legislation, administrative rules and procedures to be made simple and easy to apply.

Despite the steps taken under this principle since 2008, its implementation in Estonia is still inadequate. When designing policies, the Estonian government takes into account that almost all companies in the country are SMEs. However, regulatory impact assessments, which Estonia regularly carries out, do not take the specific needs of SMEs into account and are not effectively used to amend or cancel proposed legislation. The 'SME Test' was developed during the 2013-2014 period, but has not yet been formally adopted. The national SME association (EVEA) has been pushing for full implementation of the SME Test since 2014, but with no success so far.

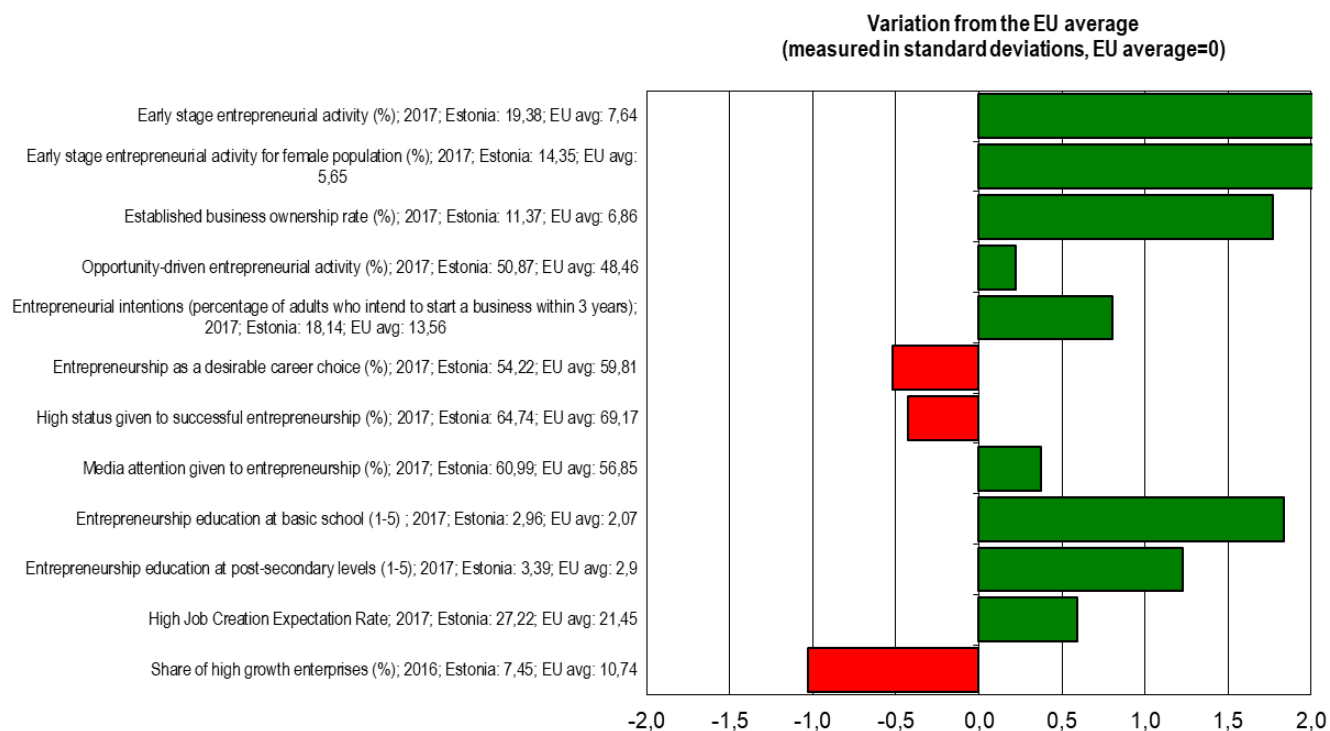
Few policies or support measures specifically or solely target SMEs. This means SMEs cannot compete equally with large firms for public funding.

However, substantial policy efforts have focused on reducing administrative burden and simplifying regulations since 2008 – including the simplification of financial reporting regulations for micro firms and SMEs. Furthermore, the 'Zero-Bureaucracy project' was implemented in 2016-2018 to minimise administrative costs and procedures for businesses.

The government regularly consults stakeholders through formal consultation channels in the form of advisory groups, special commissions and supervising committees. The quality of consultations is steadily improving, as the stakeholders often become involved at an earlier stage and have more time to develop their positions. However, according to the stakeholders, there is considerable room for improvement, especially in applying the 'think small first' principle in daily decision-making.

During the current reference period, no new measures were implemented under 'think small first'.

### 3.1 Entrepreneurship



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

Estonia performs well above the EU average in entrepreneurship, ranking among the best performing countries in the EU in this area. Estonia has the highest rate of early stage entrepreneurial activity both in general and by women. Furthermore, entrepreneurship education at basic school levels and at post-secondary levels are among the best in the EU. The same holds true for its established business ownership rates. However, the percentage of high-growth businesses has been dropping since its peak in 2013 – falling from 9% to 7% in 2016 and further deviating from the EU average.

Estonia has maintained its reputation for having a positive environment for entrepreneurship. In 2018, the World Bank ranked it 16<sup>th</sup> out of 190 countries for ease of doing business and 15<sup>th</sup> for ease of starting a business<sup>19</sup>, a slight drop from its 12<sup>th</sup> position on both indicators in 2017.

