

Strategic Activity Plan of Enterprise Estonia for

2019–2023



The Republic of Estonia celebrated its centenary in 2018 and, since the re-independence of Estonia, the economy of the country has been developed further for nearly 30 years now.

Estonian economy has undergone a huge leap since the restoration of independence. Driving forces in that development have been open economy and minimal state intervention. Accession to the European Economic Area and to the European Union provided a significant boost for economic growth.

Over the past three decades, economic policies of developed countries have undergone a number of changes: the open globalisation policies, which prevailed at the end of the last century, are currently combined and being replaced by protectionism. Thanks to its openness, Estonia has benefited greatly from the globalised economy – our economy is flexible, as well as responsive. However, as the principles of world economy are changing, we should be ready for changes as well.

Natural resources, which once served as the basis for wealth, are losing their importance. Countries are competing with one another, both for capital and labour force. In fact, competition between countries has never been as fierce as it is today – they offer both tax incentives and direct aid – anything to attract new economic beacons to the country.

Like all other countries, the Republic of Estonia also influences the behaviour of enterprises. This applies to everyone equally in the form of mandatory taxes and regulations established for everyone, but also selectively when financial support is directed to certain types of entrepreneurship or activities. Selective support should serve the society as a whole and the benefits to the society ought to be clear and measurable. Our goal is to develop Estonian export, foreign investments and tourism.

The main pillars of the activities of Enterprise Estonia, for the development of export, foreign investments and tourism, also include the following three key topics: (a) Estonia's reputation abroad, (b) the innovation readiness and courage of enterprises and (c) making the right choices when distributing the limited resources of a small country. One of the key elements of making the right choices is the availability of high-quality information and the ability to analyse it within the industries and at the level of the value chains of industries.

The aim of this document is to place the aforementioned topics in the context of business development, propose the models and principles on how the state could intervene in entrepreneurship and set strategic and operational benchmarks that can be reached through systematic work.

It is clear that everything cannot be and should not be done by Enterprise Estonia. Nevertheless, Enterprise Estonia is one of the most important institutions serving the Republic of Estonia in the ever-increasing world economy race for talents and jobs.

Good luck and more power to you!

Erki Mölder
Chairman of the Supervisory Board

FOREWORD

The Estonian economy has reached the next development stage – in the context of old economic models changing, the contribution of Structural Funds decreasing and international competition increasing, Estonia is faced with new challenges. The challenge is to make the economy more knowledge-intensive, to ensure faster and yet sustainable growth of added value and to find new markets. The key factor here is cooperation between enterprises, business organisations and the state.

The mission of Enterprise Estonia is “Building a successful Estonia!”.

Our vision is to help improve Estonia’s position in the World Economic Forum’s Global Competitiveness Report. In the issue of 2017–2018, Estonia ranked the 29th place among 137 countries. We will contribute to this, first and foremost, through the promotion of innovation and the development of entrepreneurial business models.

In order to implement this vision and solve challenges, Enterprise Estonia shall focus on three fields of activity: increasing export, attracting foreign investments and increasing tourism revenue. Enterprise Estonia will transfer activities of the fourth field of activity – distribution of regional subsidies directed mainly to the public and third sector – to the State Aid Department in the fall of 2018, and will from then on focus more on activities directly related to the development of entrepreneurship. We want to ensure that our clearer focus and higher ambitions enable enterprises to benefit more from cooperation with Enterprise Estonia, achieve better economic results and create smarter jobs in Estonia.

Enterprise Estonia has planned its strategic activities for the coming years by taking into account development documents of the state, including “Estonian Entrepreneurship Growth Strategy 2014–2020”, “Estonian Tourism Development Plan 2014–2020” and the Estonian Competitiveness Programme “Estonia 2020”. The validity period of those documents ends in 2020. As the Strategic Activity Plan of Enterprise Estonia covers a lengthy period, additions may be made to this document in the future, in the light of new national strategies. The Strategic Activity Plan is an umbrella document for the annual activity plan of Enterprise Estonia, which set annual objectives and activities by sectors, as well as cross-organisational priorities. All these documents, in turn, form the basis for developing the terms and conditions of support measures and services. Financing

for the grants and services of Enterprise Estonia is established in annual contracts signed with ministries. The use of the structural assistance budget will be based on the 2014–2020 structural assistance implementation plan and list of measures.

The Strategic Activity Plan is focused on those activities the planning and implementation of which is in the power of Enterprise Estonia; however, for the success of the activity plan, it is necessary to see and integrate activities that are in the jurisdiction of partners as well. In the activity plan, we have been guided by achieving the main objective of the business growth strategy, which is productivity growth, and that of the tourism development plan, which is increasing the number of tourists. In addition, we take into account industrial policy activities, national business diplomacy directions and other policies developed by the Ministry of Economic Affairs and Communications.



The role of Enterprise Estonia is explained by visions in three fields – export, foreign investments, tourism – and the value chains, i.e. flywheels, that help bring those visions to life (see Annex 1). The three value chain models depicted in the document function towards increasing added value. By conducting the activities in a chain in a coordinated, repeated and high-quality manner, it is possible to move faster towards achieving the goal – increasing added value.

We will be taking a clearer direction in enhancing **export** – our activities shall have less duplication with the private market and increased focus on developing more complex products and services and helping enterprises enter foreign markets. We shall improve our market and business analysis capabilities, which will help provide more detailed data analysis that also takes into account the potential of specific businesses. This provides clients with the information necessary to enter and expand on foreign markets. In the field of export, the most important thing in the future will be to contribute to the diversification of export, in terms of sectors and geographically as well. Pursuant to its goals and portfolio of measures, Enterprise Estonia shall support exporting enterprises according to their needs throughout their entire value chain, both in Estonia and abroad. The goal is to help increase the number of exporting enterprises, the added value of which exceeds the average, by two-fold.



Foreign investments help to diversify the Estonian economy, open new export markets and bring new knowledge to Estonia. New enterprises create new jobs. At the same time, the inflow of foreign investments is a good indicator of the competitiveness of our economic environment. The role of Enterprise Estonia is to regularly collect, systematise and provide information to policymakers about problems of the economic environment and to participate in developing solutions to eliminate bottlenecks and increase Estonia's international competitiveness. An important goal is to move upward on the global value chain, attracting investors who are interested in sectors in which Estonia has value offers with competitive advantages. It is equally important to increase the quantity and quality of our contacts with potential investors. We are actively increasing the number of visits by potential investors to Estonia in order to bring more investments to the country. We also need to help

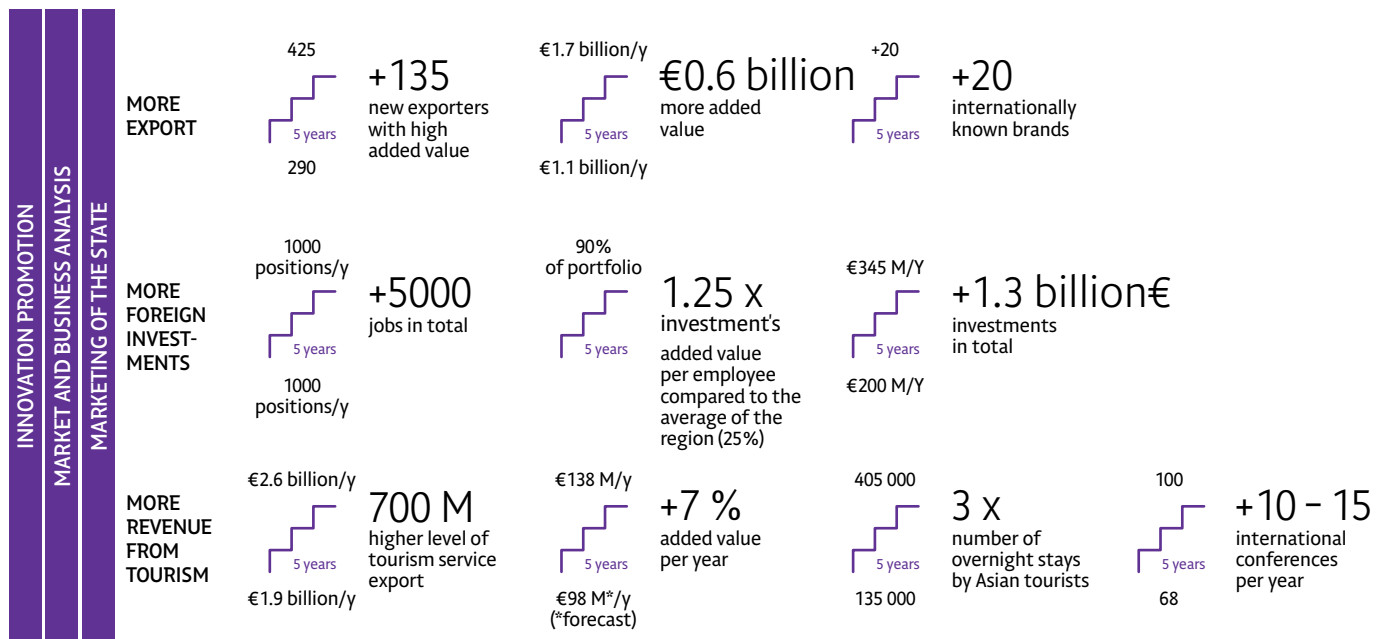
existing investors in business development. The goal is to bring 1.3 billion euros worth of foreign investments to Estonia within five years; those investments are to create over 5,000 jobs with high added value across Estonia.

