Overview of supporting enterprises during the COVID-19 crisis

In 2020, did the support measures benefit enterprises in areas of activity most affected by the COVID-19 crisis?

Summary

At the beginning of the COVID-19 crisis, the Government of the Republic introduced several measures to support the economy, including temporary wage subsidy by the Estonian Unemployment Insurance Fund, support of Enterprise Estonia for rent payments to commercial and service enterprises, support measure for the tourism sector, and support measure for small enterprises. In addition, KredEx and the Estonian Rural Development Foundation commenced with issuing extraordinary loans and loan guarantees to enterprises. In total, these measures cost about 745 million euros in 2020.

What did we analyse and where did we foresee a risk?

The Government of the Republic decided to launch the measures as soon as possible, and so there was little time to assess the business situation to precisely target the measures and develop legislation. The agencies that implemented the support measures had little time to develop the processes for this purpose. The National Audit Office saw a risk that regulations drawn up on the basis of insufficient preliminary work and hastily created work processes might not ensure that support measures reach the entrepreneurs in areas of activities where the impact of the crisis is the most serious.

During the preparation of the overview, the National Audit Office examined whether the national support measures reached the areas where the impact of the COVID crisis was more serious and whether the support reached entrepreneurs that were hit the hardest based on the economic indicators (sales turnover, labour tax, number of employees). The National Audit Office did not assess the procedure for support and/or loans granted to specific enterprises nor the justification of individual decisions.

What did we find and conclude?

The analysis by the National Audit Office showed that, for the most part, the support measures benefited enterprises in areas of activity that were the most affected by the crisis and who did worse based on economic indicators than those who did not receive support or loans. As such, the risk that crisis measures might benefit enterprises that do not need them did not, as a rule, materialise.

For your information

Of the nearly 22,000 enterprises that received support in 2020 from the four bodies that implemented the measures,

- 73.9% received support from one body that implemented the measures;
- 24.7% received support from two bodies that implemented the measures;
- 1.36% received support from three bodies that implemented the measures;
- 0.05%, i.e. 12 enterprises, received support from all four bodies that implemented the measures.

The results of the analysis by measures are as follows:

- **Among the areas of activity, the proportion of enterprises that received temporary wage subsidy was the highest in accommodation and food service.** In 2020, temporary wage subsidy was granted to enterprises whose sales turnover and labour tax paid decreased more than average than for those who did not receive temporary wage subsidy. Their number of employees also decreased. This means that, in general, temporary wage subsidy reached enterprises that were hit harder by the crisis.

- **Accommodation and catering enterprises accounted for the largest share of enterprises who received support through the crisis measures of Enterprise Estonia.** In 2020, crisis support of Enterprise Estonia for enterprises and tourism enterprises was also granted to enterprises whose sales turnover, labour tax and number of employees decreased, on average, more compared to 2019 than for those enterprises that did not receive crisis support.

- **Accommodation and catering enterprises received the most extraordinary loans and loan guarantees from KredEx.** With regard to enterprises that received extraordinary loan guarantees and loans from KredEx in 2020, it can also generally be concluded that the enterprises that benefited from the crisis measures saw, on average, a steeper decrease in sales turnover and labour tax paid in 2020 than those who did not receive support from the measures.

- **Agricultural, forestry and fishing companies constituted the largest number of enterprises that received extraordinary loan guarantees and loans from the Rural Development Foundation.** This area of activity was less affected by the crisis in 2020, and enterprises that received support even saw, on average, a smaller decrease in the sales turnover than the enterprises in the same area of activity that did not receive support from the measures. As a whole, too, excluding areas of activity, the average decrease in the sales turnover in 2020 for enterprises that received support from the measures of the Rural Development Foundation was smaller than for enterprises that did not receive support from the measures.

More detailed results of the analysis are published as interactive visualizations on the website of the National Audit Office:
https://www.riigikontroll.ee/Auditeeritavaile/Interaktiivsedtabelidjajoonised/tabid/313/ItemId/1310/amid/930/language/et-EE/Default.aspx

Other work of the National Audit Office related to crisis measures

The National Audit Office has also addressed crisis measures in the following papers:

- 29 September 2020 – “Brief overview of the implementation of crisis measures of the Rural Development Foundation”, see https://www.riigikontroll.ee/tabid/206/Audit/2511/language/et-EE/Default.aspx

- 5 October 2020 – “Overview of the use of the emergency reserve for COVID-19 by the Government of the Republic as at 31 July 2020”, see https://www.riigikontroll.ee/tabid/206/Audit/2512/language/et-EE/Default.aspx

- 25 November 2020 – “KredEx extraordinary measures for companies to relieve the impact of corona crisis”, see https://www.riigikontroll.ee/tabid/206/Audit/2517/language/et-EE/Default.aspx

- “Procedure for loan applications related to the corona crisis at the Rural Development Foundation and KredEx” will be completed in the first half of 2021.