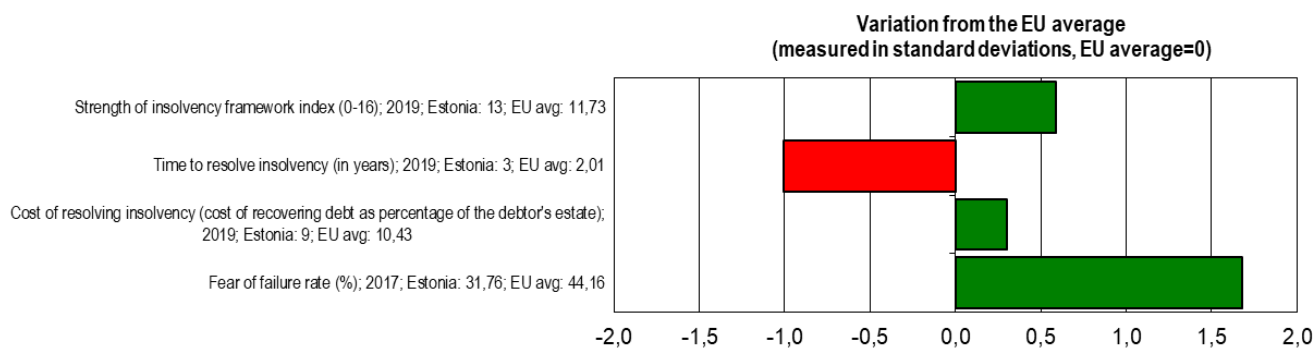
Estonia has made great efforts to promote entrepreneurship. Since 2008, it has introduced numerous measures in this area including: (i) start-up accelerators; (ii) business plan competitions; (iii) mentoring and training programmes; and (iv) the introduction of entrepreneurship education at primary and secondary school level. In 2013, Estonia adopted the ‘2014-2020 Estonian entrepreneurship growth strategy’ with ambitious targets. In 2014, Estonia was the first country to introduce an ‘e-residency’

scheme, which further opened the country’s market and public services to foreign entrepreneurs. Despite progress in some areas, the need for business transfers has not been addressed, except for farmers.

Start-ups and scale-ups have been a key policy priority for the Estonian government. ‘StartUp Estonia’, a governmental initiative to boost the Estonian start-up ecosystem, aims to provide risk capital services at both the early stage and scale-up stage. It includes training programmes for start-ups, measures to attract foreign investors to Estonia, and business acceleration services, combined with seed and early stage risk capital. Other measures supporting the start-up and scale-up ecosystems include grants and loans, hackathons and business plan competitions for young entrepreneurs. Most of these measures still exist and are correlated with Estonia’s excellent performance in this area. There are currently around 550 start-ups in Estonia from a variety of sectors ranging from Fintech to Greentech and beyond. The 2018 statistics from the Estonian Tax and Customs Board show that Estonian start-ups employ 3,763 people within the country. In 2017, this number was 2,981, indicating an annual growth rate of 26%<sup>20</sup>.

During the current reference period, no new policy initiatives were introduced.

### 3.2 ‘Second chance’



‘Second chance’ refers to ensuring that honest entrepreneurs who have gone bankrupt get a second chance quickly. Estonia performs in line with the EU average in this area. Most indicators are in line with or above the EU average, except ‘time to resolve insolvency’ – which has not changed since 2008 and is still 1 year higher than the EU average. Estonia’s best performing indicator under ‘second chance’ is the fear of failure rate, which is the lowest in the EU, and has fallen 10 percentage points since 2014.

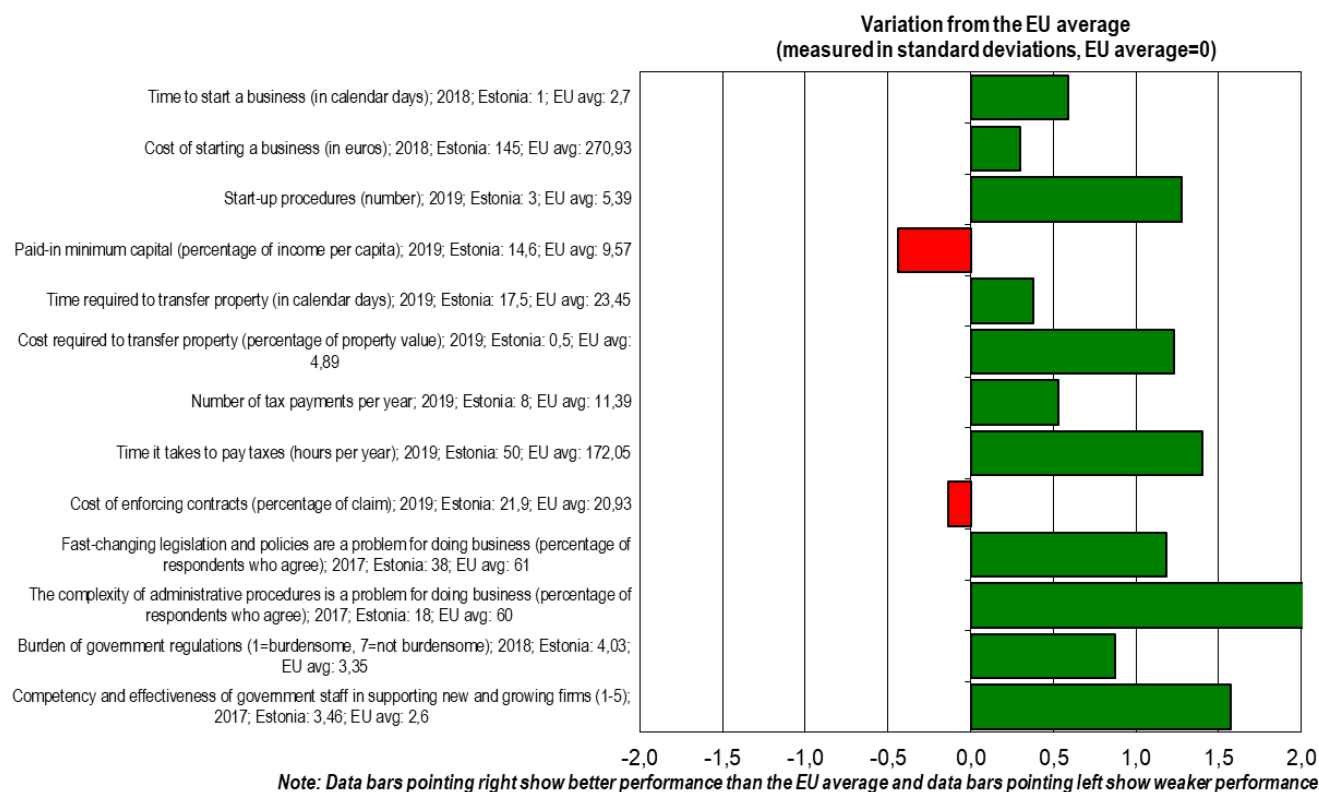
Not all of the SBA recommendations under ‘second chance’ have been implemented, despite some further promising steps taken in the current reference period. Estonia still has no policy framework in place to facilitate a ‘second chance’ for entrepreneurs who underwent non-fraudulent bankruptcy. Re-starters 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 is an early warning scheme to prevent bankruptcy.

