

2016 SBA Fact Sheet

Luxembourg



Key points

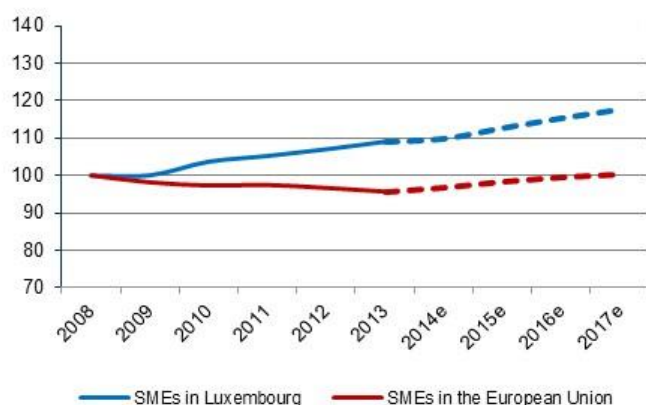
Past & future SME performance¹: Developments for Luxembourgish SMEs within the 'non-financial business economy' have been positive since 2010. Total SME value added rose with average growth rate of 5.7 % per year, while SME employment increased by over 9 % between 2010 and 2015. During this period, SMEs within the administrative and support service activities sector experienced particularly strong growth. SME value added was 58 % higher in 2015 than in 2010 and employment 14 % higher. Whereas in 2015, for the first time since 2012, the number of bankruptcies increased compared with the previous year (a 3.3 % rise), the overall outlook for SMEs is positive. Value added is expected to rise by 6.3 % per year in 2015-2017 and employment to rise by 2.1 % per year during the same period, thus creating 8.000 jobs.

Implementing the Small Business Act for Europe (SBA): The SBA profile of Luxembourg is well in line with the EU average in most areas. Particular strengths are in the areas of Environment and Internationalisation. Over the past years, most progress was made in these areas, as well as in 'Responsive administration' and Skills & innovation. Entrepreneurship and 'Second chance' remain behind the average EU performance. A recent positive development in the implementation of the SBA has been the publication of the 4th SME action plan in March 2016.

SME policy priorities: Luxembourg is lagging behind in terms of entrepreneurial culture and public image of entrepreneurs. Approving and implementing the long awaited bankruptcy law would bring important progress in the area of 'Second chance'. Optimisation of the e-procurement tool would help more SMEs, also smaller ones, to reap the benefit of public expenditure.

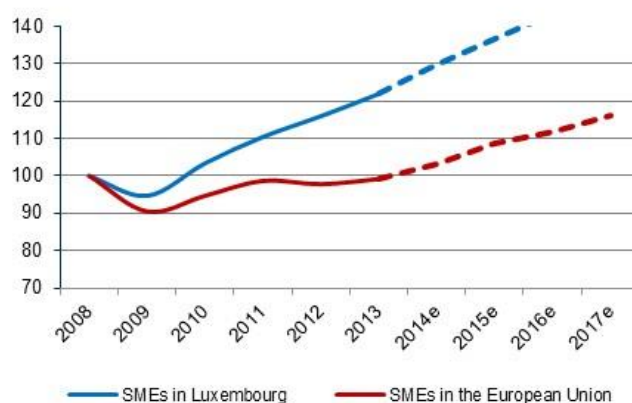
Number of persons employed in SMEs

(Index: 2008=100, estimates as from 2014 onwards)



Value added of SMEs

(Index: 2008=100, estimates as from 2014 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. Published annually, the SBA fact sheets 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.

Table of Contents

Key points	1
1. SMEs — basic figures.....	2
2. SBA profile	3
3. SBA principles.....	5
3.0 'Think Small First'	5
3.1 Entrepreneurship.....	6
3.2 'Second chance'.....	7
3.3 'Responsive administration'.....	8
3.4 State aid & public procurement	9
3.5 Access to finance.....	10
3.6 Single market	11
3.7 Skills & innovation	12
3.8 Environment.....	13
3.9 Internationalisation	14
4. Interesting initiative.....	15

1. SMEs — basic figures

Class size	Number of enterprises			Number of persons employed			Value added		
	Luxembourg		EU28	Luxembourg		EU28	Luxembourg		EU28
	Number	Share	Share	Number	Share	Share	Billion €	Share	Share
Micro	27 572	87.8 %	92.8 %	47 168	18.7 %	29.5 %	4.9	22.3 %	21.2 %
Small	3 070	9.8 %	6.0 %	62 605	24.8 %	20.2 %	4.5	20.6 %	18.0 %
Medium-sized	620	2.0 %	1.0 %	64 106	25.4 %	17.0 %	6.4	29.0 %	18.2 %
SMEs	31 262	99.6 %	99.8 %	173 879	69.0 %	66.8 %	15.8	71.9 %	57.4 %
Large	135	0.4 %	0.2 %	78 134	31.0 %	33.2 %	6.2	28.1 %	42.6 %
Total	31 397	100.0 %	100.0 %	252 013	100.0 %	100.0 %	22.0	100.0 %	100.0 %

These are estimates for 2015 produced by DIW Econ, based on 2008-2013 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 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 in Luxembourg play a very important role in the 'non-financial business economy', generating 72 % of value added and more than two thirds of total employment. This is due to the importance of medium-sized firms, which contribute almost 30 % of value added and 25 % of employment, approximately 11 percentage points and 8 percentage points higher, respectively, than the EU average. In addition, labour productivity of micro firms, calculated as the ratio of value added to employment, is approximately 3 times higher than the EU average. Overall, SME productivity is twice as high as the EU average.

SMEs fully participated in the upswing of the economy that began in 2009, to the extent that SME employment and value added had already reached their pre-crisis levels by 2010. Since

2010, SME value added in the 'non-financial business economy' has risen continuously, with an average growth rate of 5.7 % p.a. in 2010-15. Approximately 174 000 people were employed by SMEs in 2015, a total increase of 9 % over the previous five years, and an increase of 13 % in total since 2008.