The development of **tourism** can be viewed from two vantage points. Firstly, we need the attention of potential visitors and their desire to travel to Estonia. To this end, the state must support innovative and distinctive tourism products and services, be it tourist infrastructure or popular events. Secondly, we need to increase our capacity in those tourism fields where tourism revenue per capita is higher. In particular, this means developing business and conference tourism, including smart services. The goal is to increase the export of tourism services to 2.6 billion euros over five years and the number of international conferences to 100.

Provision of grants to Estonian enterprises will remain a task of Enterprise Estonia, but we do this in a smaller volume. After the transfer of the regional subsidies portfolio, which contains 14 support schemes and cross-border programmes, to the State Aid Department, we will continue providing grants to enterprises, business networks and the tourism sector.

Increasing export, attracting foreign investments and increasing tourism revenue are essential for the development of economy. It is necessary to understand that we face intense competition on export markets and all other countries are also striving to attract foreign investments and tourists. In order to move faster in these areas, it is necessary to increase the visibility of the Estonia and Estonian enterprises, to develop products and services, and to do it purposefully, systematically, and cooperatively. We have a number of success stories involving professional associations, for example, organising national joint stands and trade missions. At the same time, we can see opportunities for even closer cooperation with professional associations, other business and support organisations (KredEx, Archimedes, Innove, Environmental Investment Centre, etc.) as well as with universities. Working together on planning various programmes and activities helps us better understand one another's expectations and to prevent misunderstandings. Knowledge of professional associations concerning sectors and enterprises should become an important input for our activities.

Strategic objectives of Enterprise Estonia for 2019–2023¹



¹ Strategic objectives of Enterprise Estonia are updated according to council decision on Dec 18th 2019. Strategic objectives are reviewed annually based on changes in the economic environment

ENTREPRENEURSHIP AND EXPORT

One of the biggest challenges for the Estonian economy is to move from among countries with average added value² towards countries with high added value. To this end, Estonian enterprises need to develop more sophisticated products, provide more expensive services and expand their operations in foreign markets. Therefore, the two main market failures that Enterprise Estonia deals with are the lack of product development³ and export concentrated on certain markets⁴. All activities planned for the business and export value chain are aimed at mitigating these failures. In order to ensure sustainable economic growth, enterprises need to win (international) markets in order to grow profits, pay higher wages and invest more. All that increases the added value and innovation capacity of enterprises.

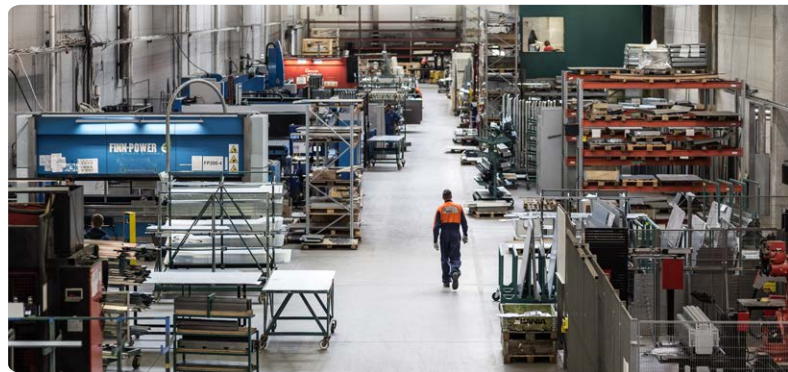
Vision and goals

The vision of the Trade Development Agency of Enterprise Estonia is to increase the number of exporting enterprises with high added value by half within five years.

Goals:

1. We will help to increase the number of enterprises with high added value by half, i.e. to 425 enterprises (the base level in 2018 is 290 enterprises, see Figure 1);
2. We will help increase the added value created by enterprises in the client portfolio of Enterprise Estonia by 120 million euros on average per year (target level +0.6 billion euros within five years, the base level in 2018 is 1.1 billion euros).

We shall focus on enterprises that have reached the development stage where they have ambition and readiness to undergo a significant development leap in their business model, markets, product development or processes. These enterprises are characterised by the will to implement their growth plans, increase their export turnover and added value of the enterprise. These are enterprises who are developing their products or services. Enterprise Estonia can provide them with



significant support, both in terms of seeking out contacts and financing development plans.

Our main measure for supporting enterprises in recent years has been the Enterprise development programme. Over 100 enterprises have benefitted from that measures; those enterprises conduct activities with the support of grants and services pursuant to a development plan compiled in cooperation with Enterprise Estonia. Enterprises participating in the development programme can realise their plans in a comprehensive way for a longer period of time and, for example, deal with production, product or sales development. The average export sales revenue of an enterprise participating in the development programme is 4 million euros. The most prominent enterprises participating in the development programme are Cleveron, Baltic Workboats, Magnetic

² In the future, we will simplify the added value of entrepreneurship to an enterprise's business profits with labour costs and depreciation of fixed assets.

³ The productivity of Estonia is 71.4% of the EU average. 70% of export is made up of components and prepared products (the EU average is 65%).

⁴ 53% of export is directed to five countries. In terms of change of export price, we place on the 16th spot in the European Union. We have lost positions within 7 years.

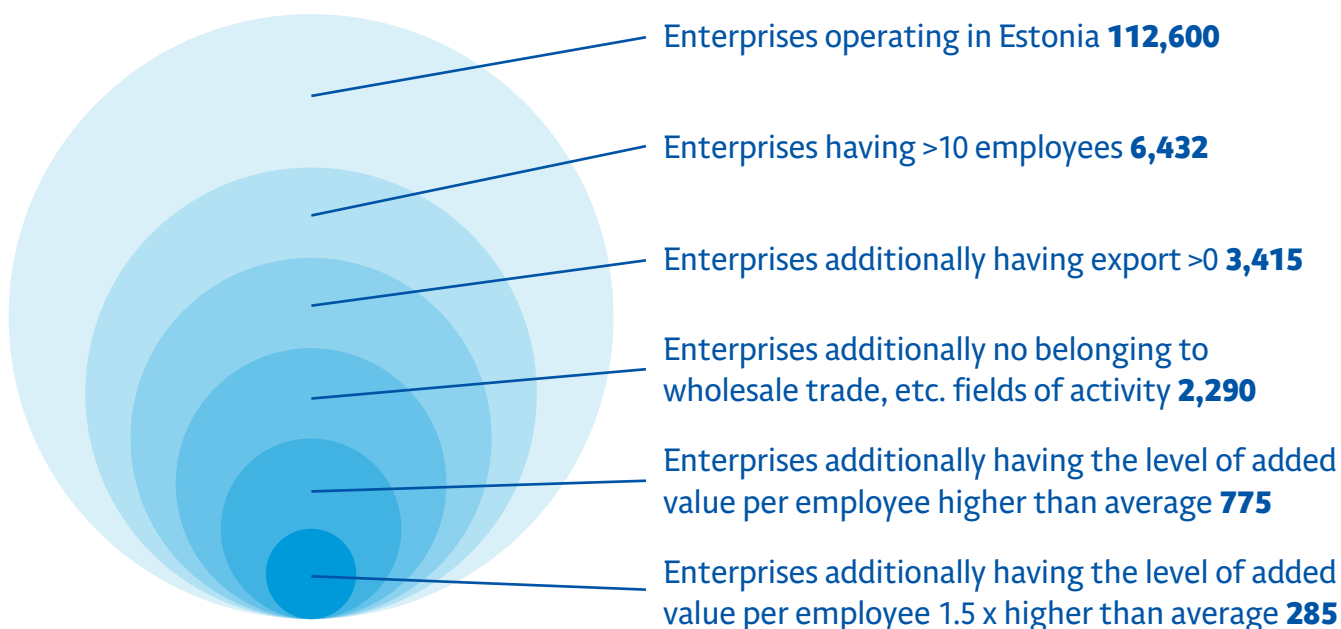
MRO and Saaremaa Piimatööstus. These enterprises are characterised by the fact that all of them have launched a product or service under their name. Additionally, there are enterprises in the development programme who aim to grow two- or three-, even four-fold within three years. The forecast for total sales revenue of enterprises participating in the development programme in 2018 is around 1 billion euros in 2019.

In addition to the development program, Enterprise

Estonia provides support to enterprises in digitising the industry, targeting export partners, participating in trade missions and fairs, recruiting external specialists, advising concerning intellectual property and many other areas. More information on all the services and grants that we offer can be found on our website www.eas.ee.

The figures below illustrate the export forecasts of exporters with high added value, their percentage and the aggregate profile of target markets.