However, preliminary steps have been taken to address the lack of legislation/policy shortfalls. A special committee, set up in 2016 by the Ministry of Justice, has produced a proposal for amendments to bankruptcy and insolvency laws, which will speed-up procedures and make restructuring more efficient. This proposal also includes recommendations on establishing an early warning system. In January 2019, the Ministries of Economic Affairs and Communications, Justice and Finance began a project, funded by the EU Structural Reform Support Service programme, looking at insolvency frameworks that could be adopted in Estonia. This project also focuses on setting up an early warning system and improving restructuring procedures.

During the current reference period, 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. Estonia performs well above the EU average in ‘responsive administration’. In fact, Estonia has been the EU’s best performer in this area since 2013. Estonia has the shortest time taken to pay taxes each year and has one of the lowest costs to register a property in the EU. Moreover, among the Member States, Estonia has the lowest proportion of businesses that consider complex administrative procedures a problem. Even the country’s worst performing indicator in this area, the paid-in minimum capital, has been steadily improving – its variation from the EU average dropped from 26% in 2011 to 15% in 2019.

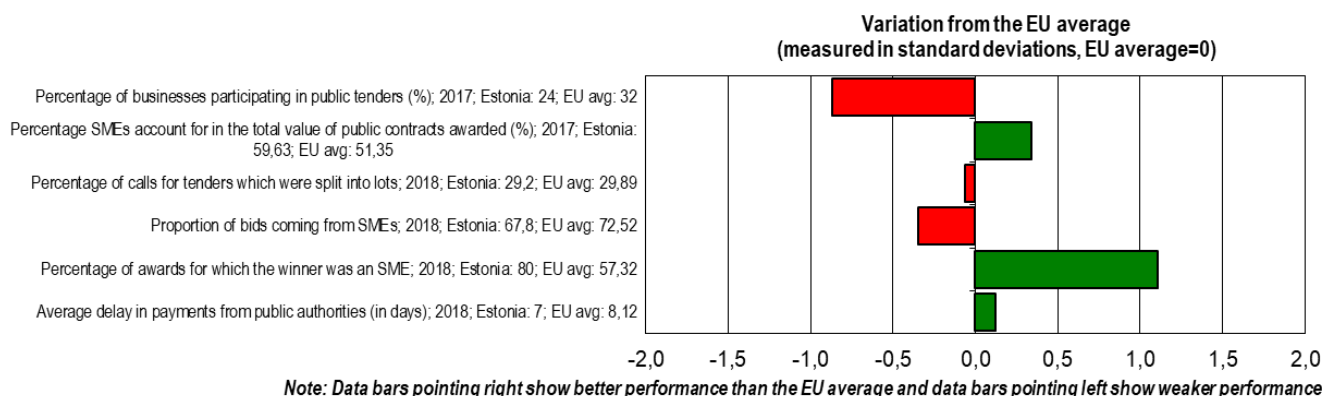
Estonia’s outstanding performance in ‘responsive administration’ is thanks to its advanced and comprehensive e-government. It has established multiple e-government services since 2008, including (i) an ‘e-tax office’; (ii) an online public procurement register;

(iii) an online statistical reporting system; and (iv) a 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 available to foreigners registered in the country as ‘e-residents’. Various public administration databases are connected through the ‘X-Road’ secure data exchange system. This has enabled the ‘Once-only’ principle to be put into practice.

The ‘Zero-Bureaucracy project’ was launched in 2016 and was formally completed in 2018, but its recommendations to relieve companies from administrative burden will continue be implemented until 2021.

No new significant measures were adopted or announced during the current reference period.

### 3.4 State aid & public procurement



Important methodological changes have been introduced for this principle in this year's fact sheet. Three new indicators coming from the TED (Tenders Electronic Daily) database have been added: (1. Percentage of awards for which the winner was an SME, 2. Proportion of bids coming from SMEs, 3. Percentage of calls for tenders which were split into lots). In addition, the indicator on e-procurement has been removed. Therefore, the overall performance in this area cannot be compared to last year's.