SMEs in the *administrative and support service activities* sector experienced particularly strong growth. In 2015, SME value added was 58 % higher than in 2010, and employment also increased, to 14 % higher than in 2010. This was driven by strong growth in two specific subsectors: *office administration and support services* and *rental and leasing activities*. In 2010-15, in the *office administration and support services* subsector, SME value added increased by 52 % and employment rose by 32 %. This subsector also belongs to the *trust & corporate*

services cluster, as defined by the Luxembourg government in 1999. This cluster contains, as well as banks and other financial institutions, also lawyers, tax experts, accounting services providers, company auditors, and chartered accountants, among others.² These business support services have benefited from the significant growth of the financial services industry since 2010. For example, in 2014, the Luxembourg investment fund industry achieved a new record with more than EUR 3 000 billion assets under management.³ At the same time, SME value added in the *rental and leasing activities* sector grew by 74 % in 2010-15, while SME employment rose by 27 %.

In the *professional, scientific and technical activities* sector, SME value added increased by 51 % and employment rose by 20 % in 2010-15. This growth was driven by the subsectors *architectural and engineering activities*, *legal and accounting activities*, and *head offices and management consultancy activities*. The latter two subsectors also belong to the *trust & corporate services* cluster and therefore further benefited from growth in the financial industry.^{4,5} The *architectural and engineering activities* subsector benefited from growing demand from both the *construction* sector,⁶ and also the *real estate* sector. These two latter industries benefited from the recovery of housing demand, as is reflected by price increases of more than 25 % since 2010.^{7,8} The commercial real estate market has experienced similarly strong price growth too.⁹

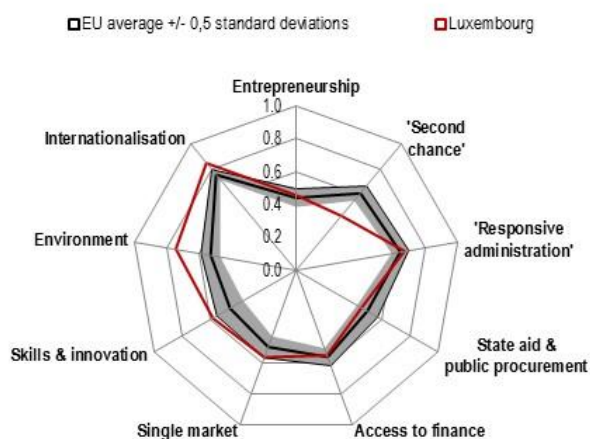
Complete data for 2015 on newly registered and newly de-registered companies are unavailable. However, according to the

most recent statistics, 32 006 companies were registered as of 1 January 2015, compared with 31 476 on 1 January 2014. Hence, new registrations outnumbered de-registrations by 1 530 firms within this one year period.¹⁰

In 2015, for the first time since 2012, the number of bankruptcies increased compared with the previous year. 873 companies declared bankruptcy in 2015, marking a 3.3 % rise compared with the total of 845 in 2014. However, despite this slight increase, the number of bankruptcies has fallen overall since 2012, when the total was 1 050.¹¹ The *construction* sector was responsible for the biggest rise in bankruptcies, a 30 % increase in 2014-15, from a total of 70 to a total of 91 company closures.¹² Service sector firms were responsible for 508 bankruptcies, representing 58 % of all bankruptcies in 2015, an increase of 8 % compared with the previous years' total of 470. Since 2010, the *manufacturing* sector has had the lowest number of bankruptcies, at approximately 25 bankruptcies per year.¹³

The outlook for SMEs is positive. Value added is forecast to rise by 6.3 % p.a. in 2015-17. This growth will come mainly from micro firms and medium-sized firms, with increases of 7.4 % and 7.2 % respectively, while the projected increase for small firms is lower, at 3.8 %. Employment growth in SMEs will be slower, with an expected rise of 2.1 % p.a. in 2015-17, accounting for 8.000 extra jobs.

2. SBA profile¹⁴



Luxembourg's SBA profile is well in line with the EU average performance. As can be seen from the chart, this year's strengths are in the areas of Environment and Internationalisation. Especially the area of Environment has seen important improvement over the years. Entrepreneurial spirit remains below the average in Luxembourg, and 'Second chance' shows scores among the lowest of the EU. Nevertheless, the overall business environment in Luxembourg is prone to attract entrepreneurial initiative and investment.

Since 2008, Luxembourg's government has demonstrated a strong commitment to SMEs' interests and a willingness to assimilate good international practices. Significant progress was made in the areas of 'Responsive administration' and Skills & innovation and Internationalisation. However, there is still room for improvement, notably in the areas of entrepreneurial culture and 'Second chance'.

In 2015 and the first quarter of 2016, which is the reference period for policy measures in this year's fact sheet, Luxembourg has implemented a substantial number of policy measures (15),

addressing six out of the ten policy areas under the Small Business Act. A number of measures (8) has been announced tackling additional three SBA areas.

Although the number of measures is quite large, there is a general perception that limited policy progress was achieved during the reference period. Indeed, progress was slow last year, notably since Luxembourg held the Presidency of the EU Council, which required a lot of focus and attention. However, an important milestone was reached at the end of March 2016 when the Secretary of State for the Economy presented the long-awaited '4th SME Action Plan', a document setting out Luxembourg's SME policy.

There is wide consensus that the area that saw the most important progress in 2015 was in the field of Skills & innovation, with the creation of a new incubator, the 'House of BioHealth', which opened its doors in February 2015. This facility, with office and wet lab spaces, hosts established and start-up companies in Luxembourg's target areas for economic development, namely Health Sciences and Technologies, Clean Technologies, as well as ICT and Media.

