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Report Name: Finland Extends Support to Businesses During the COVID-19 Crises

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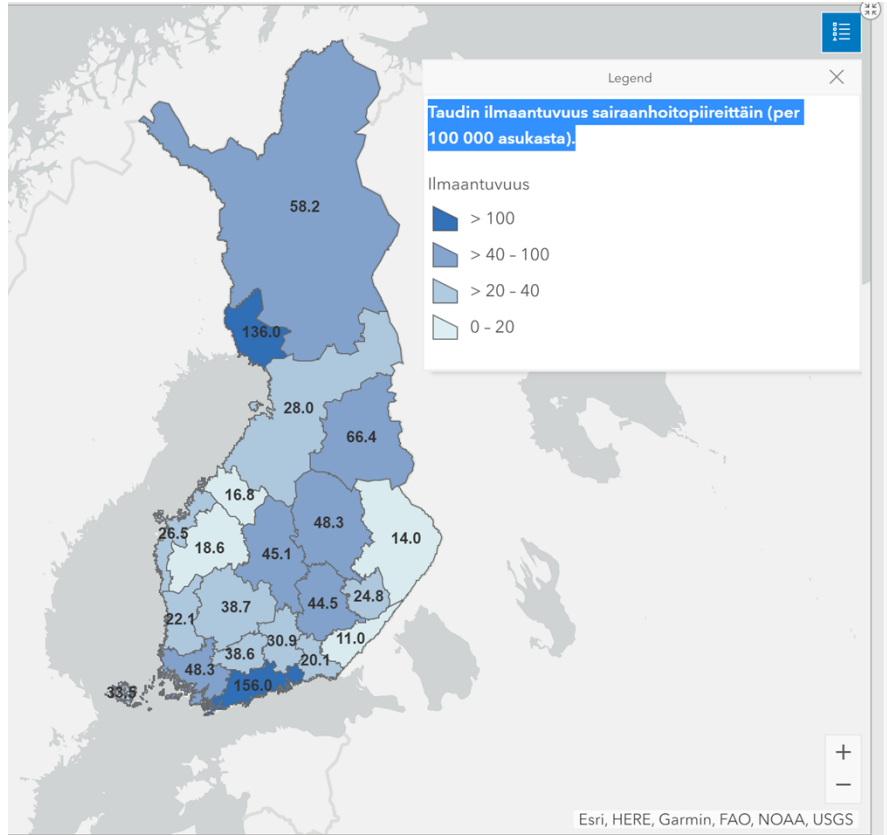
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Report Highlights:

The government of Finland has announced a number of measures to help businesses that have been adversely affected by the coronavirus (COVID-19) pandemic. Herein we consolidate publicly available information on some of the support measures that will be extended to Finnish businesses.

In December 2019, an outbreak of a new coronavirus (COVID-19) disease was reported in Wuhan, China. In late January 2020, the first person in Finland was diagnosed with COVID-19 in Ivalo. Since then, several thousand people have been infected.

COVID-19 incidence rate, by hospital district (per 100,000 inhabitants), as of April 20, 2020



Source: <https://experience.arcgis.com/experience/d40b2aaf08be4b9c8ec38de30b714f26>

In response, the government recommended that individuals who had travelled to an area with a high number of infections stay in quarantine-like conditions for 14 days. It also encouraged healthy people to reduce social contact, avoid crowds, and maintain at least a one-meter distance from other people. The government also closed cafes and restaurants (to non-takeaway customers), nightclubs, museums, theaters, libraries, most educational institutions, and additional enterprises, and limited gatherings to fewer than 10 people. By taking these approaches, the government was hoping to make it more difficult for people to infect one another.

While these measures have had a positive effect on the infection rates in Finland, they have also had an economic impact. The Pellervo Economic Research Institute PTT, an independent applied economics research institute and registered non-profit organization, is forecasting a 3-6 percent decline in the Finnish economy this year. However, the Institute reports that if the virus crisis is drawn out, the effects could be even greater and the downturn could last into 2021.¹ Moreover, the Finnish

¹ https://yle.fi/uutiset/osasto/news/researchers_coronavirus_clearly_shrinking_finnish_economy/11273047

Ministry of Finance expects the economy to contract by 5.5 percent this year if the measures adopted to fight the pandemic are in effect for no more than three months.²

The Finnish food and agricultural sector has not escaped the economic effects of the virus either. Like many other European nations, the Finnish sector is struggling with an insufficient number of seasonal workers. To assist the industry, Finland's Ministry of Agriculture and Forestry has sent a list of roughly 1,500 seasonal workers from abroad to the Border Guard that Ministry officials believe are key to maintaining the nation's supply (and to help facilitate their entry).³ Additionally, the government has proposed that foreigners who are unemployed or temporarily laid off with work-based residence permits could be used in labor-intensive sectors, particularly seasonal agricultural work. It has also launched a website to help those that have been laid off or who are without summer work to find a job in support of the agricultural sector.⁴