Estonia performs in line with the EU average for state aid & public procurement. All indicators perform in line with or above the EU average, except the percentage of businesses participating in public tenders – which has dropped by 13% since 2013. Additionally, the average delay in payments by public authorities has increased by 6 days compared to the previous reference period, partly due to stricter payment terms.

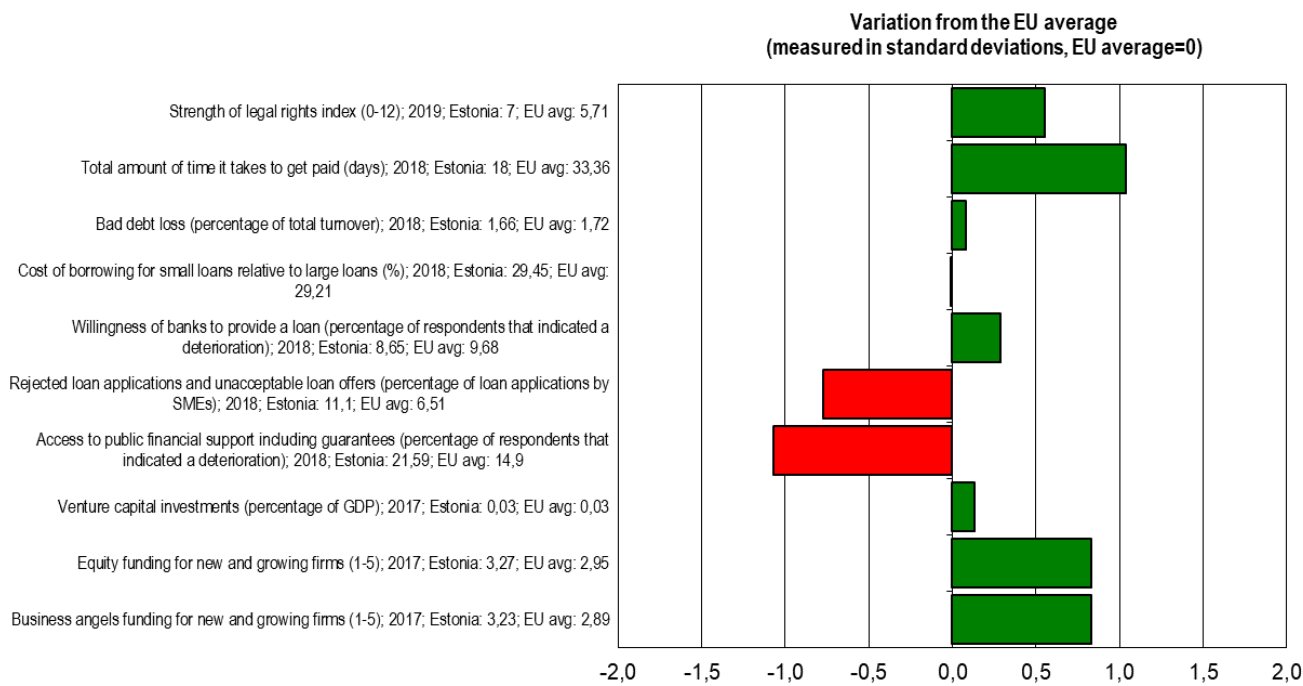
Estonia has a highly developed e-procurement system, along guidance and training available to help businesses use the e-procurement system. The Estonian e-procurement portal was launched in 2011.

A new public procurement act was adopted in 2017 transposing EU legislation, bringing positive changes for SMEs. For instance, turnover as a qualification requirement is now set at a maximum of twice the value of the tender and contracting authorities are obligated to justify why a contract above the state procurement limit has not been divided into lots.

In addition, state support is available through grants and subsidised loans, although SMEs' access to these resources varies strongly between different sectors and implementing agencies.

During the current reference period, no new measures were adopted. However, additional amendments to the Public Procurement Act were announced during the spring of 2019. These are expected to further improve SMEs' access to public procurement.

### 3.5 Access to finance



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

Estonia performs above the EU average in access to finance. Estonia remains one of the EU countries where it takes fewer days to get paid by customers. Equity funding and business angels funding also perform well and have been growing since 2015. The proportion of rejected loans to SMEs or unacceptable loan offers has fallen substantially since the last reference period – having dropped from 21% in 2017 to 11% in 2018. However, access to public finance ranks among the worst in the EU.