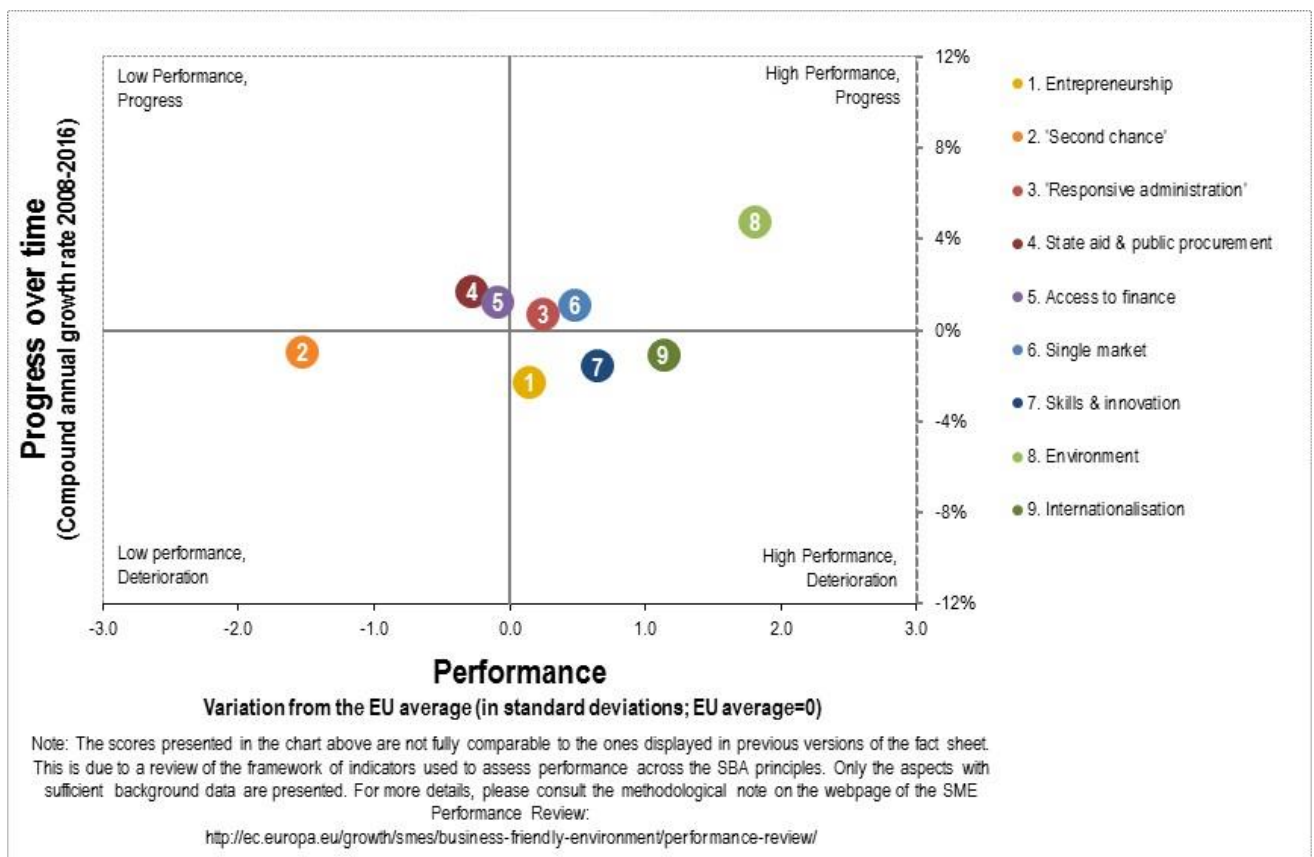
Another area where significant progress has been made is Entrepreneurship. A range of initiatives has been developed to

promote entrepreneurship and entrepreneurial education. For instance, 'Fit4Entrepreneurship' aims to train and support jobseekers who want to develop a business project. Another example is the programme 'BEE CREATIVE', an initiative leading to the establishment of six education makerspaces developing a creative and entrepreneurial spirit from a young age onwards. Finally, at the end of February 2016, the government presented the tax reform, which will take effect on 1 January 2017. With respect to companies, the reform brings along decreases in standard corporate income tax and measures to ease transfer of family businesses.

The introduction of all these measures to encourage start-ups and self-employment have however not proven sufficient or comprehensive enough to actively encourage entrepreneurship as an alternative to employment in the public and private sectors and Luxembourg is still lacking a fundamental entrepreneurial culture.

Moderate progress has been made in the 'Second chance' area. The new bankruptcy law, first deposited at the Chamber of Deputies in February 2013, is still under discussion.

SBA performance of Luxembourg: state of play and development from 2008 to 2016¹⁵



3. SBA principles¹⁶

3.0 'Think Small First'

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

During 2015 and the first quarter of 2016 some progress has been made in the 'Think Small First' area. The most important development has been the publication of the '4th SME Action Plan' (*4^e Plan d'action national en faveur des PME*) in March 2016. This action plan sets out Luxembourg's SME policy in 99 measures, structured in 10 main axes, relating to topics such as entrepreneurship and entrepreneurial culture, smart legislation, administrative simplification, education, research and innovation, environment and SME internationalisation.

In July 2015, the Luxembourg government approved the 'Only Once' principle under the 'Digital Lëtzebuerg' initiative. It states that public authorities must reuse the information already held by another authority, subject to the user's express consent. The principle allows the minimisation of administrative costs and burdens.

The draft bill on the introduction of a 'company with simplified limited liability' (*SARLS — Société à responsabilité limitée simplifiée*), currently under review by the Council of State, should enhance entrepreneurship by easing the creation of a company through decreased cost of establishment. The bill will result in easier, faster and more efficient start-up procedures, as well as

a decrease in subscription and other costs. The minimum social capital requirement is EUR 1.