Figure 1. Enterprises with high added value in Estonia (285 enterprises)



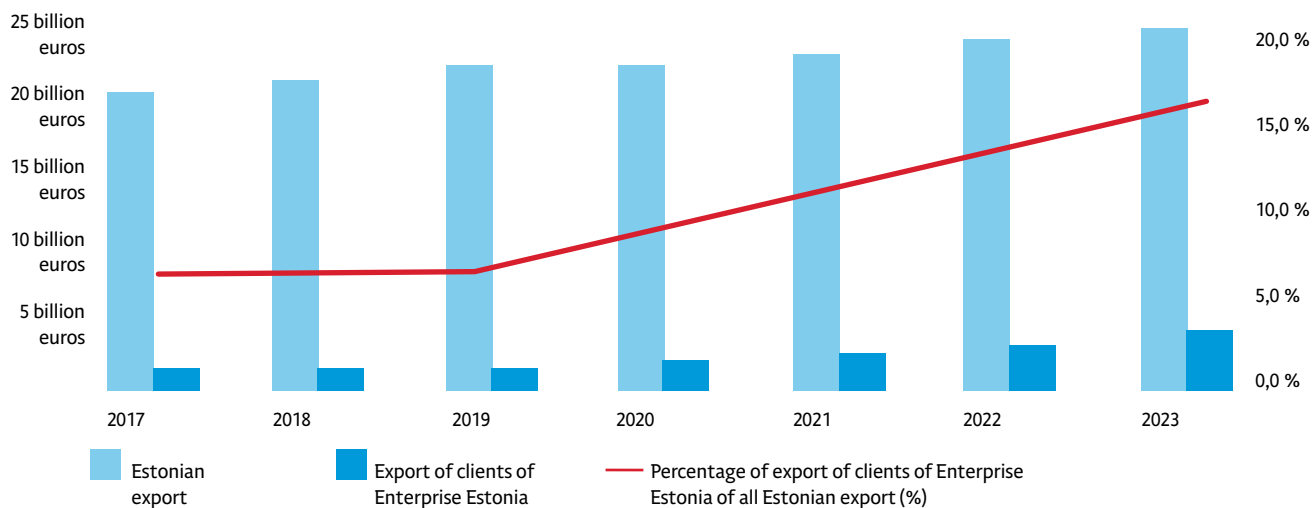
Sources: Commercial Register, calculations by Enterprise Estonia, based on data from the Commercial Register.

Figure 2. Share of enterprises with high added value in the Estonian economy



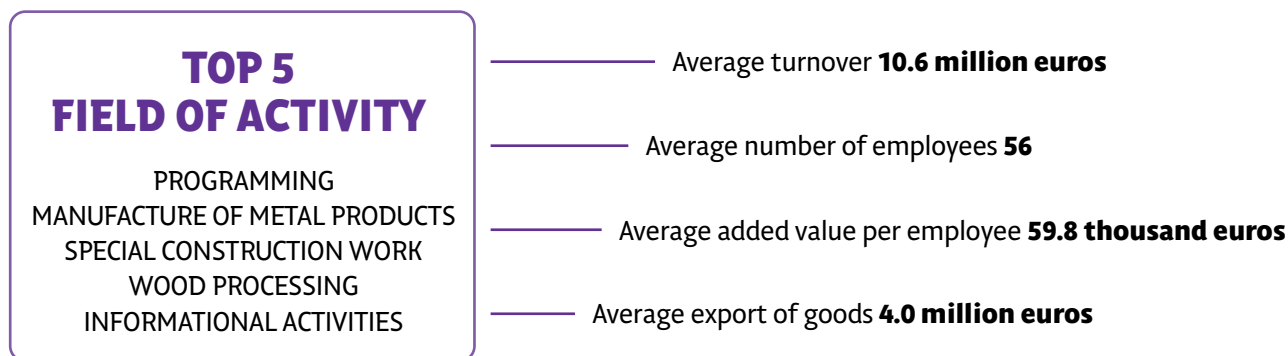
Sources: Commercial Register. Calculations by Enterprise Estonia, based on data from the Commercial Register.

Figure 3. Growth forecast of Estonian export and the forecast export growth of clients of Enterprise Estonia until 2023



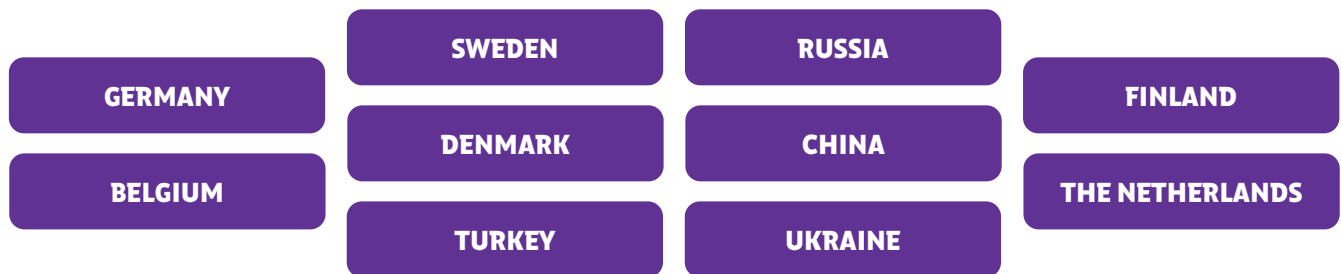
Sources: Commercial Register, forecast by Enterprise Estonia, based on data from the Commercial Register.

Figure 4. Examples of an average enterprise in the target group of Enterprise Estonia



Source: Study on Estonian export potential, T. Tänav, 2018.

Figure 5. Conquest of new markets by successful Estonian exporters, 2016 vs 2015 (TOP 10).



Source: Study on Estonian export potential, T. Tänav, 2018.

Cooperation with enterprises and professional associations

In developing services and planning our activities, we will closely cooperate with representative organisations of businesses and professional associations, who have the necessary know-how and market awareness concerning economic barriers and opportunities. We shall use this information when developing our new services and growth programmes and when entering new markets.

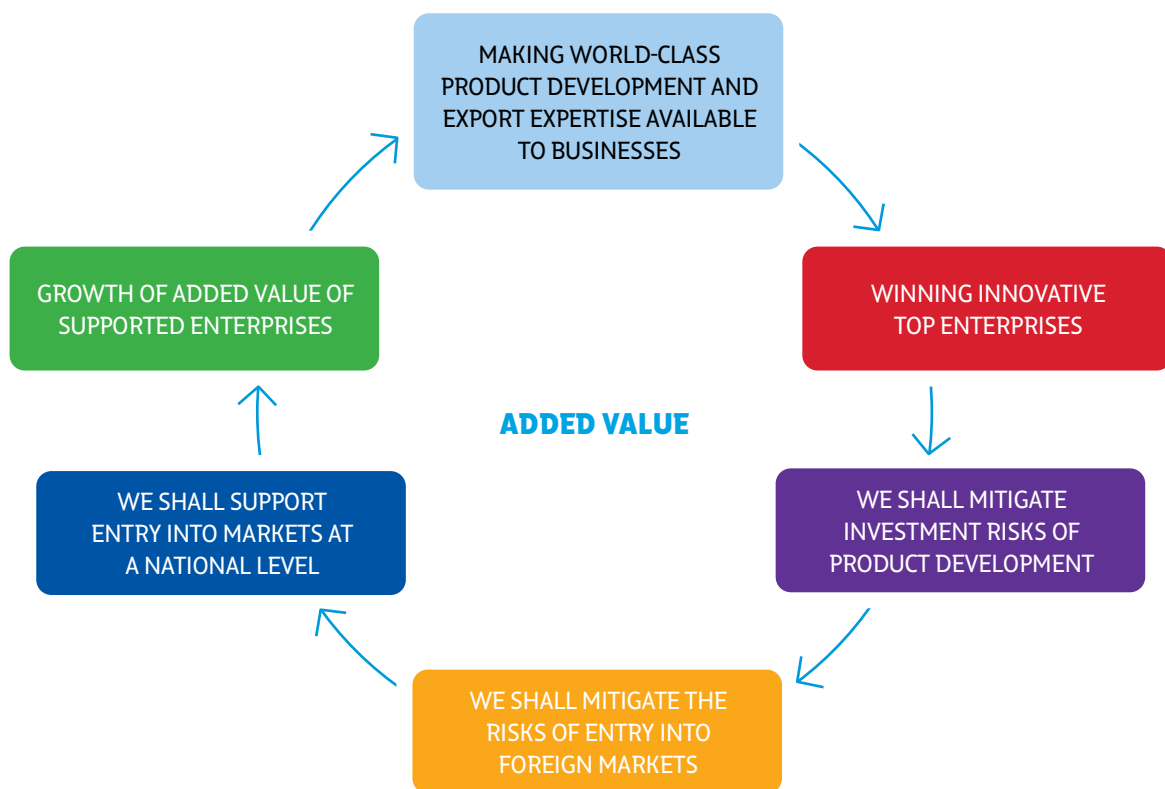
Cooperation with other similar organisations abroad

We will also learn best practices from other export agencies. We will be aware of their services and maintain direct contacts with the aforementioned organisations. The countries with which we are more closely connected are Finland, Norway, Ireland, New Zealand and Sweden. Those countries have well-functioning organisations, the experiences of whom we have a lot to learn. We want to put those lessons into practice.

Our activities

Our activities for increasing added value in the business and export value chain are divided into six directions (see Figure 6). Generally, the directions can be summarised with two key phrases – support for export and product development. We help identify key issues that hamper the achievement of success by enterprises and support them in tackling those problems. We support upwards movement of enterprises in the value chain, which results in the emergence of products sold by their brands, those products shall be successful internationally as well. Activities aimed at foreign markets are closely linked to directions of state diplomacy; said activities should help fulfil the main goal of business diplomacy, which is the faster growth of Estonian export, compared to the average in the European Union.

Figure 6. Export value chain



In the export value chain, there are fields of activity in which enterprises often lack the financial resources, knowledge or time to deal with the field. The challenge here is to find high-level product development and export competence, as well as relatively high costs and risks in product development and entry into export markets. This is where the private sector and the state have an opportunity for great cooperation.

The table below (see Table 1) highlights the main elements of the business and export value chain and briefly describes their content. The main challenges of export activity and the goals set to itself by the Enterprise Estonia have also been outlined.