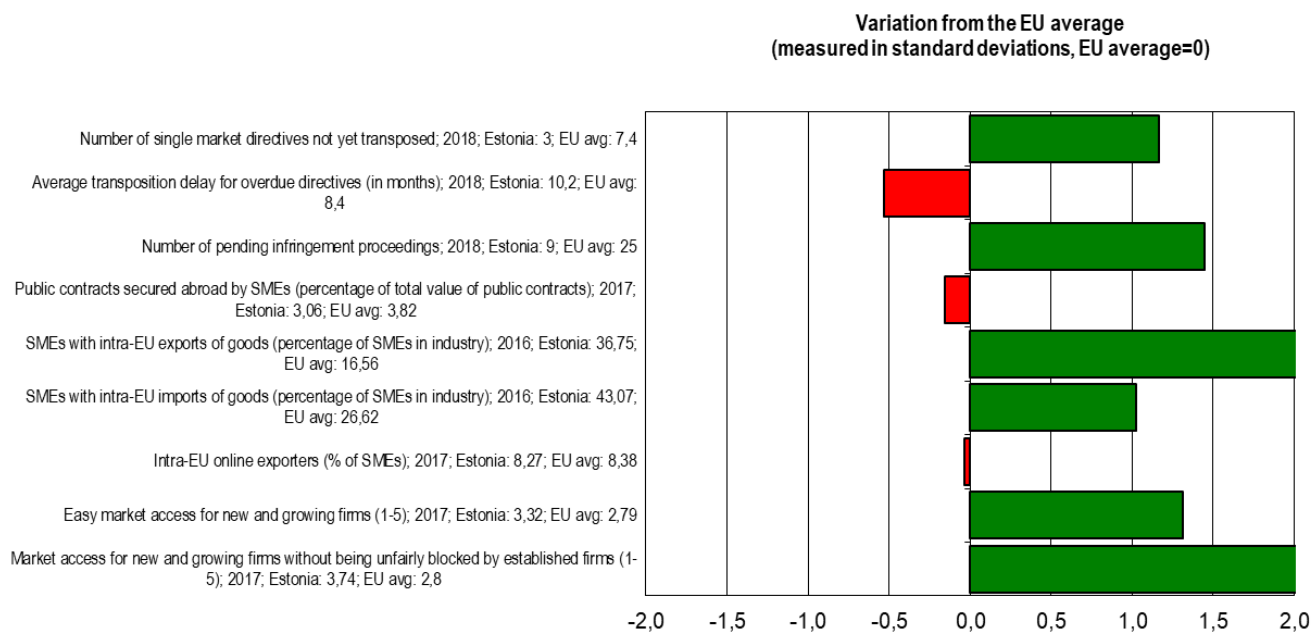
Most of the SBA recommendations on access to finance have been put in place. There has been an emphasis put on shifting support measures away from grants towards state-backed loans and guarantees. A good example of such a measure has been the creation of a loan with subsidised interest rate, reduced collateral requirements and an extended interest-free period to address the lack of affordable micro-credit schemes.

Estonia has also made efforts to create a favourable legal environment for alternative sources of finance – e.g. crowdfunding and venture capital. Venture capital funds – co-

financed by the government and the European Structural and Investment Funds – have been established. The main ones are the ‘Baltic Innovation Fund’ created in 2013, the ‘EstFund’ created in 2016 and the ‘SuperAngel’ fund created in 2018 – which combines business acceleration services with early stage risk capital investments. Crowdfunding is also becoming an increasingly popular way to finance the growth of small businesses in Estonia.

During the current reference period, only one new measure has been implemented in the area of access to finance. Technology loans (*Tööstuslaen*), funded under the KredEx programme, aim to increase the self-financing of businesses by facilitating additional access to leasing or bank loans. The target group for this financing are export-oriented businesses in the areas of processing, mining, production, transfer and distribution of electrical energy, waste processing and disposal – all of which require significant investment in machines and devices.

### 3.6 Single market



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

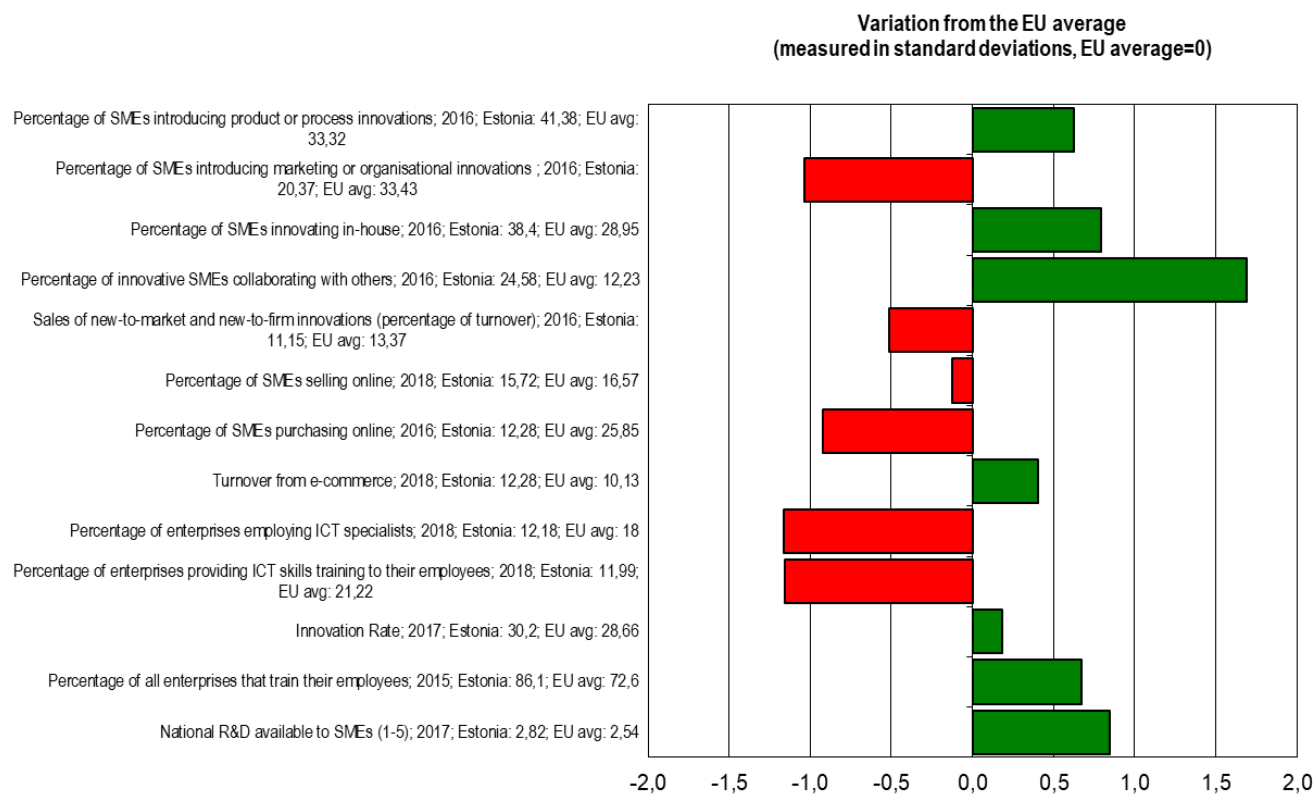
Estonia performs well above the EU average in single market, being the EU's best performer in this area, as it was in the previous reference period. The proportion of its SMEs with intra-EU exports of goods is the highest among Member States. Moreover, the number of pending infringement proceedings and the number of single market directives not yet transposed into national law are among the lowest in the EU. Also, Estonia is one of the best performers in ease of access to markets for new and growing firms.