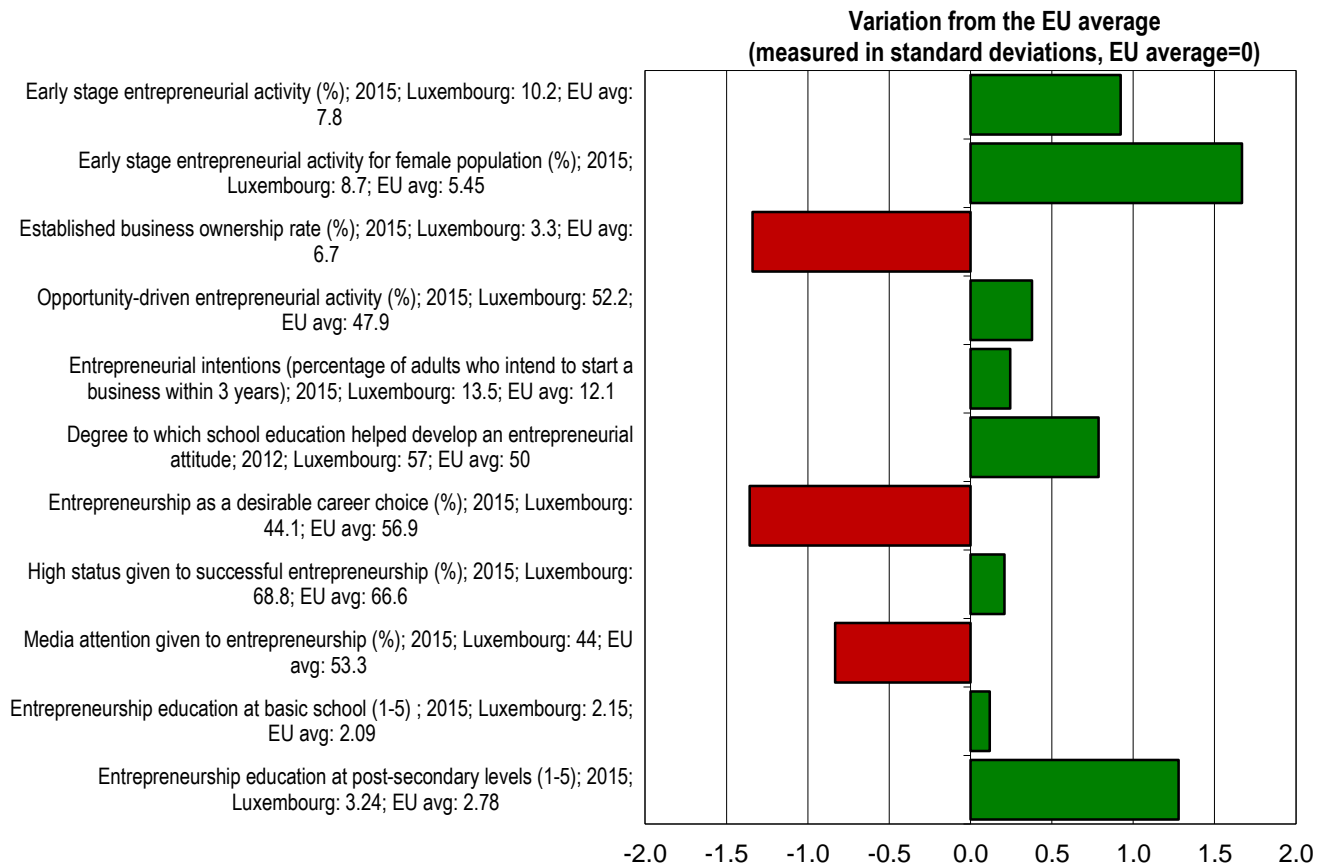
Despite this progress, Luxembourg still needs to put some fundamental elements of the 'Think Small First' principle in place. Most importantly, the government lacks a comprehensive 'SME test' and assessment of impacts on business competitiveness.

The Chamber of Commerce and the Chamber of Skilled Trades and Crafts are systematically consulted on every piece of legislation related to the economy in general and SMEs in particular. SME stakeholders do have the opportunity to influence legislative and policy proposals. Their Chambers are consulted as part of the process of passing draft legislation through parliament. Sometimes, there are calls for SME stakeholders to be involved and consulted at an earlier stage in the policy-making process.

Nevertheless, the SME impact assessment is still mainly a tick-the-box exercise and should be carried out more thoroughly. The training in place for public services is too generic and should provide much more guidance to improve the quality of the process.

Furthermore, commencement dates for all new legislations and amendments to existing legislation relevant to SMEs are still different and spread all along the year.

3.1 Entrepreneurship



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

Luxembourg is showing improvement in this area and presents a profile that is well in line with the EU average. Especially early stage entrepreneurship is back on track with around 50 % more people engaged in new businesses than elsewhere in the EU on average. Women entrepreneurs are equally well represented. Entrepreneurship is still not the preferred career choice in Luxembourg however, which is also illustrated by the rate of established businesses that is only half the number it is in the EU on average. Nevertheless, more than half of the respondents that set up their own business do this because they see an opportunity and not because they have no other options.

Entrepreneurship education is well embodied in all levels of the Luxembourg school system; more than half the Luxembourg respondents are of the opinion that it offers a good preparation for developing the necessary skills to start up and manage a business.

While the overall trend of the performance is still negative as compared to the EU average, Luxembourg has adopted several initiatives since 2008 to promote entrepreneurship. Among them are programs to enhance and promote an entrepreneurial spirit, as well as the provision of personal advice when creating a

business and mentoring. Main actors are the Chamber of Commerce, the Chamber of Skilled Trades and Crafts, and the association of young entrepreneurs (*Jonk Entrepreneuren*). Measures to provide specific entrepreneurship support and advice to immigrants are still missing.

Entrepreneurial education is promoted at different levels of the education system. '*Jonk Entrepreneuren*' has programmes in place at the primary, secondary and tertiary levels, and the University of Luxembourg offers a professional 'Masters in Entrepreneurship and Innovation' programme. These programmes are implemented in collaboration with the business world. Initiatives are also in place to support women, jobseekers and young entrepreneurs. However, there is still no compulsory teacher training on entrepreneurship.