Table 1. Main parts of the business and export value chain, the content and objectives thereof

ACTIVITY	CHALLENGE ⁵	OBJECTIVE	EXPLANATION
Growth of added value of supported enterprises	The low added value of Estonian enterprises (71.4% of the EU average in Estonia. For comparison, that indicator is 65.1% for Latvia, 71.8% for Lithuania, 108.5% for Finland, and 100% for the European Union).	The added value of clients of Enterprise Estonia will have increased by 1 billion euros (base level 0.6 billion euros per year, the target level for 2023 is 1.7 billion euros per year).	We shall develop a complex grant for enterprises. This will help distribute investing risks related to development activities in areas where enterprises themselves see the greatest opportunities for development. The complex grant shall enable enterprises to increase their innovation capacity. We shall conduct training programmes for enhancing product development, design and digitalisation. In addition, we shall offer diagnostic tools for identifying development obstacles and opportunities, with the help of experts involved. With our help, shall be able to gain contacts and cooperation opportunities for supporting their activities.
Making world-class product development and export expertise available to businesses	Shortage of qualified workforce.	The clients of Enterprise Estonia will have got involved 150 top-level specialists with product development and export expertise.	We shall provide enterprises with internationally experienced experts who can help them discover opportunities arising from new technologies. Those experts shall bring knowledge about new technologies and trends to the enterprises. With the help of external experts, we shall help design, digitise and deliver products to foreign markets through growth programmes.
Winning innovative top enterprises	Lack of innovation.	We shall have 800 enterprises in active client management. The share of enterprises with high added value in the Estonian economy will have grown from about 290 to 425. Those enterprises shall include innovative top enterprises.	We shall create tailor-made solutions for enterprises for developing new products and services; we shall also provide personalised assistance to the most innovative enterprises, who do not need help from Enterprise Estonia with other matters, for example, participation in business delegations, mediation of foreign purchase requests or organising contacts with partners on external markets. We shall enable enterprises to introduce their innovativeness and thereby get positive attention. In addition, we shall advise enterprises and research institutions on issues related to intellectual property commercialization.
We shall mitigate investment risks of product development	70% of export is made up of components and prepared products (the EU average is 65%).	The investment risks associated with enterprises' product development will have been mitigated. 100 clients of Enterprise Estonia will have launched a new product on the market within 5 years. In 2023, there will be 20 enterprises that are among the TOP 5 in their field in Estonia.	We shall provide experts to enterprises who understand the development needs of enterprises, can introduce cooperation options with research institutes and offer solutions for finding partners that promote product development. Product development grants will help enterprises create prototype and test them on the market. With different digitalisation services, enterprises will be able to assess and substantially improve processes that make production more efficient, to create prerequisites for product development and moving higher in the value chains.

⁵ The challenges originate from various studies and client interviews.

ACTIVITY	CHALLENGE	OBJECTIVE	EXPLANATION
We shall mitigate the risks of entry into foreign markets	Entry or expansion on foreign markets, sharing risks.	The risks of entry into foreign markets will have been mitigated. Companies using Enterprise Estonia services will have increased revenue from foreign markets by 67 million over the course of five years. Enterprises will have entered markets that are new to them.	We shall provide enterprises with assistance from export advisers of Enterprise Estonia regarding entry to new markets, understanding the business environment and finding contacts. In doing so, we will expand the network of export advisers, which is in line with the directions of business diplomacy.
We shall support entry into markets at a national level	Lack of a contact network abroad.	The clients of Enterprise Estonia will have entered markets and export sales revenue will have increased by 105 million euros per year on average. Over five years, export sales revenue will have increased by 525 million.	We shall develop growth programmes for conquering various markets and for internationalising sectors. Growth programmes shall bring together a variety of systemically related activities aimed at succeeding in foreign markets. We shall offer opportunities to enterprises for participating in foreign fairs and shall organise national joint stands at international fairs, towards which Estonian enterprises show the most interest. Several Estonian enterprises will be able to introduce themselves on a national joint stand. We shall provide enterprises with market information and analysis regarding foreign markets. We shall be committed to introducing the successes of the Estonian business environment and enterprises in foreign countries; the aim of this is to enhance the reputation of the Republic of Estonia, thereby helping Estonian enterprises sell their products and services better.

Source: ENTERPRISE ESTONIA.

In order to carry out the activities described in the table above, Enterprise Estonia will have to invest 39 million euros per year. The goal is to achieve a 0.6 billion increase in added value over 5 years and increase the number of exporters with high added value by half, which is estimated to increase from around 290 to around 425.

Examples of the work of the Trade Development Agency of Enterprise Estonia:

Cleveron AS

The enterprise's field of activity is the development, production and sale of self-service solutions (hardware, software and business model) for sending and receiving parcels. Their vision is to be the world's leading developer and seller of technology for parcel mediation. In the recent years, Enterprise Estonia has been providing assistance to the enterprise with entering foreign markets, using the services of export advisers in the United Kingdom, Denmark, France, Norway, Sweden, Germany and Singapore, to do so. The enterprise has participated in the business delegation of the Estonian Prime Minister visiting the United States and participated in joint stand at the Smart City fair. The enterprise uses the development programme of Enterprise Estonia to implement its ambitious plans. This is a key client of Enterprise Estonia.

Saaremaa Piimatööstus AS

The enterprise's field of activity is the purchase of milk and producing cheese and milk from it. This is one of the most modern industries in Estonia and it employs nearly 90 people. In the recent years, Enterprise Estonia has been providing assistance to the enterprise with entering foreign markets, including conducting a background check on the export partner in the Asian market. The enterprise has used export advisers of Finland and Sweden. The enterprise has visited a fair in Japan and participated in a joint stand at a fair in Germany. Additionally, the enterprise uses the development programme of Enterprise Estonia to implement its ambitious plans. This is a key client of Enterprise Estonia.



FOREIGN INVESTMENTS AND ACTIVITIES ON FOREIGN MARKETS

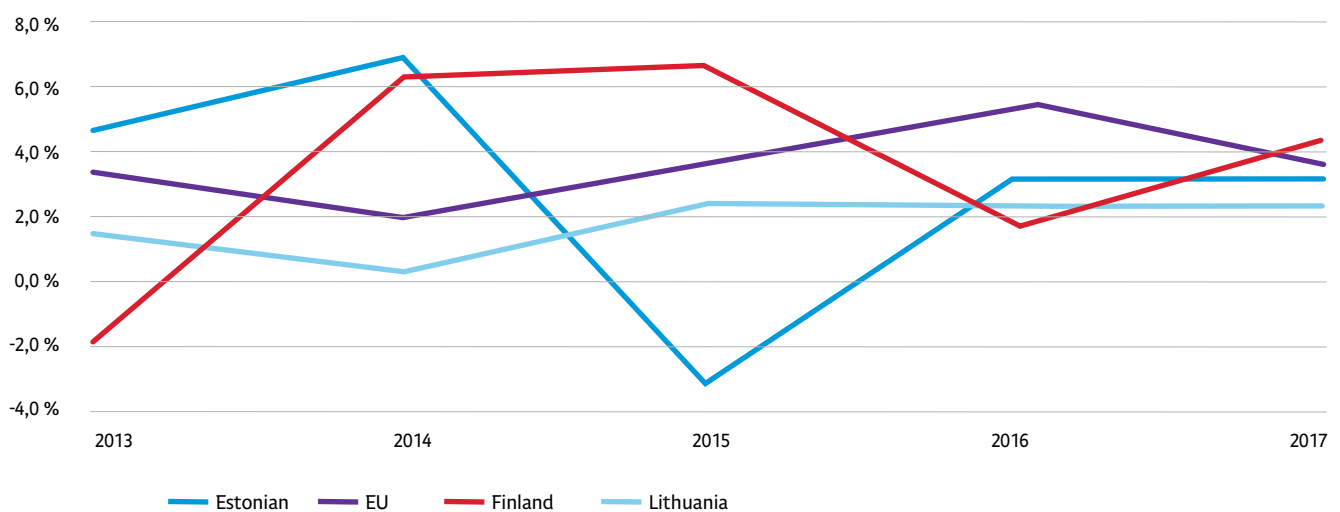
The main goal of the Foreign Investment Centre of Enterprise Estonia is to bring more foreign investments that increase added value to the economy of Estonia. In the case of such investments, competition is fierce and in Estonia, the market failure is a lack of recognition of the country as business environment. In order to boost Estonia's success in attracting investments, the Foreign Investment Centre of Enterprise Estonia needs to reach more enterprises and investors than ever before with its sales activities. The focus is on finding the most capital-intensive projects and finding the best location for projects all over Estonia. By creating and presenting sector-based value offers, we can bring investments in Estonia that increase the competitiveness of the country faster.

The main clients of the Foreign Investment Centre of Enterprise Estonia are international enterprises and foreign investors who wish to expand their business and who could consider Estonia as an expansion location, as well as foreign investors who want to invest in Estonian enterprises. We focus on investments with a high level of information and communication technology. The business activities of clients of the Foreign Investment Centre in Estonia are mainly focused on export.

In the case of new investments, the investor usually takes into account the higher than average costs of the market and, consequently, the value added by the

enterprise must be higher than the average of the sector. With investments, enterprises also bring along new business partners, innovative business models and open new export markets. As a rule, enterprises starting operations in Estonia implement the latest technological solutions, which help to keep the productivity as high as possible. Focus is directed to higher productivity and faster export growth, compared to the EU average. Foreign investments are also important in terms of security, as the source countries of investment are interested in protecting their investments. Trends of recent years have been included in the following figure (see Figure 7).