Key support services and structures are in place including: (i) a single-point-of-contact; (ii) a SOLVIT centre, and (iii) an 'internal

market information system'. The Estonian Centre for Standardisation also provides services to SMEs to help them conform to European standards. However, the business community is not well aware of the existence of these services and efforts should be made to promote more active use of these resources.

No significant additional measures were adopted or announced during the current reference period.

### 3.7 Skills & innovation



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

Estonia performs in line with the EU average in skills & innovation. The proportion of its innovative SMEs collaborating with others is now among the highest in the EU. Estonia’s innovation rate performs in line with the EU average. However, Estonia’s percentage of enterprises employing ICT specialists remains among the lowest in the EU.

There has been a wide range of measures introduced since 2008 under skills & innovation, including (i) training; (ii) advisory business services; (iii) grants for R&D; (iv) innovation vouchers, and (v) support for the development and launching of new and 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.

A spending review on entrepreneurship and innovation<sup>21</sup> was carried out in the 2017–2018 period, which focused on the evaluation of public support measures in these two areas. This review aims to make public expenditure more efficient, make resources available for additional investments, and find new sources of growth.

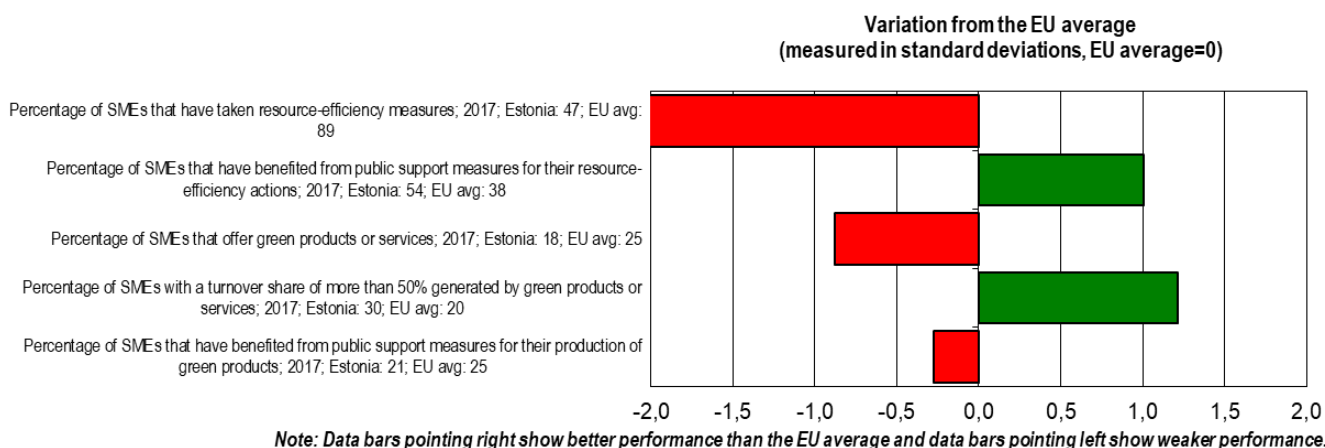
A ‘Green Paper on Industrial Policy’ was developed in 2017, contributing to an updated enterprise growth strategy. In line with

the recommendations of the SME action programme, several programmes supporting digitalisation and digital training were also launched.

During the current reference period, two new substantial measures were implemented.

- The Grant for ‘digidiagnostics’ (Digidiagnostika toetus) provides support to industrial companies to analyse and appraise investment needs, digitalisation costs and automation solutions. The target group are businesses of all sizes in the manufacturing and mining sector. The programme is managed by Enterprise Estonia and has an initial budget of €115,000.
- The Grant for product development (Tootearenduse toetus) aims to stimulate investments made by industrial SMEs in research and development in order to increase their value added and revenue growth from new developed products. The programme is managed by Enterprise Estonia and has an initial budget of €1,000,000.

### 3.8 Environment



Estonia performs below the EU average in environment. This is the country’s worst performing area. The proportion of SMEs in Estonia that have taken resource-efficiency measures is the lowest in the EU. By contrast, Estonia continues to have one of the highest rates of SMEs with a turnover share of more than 50% generated by green products and services in the EU.

Despite the country’s poor performance, it has made significant policy progress since 2008, with the most notable changes taking place since 2016.