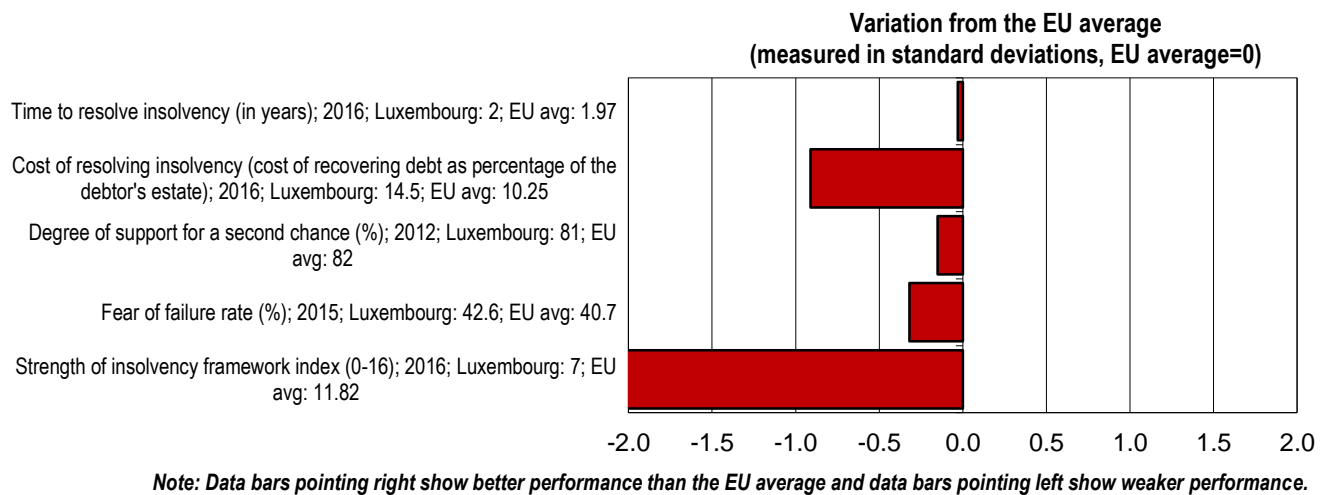
In 2011, a new 'business permit law' (*Droit d'établissement*) was passed. The law introduced fundamental changes intending to stimulate, facilitate and encourage entrepreneurship, which constitutes the main theme of the law. This has had a positive impact on companies being able to extend their service offerings thanks to the introduction of new possibilities of equivalence for

craft activities for instance. It has also facilitated the creation of new enterprises.

During the reference period, progress has been moderate but steady with four new measures in this area. They include small initiatives to stimulate innovative minds in ICT among specific groups, such as the 'eSkills for Women' programme and the 'WebForce3 School' for jobseekers. The Chamber of Commerce recently published a guide on the transfer of business to provide entrepreneurs with practical information on the transfer and takeover of companies.

Finally, the interesting 'Fit4Entrepreneurship' programme was launched in January 2015. It is a joint project by the Chamber of Commerce, in collaboration with the Chamber of Skilled Trades and Crafts and the National Employment Agency (ADEM), with support from the European Social Fund. Its objective is to increase the number of newly created businesses by providing training and structured support to jobseekers who demonstrate entrepreneurial potential and want to set up their own business.

3.2 'Second chance'



'Second chance' refers to ensuring that honest entrepreneurs who have gone bankrupt get a second chance quickly.

There is no improvement in Luxembourg's performance in this area, resulting in a profile that is among the weakest four in the EU. Especially the costs for resolving insolvency remain high, at about 40 % above the EU average, and represent an important stumbling block for entrepreneurs trying to get back on track. An indicator that was introduced for the first time this year rates the strength of the insolvency framework in place. Luxembourg's score is well below the EU average and supports the urgent need to design legislation that is adapted for rehabilitating viable firms and liquidating nonviable ones.

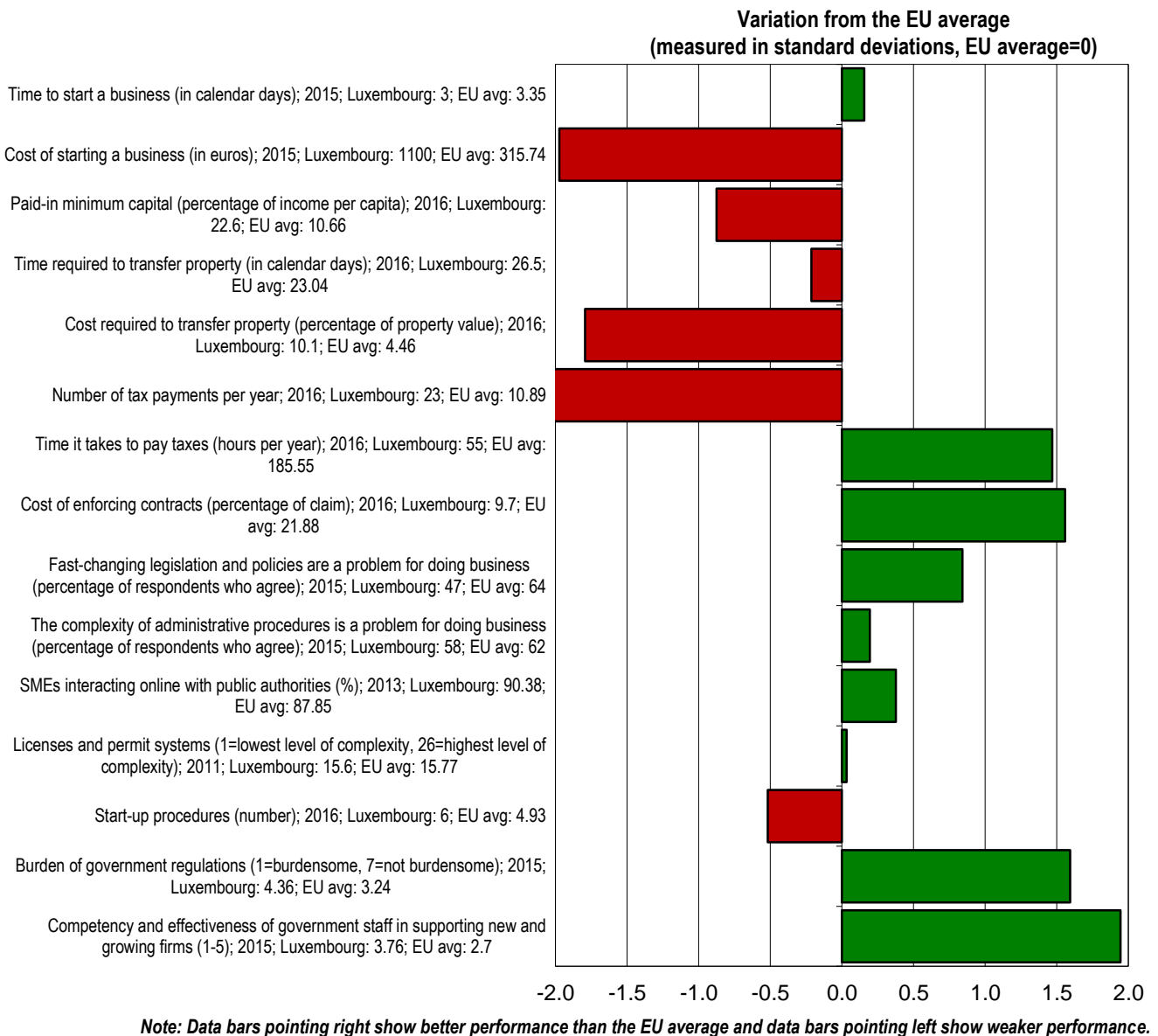
Since 2008, Luxembourg's performance trend has been negative for this SBA area. Policy-wise, little has been done in recent years to address this issue. There has been no significant awareness-raising to combat the stigma of business failure, as