Valio, a Finnish manufacturer of dairy products and one of the largest companies in the country, reports that the epidemic will affect its operations both in Finland and abroad in many different ways, for at least the first half of the year. While retail demand has grown, the operations of its customers in the restaurant, hotel, and institutional kitchen businesses are anticipated to be challenged in the next few months.⁵

In response to the economic challenges, the Finnish government has extended several support measures to Finnish businesses:

- (i) The Ministry of Economic Affairs and Employment proposed to extend the maximum duration of start-up grants. Because of the coronavirus epidemic, the maximum duration of start-up grants would be extended from 12 to 18 months. The legislative amendment would make sure that the business owners that are receiving start-up grants will be able to start and establish business operations even in the temporarily weakened business environment due to the epidemic.⁶
- (ii) The government is also providing financial support for carrying out a situation analysis and for the development of measures to address market and production disruptions caused by the epidemic. The amount of aid for preparing a situation analysis may be up to 80 percent of the eligible costs but not exceeding €10,000 (\$11,000), and for development measures up to 80 percent of the eligible costs but not exceeding €100,000 (\$109,000).⁷

² <https://www.helsinkitimes.fi/finland/finland-news/domestic/17563-ministry-of-finance-finnish-economy-to-contract-by-5-5-in-2020.html>

³ https://yle.fi/uutiset/osasto/news/finland_expecting_1500_essential_seasonal_workers_from_abroad/11306242

⁴ <https://seasonwork.fi/#/page=1>

⁵ https://cdn.valio.fi/mediafiles/6eb9e20d-5d24-4afb-81f0-64deb383486f?_ga=2.267789646.1122050753.1587541978-1719715604.1587541978

⁶ https://tem.fi/en/article/-/asset_publisher/starttiraha-turvaamaan-yrittajien-toimeentuloa-toiminnan-keskeytyessa-tai-tyomaaran-va-hentyessa

⁷ https://tem.fi/en/article/-/asset_publisher/yrityksille-kehittamisavustusta-koronavirusepidemian-aiheuttamassa-hairioutilanteessa

- (iii) The Finnish Industry Investment Ltd Tesi (FII) will launch a funding program to ensure that medium-sized enterprises that have run into temporary difficulties due to the epidemic will be able to stay in business. In the program, the FII provides funding to medium-sized enterprises, which are highly important in Finland in terms of their employment effect and turnover (turnover at least €10 million (\$11 million), more than 50 employees, profitable business operations before the crisis and potential for this in future). The investments will vary between €1 and 10 million (\$1.1 and 11 million), and the government has allocated €150 million (\$163 million) for the program.⁸
- (iv) A self-employed person without employees can apply to municipalities for financial support. The amount of funding reserved for this is €100 million (\$109 million). Centers for Economic Development, Transport and the Environment support small enterprises that have suffered from market and production disturbances caused by the coronavirus epidemic. The amount of funding reserved for this is €200 million (\$217 million). Business Finland targets funding to SMEs and mid-cap companies whose business is suffering from market and production chain disturbances caused by the coronavirus situation. The amount of funding reserved for this is €700 million (\$760 million).⁸
- (v) Businesses were also supported in adapting their operations by temporarily shortening the notification period for lay-offs and the duration of co-operation negotiations.⁹ The legislative amendments are in force from April 1 to June 30, 2020. The employer is required to inform the employee of the lay-off no later than five days before the lay-off begins. The earlier time limit was 14 days. The duration of co-operation negotiations regarding lay-offs will be shortened from the current six weeks or 14 days to five days. In addition, employers have the right to lay off an employee in a fixed-term employment relationship under the same conditions as an employee with an employment contract of unspecified duration.⁸
- (vi) It was also announced that single entrepreneurs may apply for €2,000 (\$2,200) of financial support from municipalities to cope with the coronavirus situation. This will be granted to cover the costs of running a business as a self-employed person without employees.¹⁰
- (vii) The Government increased Finnvera Oy's¹¹ domestic financing authorizations from €4.2 billion (\$4.6 billion) to €12 billion (\$13 billion), increasing funding available to companies.

⁸ https://tem.fi/en/article/-/asset_publisher/hallitus-tukee-yrityksia-koronavirustilanteessa-uusi-rahoitusohjelma-keskisuurille-yrityksille

⁹ Employees laid off will be entitled to unemployment benefit even if they are engaged in business activities or studies. This amendment to the Unemployment Security Act will remain in force until July 31, 2020. See https://tem.fi/en/article/-/asset_publisher/lakimuutos-laajentaa-lomautetun-oikeutta-tyottomyysetuuteen-seka-nopeuttaa-tyottomyysetuuden-hakemista-ja-saamista

¹⁰ https://tem.fi/en/article/-/asset_publisher/yksinyrittajille-2000-euron-toimintatuki-koronavirustilanteessa-haku-avautuu-mahdollisimman-pian

¹¹ Finnvera Oy provides financing for the start-up, growth, and internationalization of enterprises and guarantees against risks arising from exports.