Figure 7. Share of foreign investments of GDP in Estonia and in neighbouring countries



Source: World Bank.

Vision and goals

The vision of the Foreign Investment Centre of Enterprise Estonia is to bring 1.3 billion euros worth of foreign investments into Estonia over five years, which will create over 5000 high added value jobs here. We will impact, by way of gradual growth, the share of foreign investments to reach 5% of GDP, which corresponds to the aims of business diplomacy. In 2018, Enterprise Estonia will contribute an estimated 180 million euros of foreign investments made to Estonia as a result of activities of Enterprise Estonia, the goal is to contribute 345 million euros per year.

Goals:

1. The estimated capital expenditure (CAPEX) of newly established and expanding enterprises shall amount to 345 million euros per year (the base level in 2019 is 200 million euros);
2. These enterprises forecast the creation of at least 1,000 high added value full-time jobs each year over the next five years (the base level in 2018 is 1,000 new jobs).

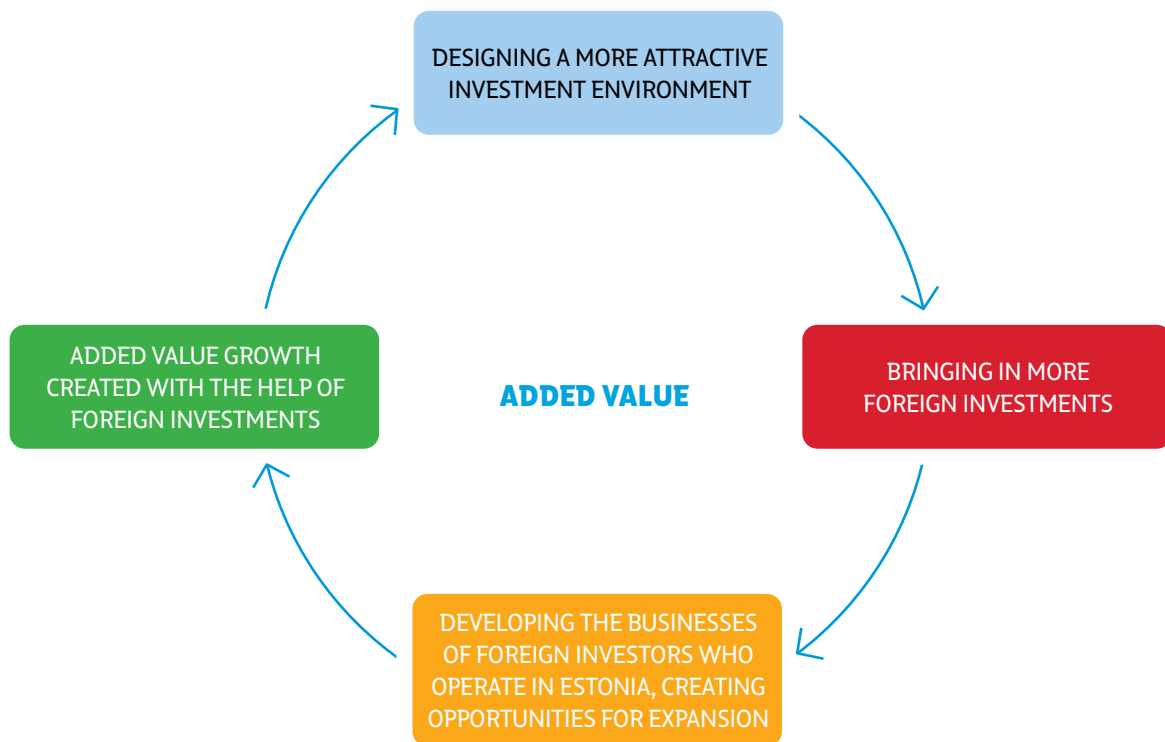


Our activities

International competition in attracting investments has increased multi-fold over the last 15 years. In addition to sales activity for getting new investments, we shall also be engaged in developing the businesses of existing and potential investors, helping to find solutions tailored to their needs in cooperation with the public and private sector.

The added value of foreign investments is enhanced by activities in the next value chain (see Figure 8).

Figure 8. Value chain of foreign investments



The Foreign Investment Centre must take into account and analyse the business environment conditions potentially subject to change and, if necessary, modify the operating models. We shall consider and, if appropriate, apply different ways of earning income. To measure our performance, we shall measure and forecast the tax revenue of the additional jobs that result from investments.

The table below (see Table 2) highlights the main elements of the foreign investments' value chain and describes their content in brief. The main challenges of attracting investments and the goals set to itself by Enterprise Estonia have also been outlined.

Table 2. Main parts of the foreign investments' value chain, the content and objectives thereof

ACTIVITY	CHALLENGE ⁶	OBJECTIVE	EXPLANATION
Added value growth created with the help of foreign investments	Shortage of workforce that provides high added value.	The added value created with the help of the Foreign Investment Centre shall be 1.25 times higher than the regional average.	Employees with specific knowledge help to create higher added value, therefore, the availability of qualified workforce is one of the major drivers of investment. We shall increase the number of highly qualified experts in Estonia through the "Work in Estonia" programme, as well as in cooperation with educational institutions, professional associations and many other organisations.
Designing a more attractive investment environment	International competitiveness of input prices (including energy), bottlenecks in the portfolio of financial services, long-term competitiveness of the tax environment, updating regulations of the business environment.	A more attractive investment environment.	In addition to the main activity – continuously marketing the Estonian economic environment and business opportunities – we shall also analyse Estonia's strengths and weaknesses. In terms of identifying bottlenecks, we shall be making regular proposals to the Government of the Republic of Estonia to amend the legislation in order to improve the investment environment. We shall be working to ensure that the state's financial support in support of foreign investors goes to a field that will create more new added value in Estonia (R&D and engineers).
We shall mitigate more foreign investments	International competition for attracting foreign investments has increased five-fold, yet Estonia has a low level of recognition (with the exception of e-government).	More foreign investments. Foreign investments will be at least 5% of GDP. The collateral impact shall be the faster growth of export unit price, when compared to the EU average.	We shall focus on active sales, as a result of which, we will reach new potential investors and will thus increase the volume of foreign investments. To do this, we will develop networks in the target markets to reach decision-makers. In addition, we shall organise annual high-level visits to countries where we have, over long-term investigation, identified greater potential of finding investors, but where Enterprise Estonia does not have a permanent foreign representative. The goal is to increase the number of investor consultants abroad, which is also in line with the directions of business diplomacy. In the sales process, we shall strive to invite potential investors to Estonia for a visit, as this makes it possible to demonstrate local opportunities and benefits.
Developing the businesses of foreign investors who operate in Estonia, creating opportunities for expansion.	Enterprises lack information on the possibilities to expand their activities in Estonia, and cooperation with local governments and the state needs improvement.	Developing the businesses of foreign investors in Estonia, creating opportunities for expansion.	As more than half of the new foreign investments come from enterprises operating in Estonia, we will continue active communication and cooperation with representatives of enterprises that have already invested in Estonia, in order to identify new development opportunities and support them in business development, which in turn will result in additional investments.

Source: ENTERPRISE ESTONIA.

In order to carry out these activities, the state shall invest into the activities of the Foreign Investment Centre of Enterprise Estonia in the amount of 13.8 million euros per year (a total of 69 million euros by 2023). The investments are forecast to reach 345 million euros per year (a total of 1.3 billion euros by 2023)

⁶ The challenges originate from various studies and client interviews.

Business diplomacy and cooperation with politicians

We shall collect and provide policy makers with feedback from investors on the problem areas of the economic environment; we shall also propose solutions to ministries and government. Enterprise Estonia shall contribute to achieving the goals set in terms of directions of business diplomacy in cooperation with the Ministry of Foreign Affairs and with embassies. In

countries where both the Ministry of Foreign Affairs and Enterprise Estonia are represented, joint goals and action plans have been agreed upon, which will also improve the division of labour between the two partners, allowing them to better achieve their goals. In cooperation with honorary consuls, we will ensure that they have the best information available to represent Estonia in destination countries.

Examples of work of the Foreign Investment Centre of Enterprise Estonia

1. A Chinese enterprise, Guangzhou Hangxin Aviation Technology purchased a 70% holding in Magnetic MRO, an enterprise deemed to be the enterprise of the year in 2017. The parties interested in cooperation were brought together by the Foreign Investment Centre of Enterprise Estonia. The Chinese enterprise made an inquiry to Enterprise Estonia in July 2017, our investor consultant then identified an appropriate market for them and set them up with Magnetic MRO. Our role in the future is to contribute to the digitisation of services and products and the creation of additional jobs. We have agreed to further cooperate with Estonian private and public sector organisations, including the University of Tartu and Tallinn University of Technology, for the purposes of product and service development.

The project resulted in a foreign investment of 43 million euros.

2. The expansion of the port of Hamburg (HHLA) in Northern Europe through the purchase of holding in an Estonian enterprise. The role of Enterprise Estonia has been to identify the needs of the enterprise and find partners in Estonia, make

value offers and organise meetings. Our role in the future will be to digitise the services of the port of Hamburg, which we are doing in cooperation with Estonian IT enterprises, and to contribute to the growth of additional infrastructure investments and job creation.