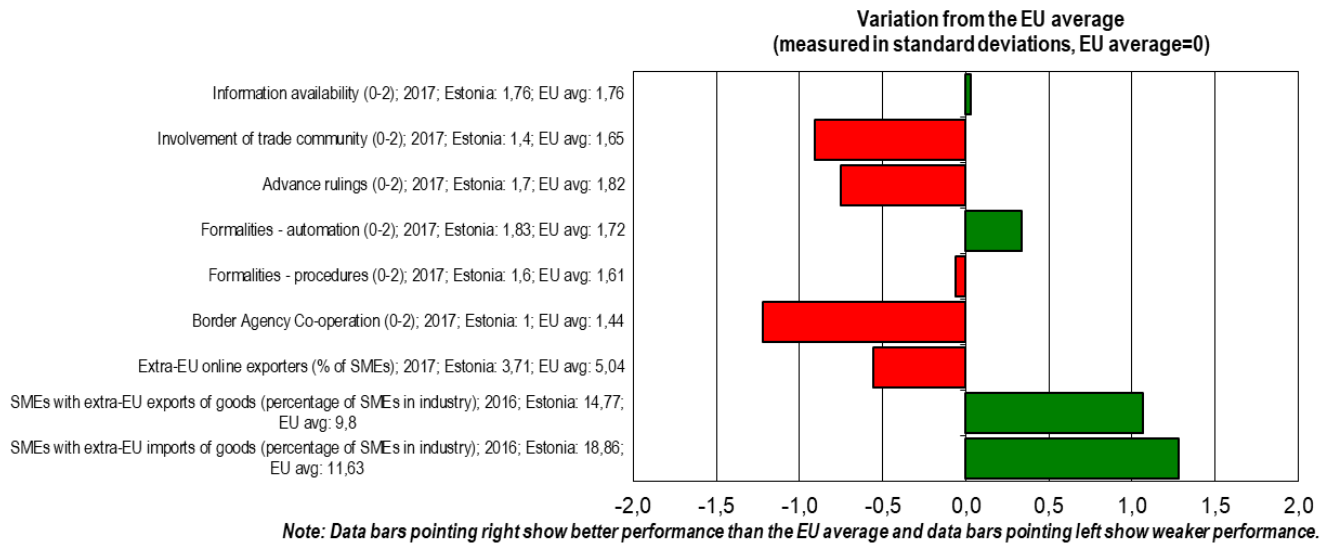
The ‘Green Industry Innovation Estonia’ initiative was introduced to increase companies’ uptake of renewable energy, organic raw materials and eco-friendly processes.

‘The Environmental Investment Centre’ runs several support programmes available to businesses – including grants for auditing resources and grants for investing in modern technology to improve energy and resource efficiency. During 2018, the

target group of this measure was broadened to include all industrial sectors. A special sub-programme for small investment projects was launched to improve the access of small industrial companies to this facility. Policy gaps remain, including a lack of green public procurement and a lack of incentives for SMEs to acquire certification under the EU’s eco-management and audit scheme.

One new significant measure was introduced in 2018 – an investment grant for solar panels (*Päikesepaneelide investeringutoetus*), to increase the share of solar energy in electricity consumption. The grant supports acquisition and installation of photovoltaic and energy-producing equipment. This measure is targeted at private and public legal entities, including SMEs, operating in the manufacturing, hospitality, education, healthcare and public administration sectors. It is operated by KredEx and funded from the national budget, with an initial allocation of €1,400,000. The maximum grant is €30,000 and 70% of the project must be self-financed.

### 3.9 Internationalisation



Estonia performs in line with the EU average in internationalisation. Its performance in this area is mixed. SMEs with extra-EU exports/imports of goods are Estonia's strongest indicators and perform above the EU average. However, border agency cooperation ranks among the lowest in the EU. The involvement of the country's trade community on an international level and advance rulings are also below average.

Since 2008, Estonia has introduced measures in response to all the SBA recommendations. These range from financial support (loans, export credit guarantees, etc.) and export-improving missions to a business diplomacy strategy and targeted government measures towards the internationalisation of SMEs. Enterprise Estonia also deployed a network of export advisors targeting major markets in order to assist Estonian SMEs entering foreign markets. The policy was backed by the export action plan - 'Made in Estonia' - first adopted in 2009 and updated in 2012 and 2014.

During the current reference period, three new measures were adopted.

- The 'Digital platform for participation of businesses in high-level visits to remote markets' (visiidid.ee) aims to open doors in foreign markets and present Estonia as a reliable export partner, as well as organise business delegations as part of high-level visits.
- Grants for participating in foreign fairs (Messitoetus), targeted at SMEs in the manufacturing sector. The measure is managed by Enterprise Estonia and funded from the EU Structural Funds with a total allocation of €3,000,000. The maximum grant is €50,000 and at least 20% of the project must be self-financed.
- The 'Business diplomacy strategy of Estonia' (Eesti äridiplomaatia strateegia) provides a framework for government institutions to coordinate activities in foreign markets, such as business delegations to foreign markets and different information channels.

## 4. Interesting initiative

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

### Visiidid.ee – a powerful tool for opening doors to new markets

High-level visits to foreign markets provide a powerful means of support to the global ambitions of Estonian businesses and help them to enter new markets, as well as attract foreign investments. The website <https://visiidid.ee> launched at the end of 2018 provides a calendar plan and description of all scheduled high-level visits, which include accompanying business delegations. The website covers the visits organised by the President of Estonia, the Prime Minister, ministers and ministries, Enterprise Estonia and the Chamber of Commerce and Industry. Visiidid.ee is part of a broader business diplomacy strategy, which aims to combine public and private sector efforts to work towards common goals.

The digital platform aims to make it easier for Estonian SMEs and businesses in general to (i) participate in high-level visits; (ii) present Estonia as a reliable export partner; (iii) give participating businesses extra credibility; and (iv) 'open the doors' to remote and difficult markets.

All businesses registered in Estonia and owned at least partially by Estonians can apply to participate. Participation is subject to acceptance by the organisers of the visit. Business representatives have to cover their own travel and accommodation costs, as well as relevant local and organiser's costs.