Business Finland's¹² grant authorizations were increased by €150 million (\$163 million) to permit immediate business support measures. ELY Centers'¹³ grant authorizations for business development projects were increased by €50 million (\$54 million), and €500,000 were allocated to the Talousapu financial assistance service¹⁴ for entrepreneurs.¹⁵

In an effort to provide further relief to Finnish businesses, the European Commission has approved a €2 billion (\$2.1 billion) Finnish aid scheme to support the Finnish economy in the context of the coronavirus outbreak (until the end of 2020).¹⁶ The program includes:

- (i) Direct grants, equity injections, selective tax advantages and advance payments of up to €100,000 (\$109,000) to a company active in the primary agricultural sector, €120,000 (\$130,000) to a company active in the fishery and aquaculture sector and €800,000 (\$869,000) to a company active in all other sectors to address its urgent liquidity needs. Member States can also give, up to the nominal value of €800,000 (\$869,000) per company zero-interest loans or guarantees on loans covering 100 percent of the risk, except in the primary agriculture sector and in the fishery and aquaculture sector, where the limits of €100,000 (\$109,000) and €120,000 (\$130,000) per company respectively, apply.
- (ii) State guarantees for loans taken by companies to ensure banks keep providing loans to the customers who need them. These state guarantees can cover up to 90 percent of risk on loans to help businesses cover immediate working capital and investment needs.
- (iii) Subsidized public loans to companies with favorable interest rates to companies. These loans can help businesses cover immediate working capital and investment needs.
- (iv) Safeguards for banks that channel State aid to the real economy that such aid is considered as direct aid to the banks' customers, not to the banks themselves, and gives guidance on how to ensure minimal distortion of competition between banks.
- (v) Public short-term export credit insurance for all countries, without the need for the Member State in question to demonstrate that the respective country is temporarily "non-marketable"

¹² Business Finland provides funding for research, product development and a wide range of business development needs, especially for small and medium-sized companies. Large companies and research organizations can receive funding for joint projects with SMEs.

¹³ The Centers for Economic Development, Transport and the Environment (ELY Centers) promote regional development by managing the central government's implementation and development tasks in the areas coming under them. The tasks of the ELY Centers include advisory, financing, and development services for enterprises.

¹⁴ The Enterprise Finland Talousapu counselling service offers help and advice to entrepreneurs with financial and solvency problems the counsellors are experts in company finances and reorganization.

¹⁵ https://tem.fi/en/article/-/asset_publisher/hallitukselta-mittava-paketti-yritysten-tueksi-finnveran-kautta-10-miljardin-euron-lisarahoitus-yrityksille

¹⁶ https://ec.europa.eu/commission/presscorner/detail/en/IP_20_705

- (vi) Support for coronavirus related research and development (R&D) to address the current health crisis in the form of direct grants, repayable advances or tax advantages. A bonus may be granted for cross-border cooperation projects between Member States.
- (vii) Support for the construction and upscaling of testing facilities to develop and test products (including vaccines, ventilators and protective clothing) useful to tackle the coronavirus outbreak, up to first industrial deployment. This can take the form of direct grants, tax advantages, repayable advances, and no-loss guarantees. Companies may benefit from a bonus when their investment is supported by more than one Member State and when the investment is concluded within two months after the granting of the aid.
- (viii) Support for the production of products relevant to tackle the coronavirus outbreak in the form of direct grants, tax advantages, repayable advances, and no-loss guarantees. Companies may benefit from a bonus when their investment is supported by more than one Member State and when the investment is concluded within two months after the granting of the aid.
- (ix) Targeted support in the form of deferral of tax payments and/or suspensions of social security contributions for those sectors, regions, or for types of companies that are hit the hardest by the outbreak.
- (x) Targeted support in the form of wage subsidies for employees for those companies in sectors or regions that have suffered most from the coronavirus outbreak, and would otherwise have had to lay off personnel.

The Temporary Framework enables Member States to combine all support measures with each other, except for loans and guarantees for the same loan and exceeding the thresholds foreseen by the Temporary Framework. It also enables Member States to combine all support measures granted under the Temporary Framework with existing possibilities to grant *de minimis* to a company of up to €25,000 (\$27,000) over three fiscal years for companies active in the primary agricultural sector, €30,000 (\$33,000) over three fiscal years for companies active in the fishery and aquaculture sector and €200,000 (\$217,000) over three fiscal years for companies active in all other sectors. At the same time, Member States have to commit to avoid undue accumulation of support measures for the same companies to limit support to meet their actual needs.

Despite these support mechanisms, more support for Finnish businesses may still be needed. For example, an open letter to the government written by several restaurateurs, including several Finnish celebrity chefs, indicates more direct support is needed for the Finnish restaurant industry -- commenting that the importance of the industry value chain to ancillary service providers, suppliers, and the tourism industry is manifold.¹⁷

¹⁷ <https://viisitahtea.com/ravintolat/avoin-kirje-suomen-hallitukselle-puheista-tekoihin-vain-valiton-suora-tuki-voi-pelastaa-ravintolatoimialan/>

Attachments:

No Attachments.