The project resulted in a foreign investment of 50 million euros.

3. CoinMetro, a Hong Kong-based enterprise, expanded its activities and selected Tallinn as its European base. The enterprise's network of partners recommended that they use the investor service offered by the Foreign Investment Centre of Enterprise Estonia. The role of Enterprise Estonia has been to introduce the Estonian business environment, regulations concerning the founding of an enterprise and concerning cryptocurrency, tax consultancy, options of lease space and availability of labour, and the mediation of contacts.

The forecast result of the project is an investment of 12 million euros and the creation of 50 new jobs.

ESTONIA AS AN ATTRACTIVE TOURISM DESTINATION

One of the major challenges facing Enterprise Estonia is to enhance the reputation of Estonia as a tourist destination and to facilitate the provision of innovative tourism products. In the field of business tourism, the insufficient number of flight connections and the lack of a large conference centre are obstacles for growth. In order to attract more tourists to Estonia, to have them stay here longer and spend more, tourism products and services need to be developed constantly.

According to the data of 2018, there are three times as many international direct connections (around the year) from Riga as there are from Tallinn; Vilnius surpasses Tallinn in that regard by 1.8 times. According to data from the Tallinn Airport, every euro invested in flight connections will bring at least a 5-fold return to the state in the form of income expenses incurred by incoming passengers.

According to a survey of Swedish travel agencies ordered by Enterprise Estonia⁷, conducted in December 2017, Swedish tour operators, who offer Estonia as a destination for enterprise events to business clients in Sweden, found that Estonia has a poor flight connection. They mentioned that the planes were too small to service corporate events and they were therefore forced to choose Riga as their destination instead of Tallinn.

The number of overnight stays of tourists from Asia in Estonia has increased by almost three times over five years⁸. This kind of growth is exceptional in the tourism sector and also indicates that investing in Asian tourism has been effective. Finland has 10 times as many overnight stays of Chinese tourists when compared to Estonia⁹. The development potential of Estonia is very high, given that the airport in Helsinki has excellent flight connections with Chinese airports.

According to data from the Estonian Convention Bureau, in the years 2008–2017, due to the lack of a sufficiently large conference centre, Estonia lost at least 40 major conferences (with 2,000 participants on average) to other destinations. This means around 80 million euros of tourism revenue lost to other countries due to not having a large-scale conference centre in Estonia.

Vision and goals

The vision of the Estonian Tourist Board of Enterprise Estonia is to increase the tourism export earnings to 2.6 billion euros over 5 years and the number of international conferences to 100.

Goals:

1. In cooperation with the tourism sector, we will increase our tourism export earnings to 2.6 billion euros per year (the base level of Estonian tourism export earnings in 2018 was 1.97 billion euros);
2. In cooperation with the tourism sector, we will increase the number of international conferences in

3. Estonia to 100 per year (the base level in 2017 is 68);
3. In cooperation with the tourism sector, we will increase the number of overnight stays of Asian tourists 3 times (the base level in 2018 was a total of 153 000 overnight stays of Asian tourists);
4. In cooperation with the Tallinn Airport, we will increase direct flights and frequencies of flights by way of marketing activities (base level for 2016–2017, three flight routes were added with the support of our activities).

⁷ static1.visitestonia.com/docs/3186739_rootsirk-uuring2017.pdf

⁸ www.puhkaeestis.ee/et/uuringud-ja-ulevaated/uuringud-valisriikides

⁹ static2.visitestonia.com/docs/3115550_hiina2016-17-uus.pdf

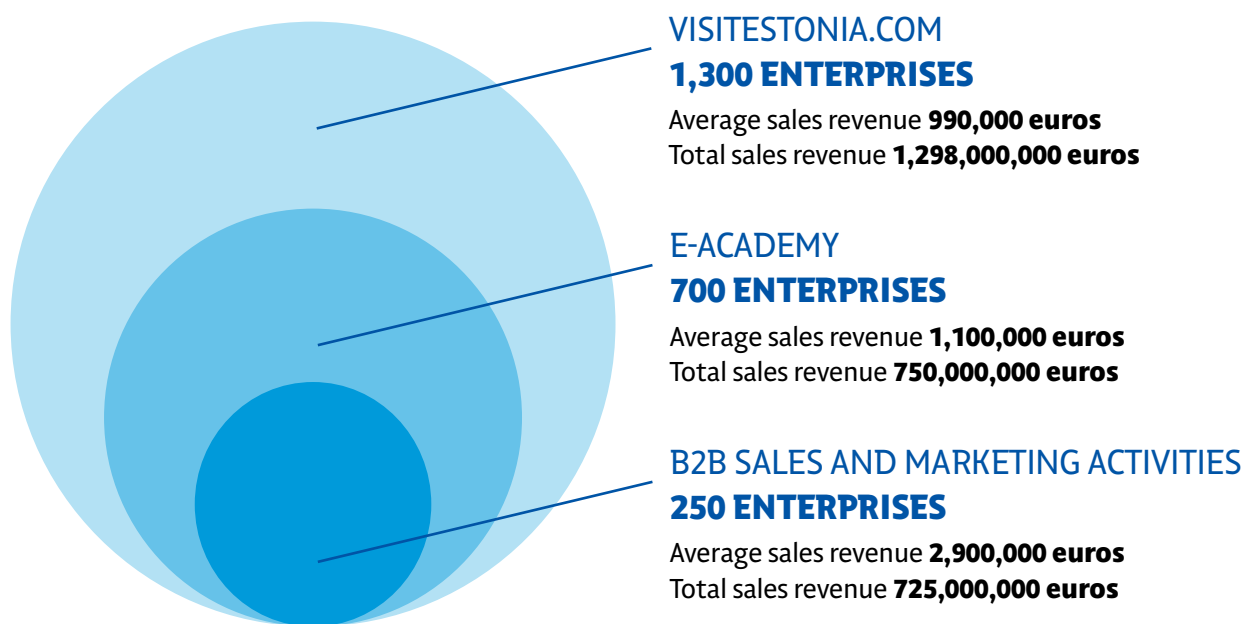


The main customers of the Estonian Tourist Board of Enterprise Estonia are Estonian tourism enterprises that want to grow on international markets and enterprises that are still looking to expand their operations to foreign markets. These enterprises include foreign enterprises (travel enterprises, accommodation establishments, active holiday and nature tourism enterprises, conference service enterprises, caterers, tour operator service providers, etc.), organisers of events and conferences, and tour operators who are already involved in various B2B sales and marketing activities. The sales of smaller service providers are supported by their promotion on the visitestonia.com portal, managed by Enterprise Estonia, and the opportunity to evolve through the e-Academy self-development programme. Both advertising and participation in the self-development programme

are important, as it is often the leisure options (attractions, sights and events) of smaller enterprises that attract foreign tourists to Estonia. Enterprise Estonia's cooperation with clients is based on the willingness of entrepreneurs to seize new market segments and increase their export turnover, which in turn will increase the added value of the tourism sector. Entrepreneurs, professional associations and destinations participate, in cooperation with the Estonian Tourist Board of Enterprise Estonia, in the implementation of foreign marketing activities and invest in innovative products and services.

The figure below (see Figure 9) describes the clients of the Estonian Tourist Board of Enterprise Estonia by activities and channels.

Joonis 9. EASi turismiarenduskeskuse kliendid tegevuste ja kanalite lõikes



Source: Enterprise Estonia and the Commercial Register.

We shall measure the added value of the following services: e-academy (self-development programme at the puhkaeestis.ee environment), B2B customers, major international events, support for the development of business models and family tourism attractions.

For the latter two, the activities are only about to begin and the more detailed amounts will be revealed in the coming years. Based on the data of 2016, the added value of the enterprises involved is about 86 million euros.

Cooperation with partners

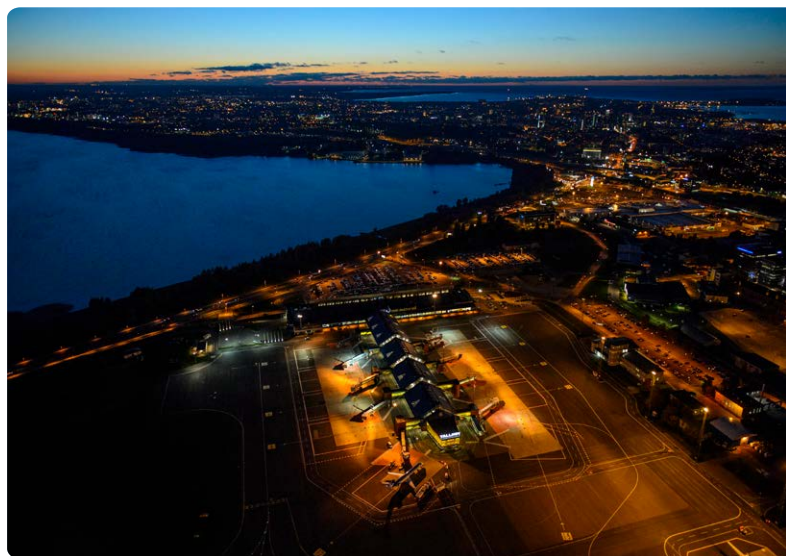
The Estonian Tourist Board of Enterprise Estonia will include representatives of destinations and professional associations in planning product design and marketing. Activities and marketing channels and a joint action plan for increasing tourism demand will be agreed upon.