recommended by the SBA, nor have any specific pre-emptive measures been put in place to help businesses avoid failure in the first place, as also stipulated by the SBA.

The draft legislation on the preservation of companies and the modernisation of the bankruptcy law, deposited at the Chamber of Deputies already at the beginning of 2013, seems to go into the final discussion round as the Council of the State has provided its opinion on 1 December 2015. This law has the potential to improve entrepreneurship by allowing the detection of financial difficulties at an earlier stage and thereby facilitating rescue and recovery. This eagerly awaited bill is intended to provide new, customised tools to help distressed companies continue their activities and protect stakeholders, notably by favouring restructuring over liquidation.

During the reference period, no additional measures have been adopted in this SBA area.

3.3 'Responsive administration'



'Responsive administration' refers to public administration being responsive to the needs of SMEs.

Luxembourg's performance remains broadly in line with the EU average. There has been very little to no change in the country's individual indicators for this area, while for most indicators the EU average performance has improved slightly since last year. One of the country's areas of concern remains the transfer of property which requires substantially more resources (time and money) than in the EU Member States on average. The tax payments system should be rationalised to reduce the number of transactions significantly; Luxembourg enterprises face twice the number of payments than their peers on average.

This said, administrative procedures and government regulation are not seen as being particularly burdensome, and the attitude of government staff towards new and growing firms seems well appreciated. Overall, the performance trend since 2008 for this area has been neutral compared to the EU average.

Luxembourg's policy makers have put noticeable emphasis on this area since the start of the evaluation in 2008, although one important measure has been waiting for implementation for quite some time: the omnibus law on administrative simplification.

The government launched its online portal 'www.guichet.lu' in 2008. Since then an increasing number of formalities, procedures and information have been made available online.

The enterprise portal that is part of this online platform is a particularly significant step forward for SMEs, especially with items such as the 'Register of Business and Companies', the electronic VAT system and the 'e-portal for public procurement'. Progress in e-government has thus been significant, but there is still room for improvement and optimisation.

Substantial efforts have also been made to reduce the response times of the administrations for different procedures, particularly the issuing of business permits. These are now seen as having reached an optimum level, with response times of 48 hours if applications are complete.

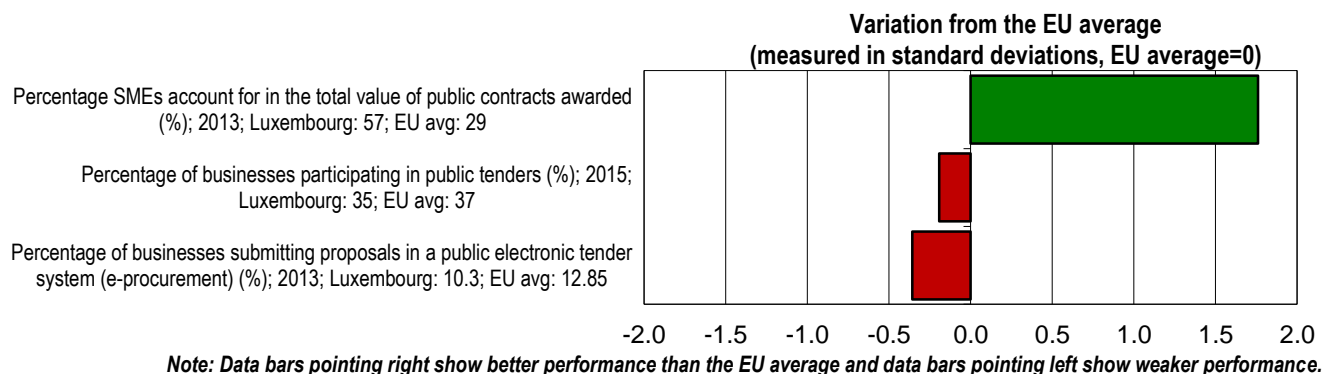
During the reference period, three significant measures have been adopted and/or implemented.

- Under the 'Digital Luxembourg' initiative (*Digital Lëtzebuerg*), the country is continuing its efforts to further digitise government administrative procedures and, hence, further

simplify administrative processes and enhance transparency. For instance, the 'Only Once' principle implies that public authorities must reuse the information already held by another authority, subject to the author's express consent.