Enterprise Estonia, Estonian Chamber of Commerce and Industry and the Ministry of Foreign Affairs jointly manage the platform and organise the visits. Enterprise Estonia funds the platform. Between mid-December 2018 (when it was launched) and March 2019, the website had 17,500 visitors and facilitated 40 high-level visits. It is still too early to make any assessment of the impact and effectiveness of this tool. However, the initial feedback of the businesses is positive and new business partnerships have been started.

References:

<https://visiidid.ee>



## 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. They take stock and record progress. They are not an assessment of Member State policies. Rather, 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:

<http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/>

[grow-spr@ec.europa.eu](mailto:grow-spr@ec.europa.eu)

Small Business Act:

[http://ec.europa.eu/growth/smes/business-friendly-environment/small-business-act/index\\_en.htm](http://ec.europa.eu/growth/smes/business-friendly-environment/small-business-act/index_en.htm)

Entrepreneurship and SMEs:

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

## Endnotes

<sup>1</sup> 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 2017, the graphs show estimates of the development over time, produced by DIW Econ on the basis of 2008-2016 figures from Eurostat's Structural Business Statistics Database. 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). 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/>

<sup>2</sup> Statistics Estonia, Gross domestic product and national income, (NAA0012), available at: <http://pub.stat.ee/px-web.2001/Dialog/varval.asp?ma=NAA0012&ti=GROSS+DOMESTIC+PRODUCT+AND+GROSS+NATIONAL+INCOME+%28ESA+2010%29+%28QUARTERS%29&path=../Databas/Economy/23National+accounts/01Gross+domestic+product+%28GDP%29/12Main+national+accounts+indicators/&lang=1>, last accessed 11.05.2019.

<sup>3</sup> Statistics Estonia, Completed dwellings (new construction) (C004), available at: <http://pub.stat.ee/px-web.2001/Dialog/varval.asp?ma=C004&ti=GRANTED+BUILDING+PERMITS+AND+COMPLETED+DWELLINGS+%28NEW+CONSTRUCTION%2C+QUARTERS%29&path=../Databas/Economy/05Construction/07Granted+building+permits+and+completed+buildings/&lang=1>, last accessed 11.05.2019.

<sup>4</sup> Statistics Estonia, Granted building permits and completed dwellings (C0045), available at: <http://pub.stat.ee/px-web.2001/Dialog/varval.asp?ma=C0045&ti=GRANTED+BUILDING+PERMITS+AND+COMPLETED+DWELLINGS+BY+TYPE+OF+CONSTRUCTION%2C+COUNTRY+AND+TYPE++OF+RESIDENTIAL+BUILDING+%28QUARTERS%29&path=../Databas/Economy/05Construction/07Granted+building+permits+and+completed+buildings/&lang=1>, last accessed 11.05.2019.

<sup>5</sup> Ministry of Economic Affairs and Communication, available at: <https://www.mkm.ee/en/objectives-activities/construction-and-housing-sector/energy-performance-buildings>, last accessed 11.05.2019.

<sup>6</sup> KredEx, Annual report 2017, 2016, 2015, available at:

<https://www.kredex.ee/en/who-we-are/sa-kredex>, last accessed 11.05.2019.

<sup>7</sup> Ibid.

<sup>8</sup> Statistics Estonia, Construction Price Index (X009), available at: <http://pub.stat.ee/px-web.2001/Dialog/varval.asp?ma=X009&path=../Databas/ECONOMY/24PRICES/&lang=1>, last accessed 11.05.2019.

<sup>9</sup>Statistics Estonia, exports, imports and balances of economic activity (EMTAK 2008, FT06) [http://pub.stat.ee/px-web.2001/Dialog/varval.asp?ma=FT06&path=../Databas/ECONOMY/11FOREIGN\\_TRADE/03FOREIGN\\_TRADE\\_SINCE\\_2004/&lang=1](http://pub.stat.ee/px-web.2001/Dialog/varval.asp?ma=FT06&path=../Databas/ECONOMY/11FOREIGN_TRADE/03FOREIGN_TRADE_SINCE_2004/&lang=1), last accessed 11.05.2019.

<sup>10</sup> E-Business Register, available at: <https://www.rik.ee/et/e-ariregister/statistika>, last accessed 11.05.2019. Yearly numbers are calculated as the sum of the monthly data.

<sup>11</sup> Ibid.

<sup>12</sup> Ibid.

<sup>13</sup> [www.europeanstartupmonitor2019.eu](http://www.europeanstartupmonitor2019.eu)

<sup>14</sup> 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.

<sup>15</sup> 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 3-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](http://ec.europa.eu/eurostat/web/products-datasets/-/bd_9pm_r2), last accessed 15.04.2018).

<sup>16</sup> The 2019 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.

<sup>17</sup> 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. Secondly, it shows progress over time, i.e. the average annual growth rates from 2008 to 2019. 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 2019. 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/>

<sup>18</sup> The policy measures presented in this SBA fact sheet are only a selection of the measures the government took in 2018 and the first quarter of 2019. The national SME policy expert that PwC (DG GROW's lead contractor for the 2019 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.

<sup>19</sup> <http://www.doingbusiness.org/rankings>

<sup>20</sup> Startup Estonia, 2018: Records for the Estonian startup sector. <https://www.startupestonia.ee/blog/2018-records-for-the-estonian-startup-sector-new-wave-of-entrepreneurs-in-the-community>

<sup>21</sup> Spending Review 2017/2018: <https://www.mkm.ee/sites/default/files/tohustamiskava.pdf>