The important partners of Enterprise Estonia, with regard to enhancing the reputation of Estonia as a destination for business tourism and to increase the number of international conferences in Estonia, are the NGO Estonian Conference Bureau (Eesti Konverentsibüroo MTÜ); City Governments of Tallinn, Tartu and Pärnu; larger hotels; conference management enterprises; airline Nordica, etc.

Major partners with regard to increasing the number of Asian tourists are the European Travel Commission, Expoturism MTÜ (NGO), the Finnair airline and the Tallink shipping enterprise. We will be working with Tallinn Airport and airlines such as Nordica, Finnair, etc., to add flight connections.

Cooperation with other countries

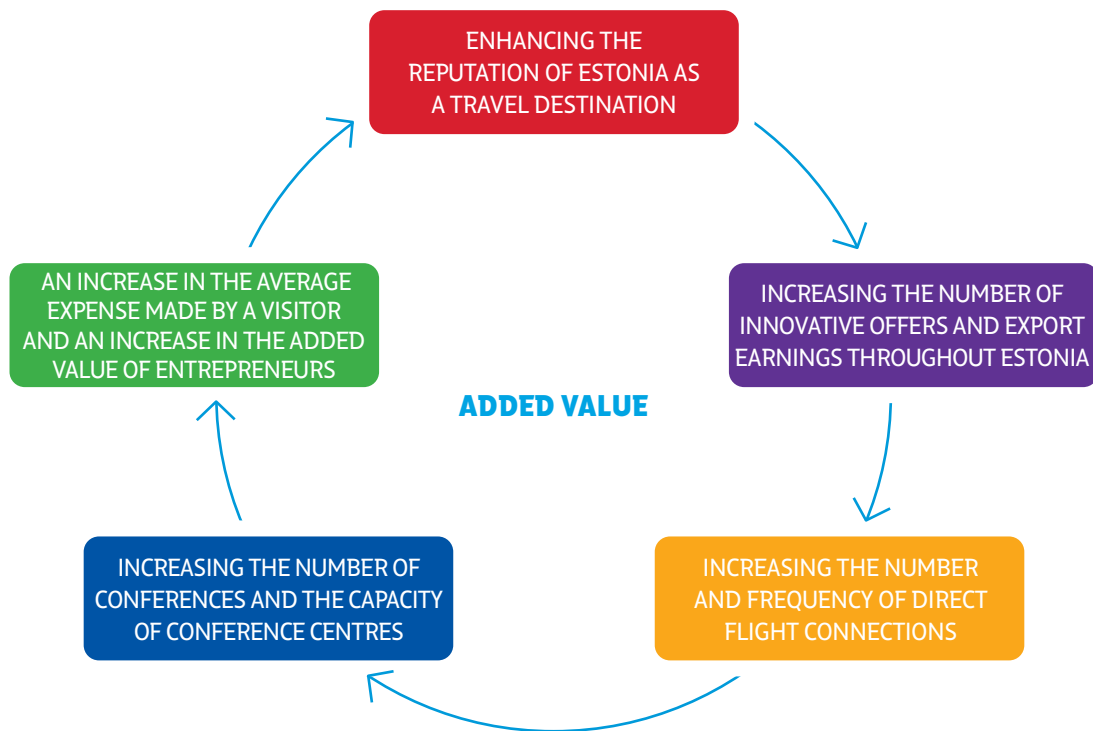
The main partners of Enterprise Estonia in the sales and marketing activities of the Asian and United States markets are the Tourism Boards of Finland, Latvia and Lithuania, and the European Travel Commission (ETC). As the image of the Baltic States in Germany is stronger than that of Estonia separately, we will continue to pursue joint marketing directed at Germany with the Tourism Boards of Latvia and Lithuania. Through the European Travel Commission, Enterprise Estonia has access to joint research and market information.



Our activities

The added value of the tourism field is enhanced by activities in the next value chain (see Figure 10).

Figure 10. Tourism value chain



Activities for the development of the tourism field have been divided into four blocks. Firstly, we will enhance Estonia's reputation as a tourism destination by marketing holiday tourism, so that it would increase the demand for the services of our tourism enterprises on foreign markets. Secondly, we shall increase the export earnings of tourism entrepreneurs throughout Estonia. To do this, we will introduce innovative offers of destinations. Thirdly, we shall increase the number of direct flight connections and the frequency of direct flights. Fourthly, we shall direct our focus, in terms of business tourism, to providing innovative conference solutions and improving the quality of our services based on the expectations of client segments with high purchasing power. We will focus on client segments with higher purchasing power and channels that are more cost-effective.

The table below (see Table 3) highlights the main elements of the tourism field's value chain and describes their content in brief. The main challenges of the tourism field and the goals set to itself by the Enterprise Estonia have also been outlined.

Table 3. Main parts of the tourism value chain, the content and objectives thereof

ACTIVITY	CHALLENGE ¹⁰	OBJECTIVE	EXPLANATION
An increase in the average expense made by a visitor and an increase in the added value of entrepreneurs	Low added value of entrepreneurs in the field of tourism	Increase of average expenses made by a visitor. The added value of clients of Enterprise Estonia will increase from 98 million euros in 2018 to 138 million euros in 2023.	We shall increase the share of business tourism. At the moment, an average visitor spends approximately 300 euros per trip in Estonia. However, the expenses of conference tourists are three times as high. We will be increasing the share of business tourism (including the share of conference delegates) to earn additional income. We will increase the number of tourists who spend more than average. At the same time, the total number of tourists must increase as well and the duration of their trips should be extended.
Enhancing the reputation of Estonia as a travel destination	Lack of awareness of Estonia as a destination and dependence on short trips from neighbouring countries. 65% of export of travel services comes from the four neighbouring countries.	Increasing the reputation of Estonia as a travel destination on distant markets. 700 million euros will be added to tourism revenue.	Maintaining market shares in neighbouring markets and increasing market shares in distant markets. Encouraging recurring visits and creating new purchasing decisions by marketing new family attractions and international events. We will focus on holiday marketing messages for specific client segments and topics (for example, food). We will increase the visibility in terms of digital marketing. We will use the visitestonia.com website for marketing small businesses on foreign markets. We will plan marketing activities based on market trends and analyses.
Increasing the number of innovative product offers and export earnings throughout Estonia	Inadequate and non-innovative product offering for client segments with high purchasing power, in both holiday and business travel.	Increasing innovative and internationally attractive product offers and export earnings across Estonia. The addition of 30 enterprises that implement new business models. The addition of 10 innovative product offerings.	We will develop products tourist segments with higher purchasing power and implement a quality programme to develop relevant products and services. We will support tourism enterprises in developing business models. In cooperation with entrepreneurs and professional associations, we will organise B2B sales events for expanding the possibilities of exporting enterprises and for expanding the network of foreign representatives to develop more high-quality and targeted offers. We will focus on increasing the share of Asian tourists in cooperation with Finland and Finnair to benefit from the growing trend. We will be using more of Estonia's image as an e-state. As a destination of conference tourism, we will be well-known as a provider of innovative solutions. We will support entrepreneurs in developing these solutions. We shall support, in cooperation with business and research developers, the organisation of conferences held on e-sector issues.

¹⁰ The challenges originate from various studies and client interviews.

ACTIVITY	CHALLENGE	OBJECTIVE	EXPLANATION
Increasing the number and frequency of direct flight connections	Insufficient connections. According to data concerning 2018, Tallinn has direct connections with 38 destinations (Riga has 99 and Vilnius 48).	Addition of 15 flight connections	We will help increase the number of foreign visitors arriving by air in cooperation with the Tallinn Airport (according to data of 2016, only 14% of all tourists arrived by air), attracting, in cooperation with Tallinn Airport, new routes and additional frequencies to improve accessibility from priority target markets. Through joint activities, we will support airlines' efforts to market Estonia as a destination.
Increasing the number of conferences and the capacity of conference centres	Low competitiveness in international conference management. Lack of a large conference centre.	The number of international conferences will increase (100 conferences by 2023) and the quality and capacity of the infrastructure will increase.	We will enhance business tourism sales and marketing activities in cooperation with the Estonian Convention Bureau. We will continue to provide grants for attracting conferences to Estonia and will bring major international events and conferences to the country in order to ensure a higher number of foreign delegates. We will offer Estonia as a new conference venue; the prerequisite for this is the existence of a large conference centre. Enterprises expect additional conference rooms (seating 600–900 people) and business class hotels.

Source: ENTERPRISE ESTONIA.

Enterprise Estonia will invest 12.2 million euros per year in order to carry out these activities and a total of 61 million euros until 2023. The goal is to achieve a 7% increase in added value per year and to increase tourism export earnings from 1.9 billion to 2.6 billion euros.

Examples of the work of the Estonian Tourist Board of Enterprise Estonia

The London-Tallinn flight route.

In 2016, we started targeted cooperation with the Tallinn Airport to market new routes on foreign markets. The goal of the cooperation is not only to open new routes for attracting foreign visitors to Estonia, but also to access the airlines' customer base and marketing channels on the foreign market, which includes 10 million potential passengers in the case of larger enterprises. The first joint projects of Enterprise Estonia and the Tallinn Airport to open new routes have proven to be successful – in 2017, British Airways started operating on the London-Tallinn route and Nordica started flying on the Hamburg-Gothenburg route.

Conferences.