- The '4th SME Action Plan' (*4e Plan d'action national en faveur des PME*) has been published in March 2016. This action plan sets out measures aiming to accelerate administrative simplification, for instance through the development of a 'guichet.lu 2.0' which would allow companies to submit online once only and in one place all their documents (tax declaration, statistical data, etc.).
- Furthermore, the 'Luxembourgish Accounting Law' for companies is being updated and the 'draft bill on the introduction of a company with simplified limited liability' is currently under review by the Council of State. These two laws should contribute to a simplification of the legal and regulatory system for SMEs, easing requirements for them.

3.4 State aid & public procurement



Luxembourg's profile is on a par with the EU average for this area. The only relevant indicator updated this year is the percentage of businesses participating in public tenders, which has not changed much. The impact of the e-portal for public procurement on Luxembourg should be visible when new figures become available.

Progress on the State aid & public procurement principle has been moderate since 2008. Substantial progress was made in 2012 with the launch of the online portal on public procurement markets. It includes features such as an alert system for public tenders to which SMEs can subscribe, a secure e-filing system enabling the encrypted submission of responses, and online guides on how to respond to calls for tender. Questions can be asked and are responded to publicly on the website. Publishing a list related to past procurement and tracking records of contract outcomes would further improve the transparency of the system.

In order to prepare enterprises for the e-tendering process, the Chamber of Commerce, in cooperation with the EEN contact point, organises information sessions (FIT 4tender) as well as conferences regarding transnational tendering.

During the reference period, progress in this area has been limited to the adoption of three new draft bills on state aid. The aim is to refocus state aid policy to better address SMEs' needs. The main areas are R&D and environmental protection.

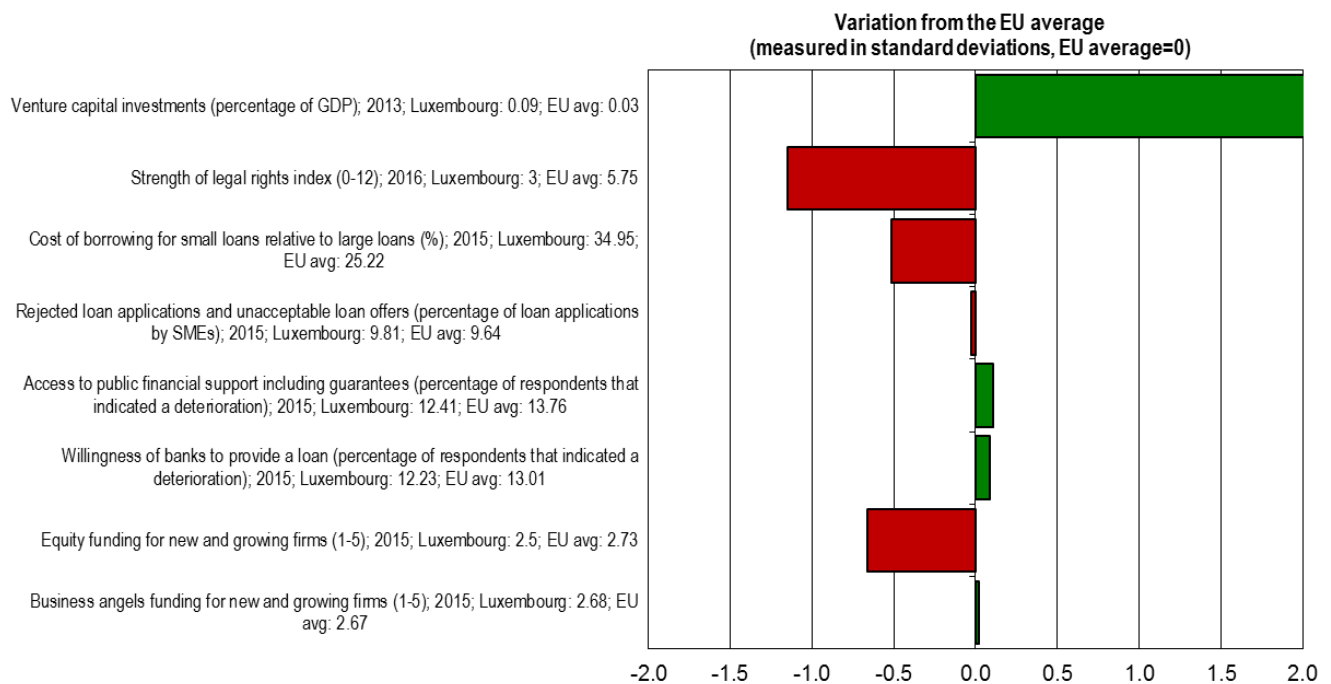
- In the area of research, development and innovation, the new provisions allow the funding of the purchase of shared research equipment. Luxinnovation will receive the statute of financing agency and will be in charge of the evaluation of state aids below EUR 200 000.
- State aid schemes for environmental protection have basically remained unchanged, but a new regime has been added for investment programmes promoting energy-

efficient buildings, remediation of contaminated sites, or investments for better recycling.

- Existing regional investment aid schemes have been limited to SMEs. Since 1 January 2016, large companies are only

eligible for regional aid schemes for new activities or a new building.

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.

Luxembourg continues to perform on a par with the EU average in this area although it has lost some of its comparative advantage, mainly due to progress in the other EU Member States.

The strength of legal rights index measures the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders and thus facilitate lending. Luxembourg's score is about half the EU average. Costs for borrowing small loans as compared to those above EUR 1 million have gone up some 20 % in 2015 against an unchanged EU average. The SAFE survey investigates the use of external financing by SMEs. While the number of SMEs around the EU indicating deterioration in the willingness of banks to provide loans went down some 40 %, this change was not perceivable among Luxembourg responses. In practice however, access to finance is not an obstacle for Luxembourg SMEs.

Since 2008, progress in the area Access to finance has been substantial even though Luxembourg's position as an important financial centre has historically favoured good financing conditions for enterprises (including SMEs). As a result of the financial crisis, access to finance has been tightened somewhat

although, compared to other European countries, Luxembourgish SMEs fare better due to the country's financial solidity.