During the period 2016–2017, 18 sports and cultural events of international interest took place with support from Enterprise Estonia. The average contribution per event to the Estonian economy was 2 million euros and the average grant amount was 65,000 euros. Estonia, as a tourist destination, was introduced to 176 million people worldwide through coverage of those events in the foreign media; 56,000 foreign visitors visited Estonia, and their economic impact was 17 million euros.

With the support of the Enterprise Estonia, the 2006 JCI European Congress took place in Tallinn with more than 2,000 delegates. Thanks to the professional organisation and attractive introduction of Estonia as a conference destination in the years 2015–2017, Estonia was granted the right to organise the 2019 JCI World Congress in Tallinn on 4–8 November. In relation to that, 5,000 new delegates are expected to arrive in Estonia. The contribution of the World Congress to the Estonian economy is expected to be about 13 million euros. Enterprise Estonia and the Estonian Convention Bureau will help to organise the event.

FIELDS OF ACTIVITY ACROSS THE STRATEGY

Promoting innovation

In order for the structure of the economy to change and the added value created to increase at a significantly faster pace, rapid development of innovation is needed. Therefore, in addition to the three focal areas, innovation that is integrated into the three fields of activity is also continuously vital for us. Enterprise Estonia is ready to play a much greater role in promoting innovation if the respective mandate and resources are agreed upon at ministerial level.

Innovation cannot only be considered to include technological innovation – organisational and social

innovation is also important. At the same time, the growth of innovation cannot be regarded as an end in itself, as it is still only an instrument with which Estonian enterprises improve their competitiveness.

In order to achieve the growth of innovation capacity of Estonian enterprises, it is important to make better use of the potential of R&D institutions in technological development, the readiness of enterprises for the introduction of new business models and their capacity for mutual cooperation.

Marketing of the country

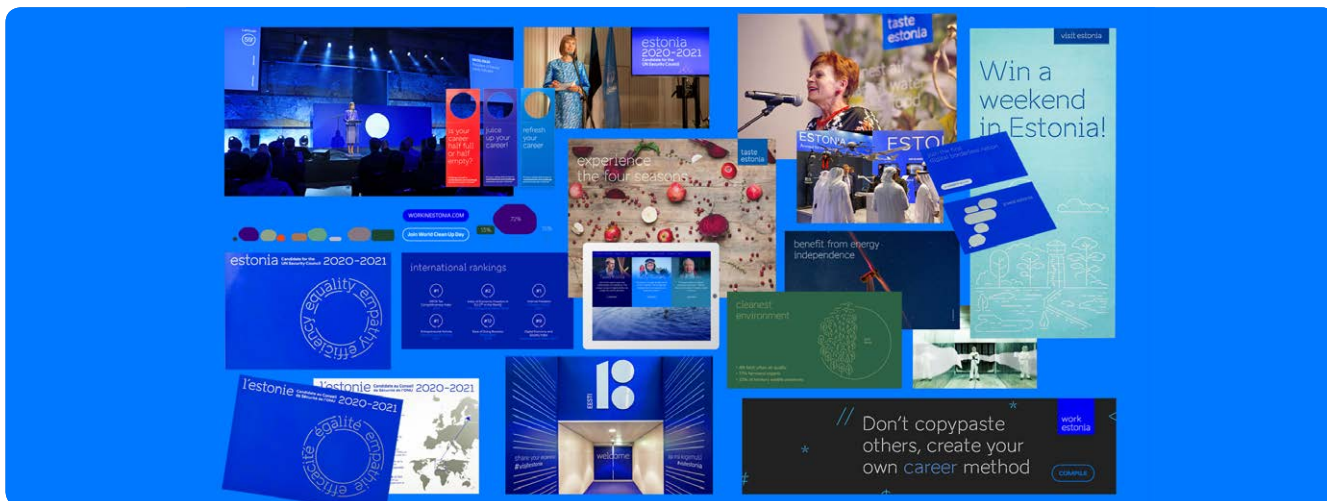
Expanding the reputation of the Republic of Estonia is an important issue for us. We conduct relevant marketing activities in all three fields. The importance of the country's reputation as an exporter, provider of great environment for investments or as a tourism destination should not be underestimated. At a time when information is available in all forms, it may seem as though there is no need to do anything related to marketing of the state, but in reality the situation is the opposite. There is too much information, it is time-consuming to search for it from different sources, which makes the ways in which one displays its strong suits even more important. Public authorities, enterprises and organisations that bring them together need to introduce their country by way of marketing in order to create trust. For an exporting enterprise, it is important that the "Made in Estonia" label ensures reliability on foreign markets. Estonia should be introduced at fairs, meetings with foreign partners, on websites and marketing materials. Introducing by way of joint materials shared is less expensive and more effective for all parties, instead of doing it individually. Therefore, most developed countries, from Sweden to New Zealand, use a joint system for introducing their country.

In order to introduce Estonia, a media bank has been created, under the leadership of Enterprise Estonia; this

media bank includes over 600 photos, 50 video clips, 8 presentations, 180 graphic elements and illustrations, and it is constantly supplemented according to entrepreneurs' needs. The main facts about Estonia have been gathered and are regularly updated on the website of estonia.ee. The tools created by Enterprise Estonia to introduce Estonia, which are accessible to all via the environments brand.estonia.ee, toolbox.estonia.ee and estonia.ee, help to keep the identity, messages and communication of the state uniform. As a small country, we need to make sure that both the public and the private sector use uniform messages and materials. Introducing the country with uniform materials allows us to amplify our strengths and thus create the desired image for Estonia.

We are planning to continue communication in Estonia, introducing the implementation of the tools for introducing Estonia and supporting the implementation of those tools through training and consultations to the main target groups, which include enterprises involving foreign investments, exporting enterprises, tourism sector enterprises, business organisations and the public sector.

In external communication, we will continue to deliver Estonian messages by keeping a single brand of visual



language in all of Enterprise Estonia’s marketing activities, which are aimed at increasing export, bringing

in foreign investments and increasing tourism revenue in accordance with sectoral target markets.

Market and business analysis

Current trends include ever-increasing data volumes and improved data availability. More and more organisations are making their own databases available for public use. Information holds great value in business if it has been collected and systematised and it helps to find solutions to the problems raised by different target groups. It is important to monitor and analyse global trends on a regular basis, because only then can we draw conclusions that will help enterprises make the right decisions. It is often necessary to find connections between the macro and the micro level, i.e. the level of enterprises – such data does not usually exist in ready-made format. Enterprise Estonia, as it comes into contact with both levels, can provide value here through its business analysis unit, providing information for both policy-making as well as to enterprises in terms of markets, competition and global economy opportunities.

In order to achieve the goals related to the added value growth set out in the strategy of Enterprise Estonia, we will focus on the following topics: analysis of macroeconomic indicators and trends of Estonia and target markets, analysis of the business landscape (sectors, value chains), investment environment analysis, analysis of the Estonian client base and services, analysis of the competitiveness of Estonian entrepreneurship and of the business environment. In order to support the strategy of Enterprise Estonia, we will develop the business analysis unit of Enterprise Estonia into a consolidation unit of data and knowledge of the Estonian business environment. By gaining input and cooperating

with various data collection and processing organisations (Statistics Estonia, Eesti Pank, Estonian Institute of Economic Research, Commercial Register, Eurostat, OECD, etc.), universities, professional associations and ministries, analytical views and views that create added value concerning the Estonian economy, different sectors and the competitiveness of enterprises, which could not be created previously, can be created, thereby also allowing for simulations of different operating scenarios. It is important to combine the available data in a way that creates value and to make the information useful. The aim is not to duplicate national databases, but, in cooperation with data owners, to find ways to create valorised information. In this context, it is important to cooperate with universities in order to take advantage of the research carried out and the access that research institutions have to research databases and to initiate new research.

The business analysis unit will also analyse the performance and impact of the activities of Enterprise Estonia, on the basis of which measures and services will be initiated, completed or transformed in such a way as to match the economic situation, help enterprises overcome large obstacles and would not intervene where the market functions well.

In addition to units of Enterprise Estonia, users of information from the business analysis unit also include clients of Enterprise Estonia, potential investors, policy-makers and business organisations.

ANNEXES

Annex 1. Description of the value chain, i.e. flywheel methodology

We use Jim Collins' flywheel concept ("The Flywheel Effect") to describe the logic behind our activities.

According to this concept, in order to achieve a goal, it is necessary to find the most effective fields of activity, create a logical relationship among them and to repeat these activities in the chain continuously, in order to create an ever-increasing cumulative effect.

The central goal of Enterprise Estonia in all three areas is to add value. Added value is at the centre of all the flywheels. Growth of added value is also the main objective of national strategies.

Added value is surrounded by the main fields of activity of export, foreign investments and tourism, which are continuously and in combination implemented, therefore moving towards the goal. In order to define the fields of activity, we used research concerning obstacles to entrepreneurship from recent years, as well as interviews with clients of Enterprise Estonia and information from

professional associations. Additionally, we analysed and took into account the factors listed in the World Economic Forum Competitiveness Index (those that Enterprise Estonia can influence with its activities).

For example, the export flywheel holds fields of activity describing how to mitigate the investment risks of product development. There are corresponding services and grants for implementing it. In the case of this example, these activities are product development and design training programmes, diagnostics, innovation and development vouchers, and other support measures. Services and grants must be more flexible and adapt to the needs of enterprises. It is important to maintain focus on the fact that product development is costly for enterprises and the risk of failure is high; therefore, state support helps more enterprises conduct to product development. This, in turn, will most likely facilitate the creation of more sophisticated and more expensive products and services (increasing added value).