The 'National credit and investment institution' (SNCI — *Société Nationale de Crédit et d'Investissement*) launched three new loan instruments for companies and SMEs in 2014, targeting in particular the development of innovative companies and R&D, and innovation projects.

During the reference period, progress in this area has been moderate. Three significant measures were adopted and/or implemented:

- The 'Luxembourg Future Fund', announced in 2012, is available since April 2015. This fund, set up by the European Investment Fund (EIF) and the SNCI, aims to stimulate the diversification and sustainable development of the Luxembourgish economy by attracting foreign entrepreneurs and early to later stage innovative businesses to Luxembourg.
- Thanks to a new EU-backed loan guarantee facility under the Horizon 2020 programme, 'InnovFin SME Guarantee

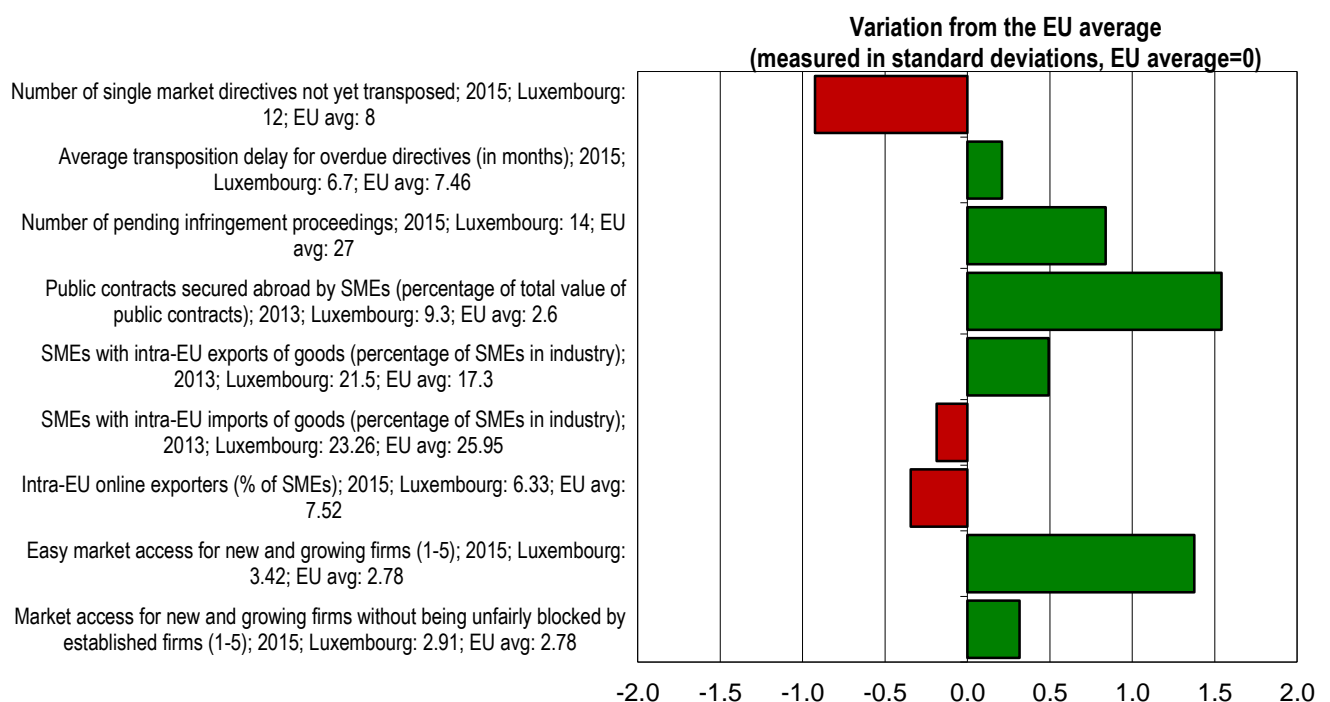
Facility', SMEs in Luxembourg have easier access to risk capital. In May 2015, the EIF signed a deal with ING Luxembourg, who will provide loans for SMEs and Small Mid-caps for a total of EUR 50 million over the next two years.

- In January 2016, the 'ICT Seed Fund' was started, a structure set up by the Luxembourg State and several

private sector actors for financing new innovative high-tech businesses in the ICT sector.

Another interesting development is the enhancement of the *guichet.lu* which will guide enterprises through the potential financing possibilities and aid schemes that are available for them. It will include all the initiatives from the two former Ministries covering the areas of Economy and Entrepreneurship.

3.6 Single market



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

Luxembourg continues to improve its performance in this area and is now well on track with the EU average.

Luxembourg SMEs are well represented on the internal market and manage to secure three times the value of their EU peers in contracts outside their national territory. More advantage could be taken from online trading where they have to do some catching up on their EU peers. On the regulatory side, Luxembourg's transposition deficit is among the five highest within the EU and needs to be improved. The average delay for transposition has improved noticeably (6.7 months against 12.1 months during the last reporting period) because Luxembourg managed to transpose its last long overdue directive, and 10 out of its 12 due directives are less than 1 year late. Nevertheless, Luxembourg's new and growing firms feel they have easy market access and have less the impression of being blocked unfairly by established firms than their EU counterparts.

Overall, Luxembourg's performance trend in this area has been moderately positive but close to the EU average.

From the policy side, progress in this area has been moderate but steady since 2008. The single market is not included in the national action plan for SMEs. A number of public measures are in place to support SMEs in internationalising across the EU. The 'Enterprise Europe Network — Luxembourg' is operated by the Chamber of Commerce, the Chamber of Skilled Trades and Crafts and Luxinnovation, in order to offer Luxembourg SMEs a large and diversified portfolio of specialised European business support services related to procedures, European tenders, RDI, markets and potential cooperation partners in the Greater Region and the European Union. Legislation on combating late payments in commercial transactions was adopted in 2013.

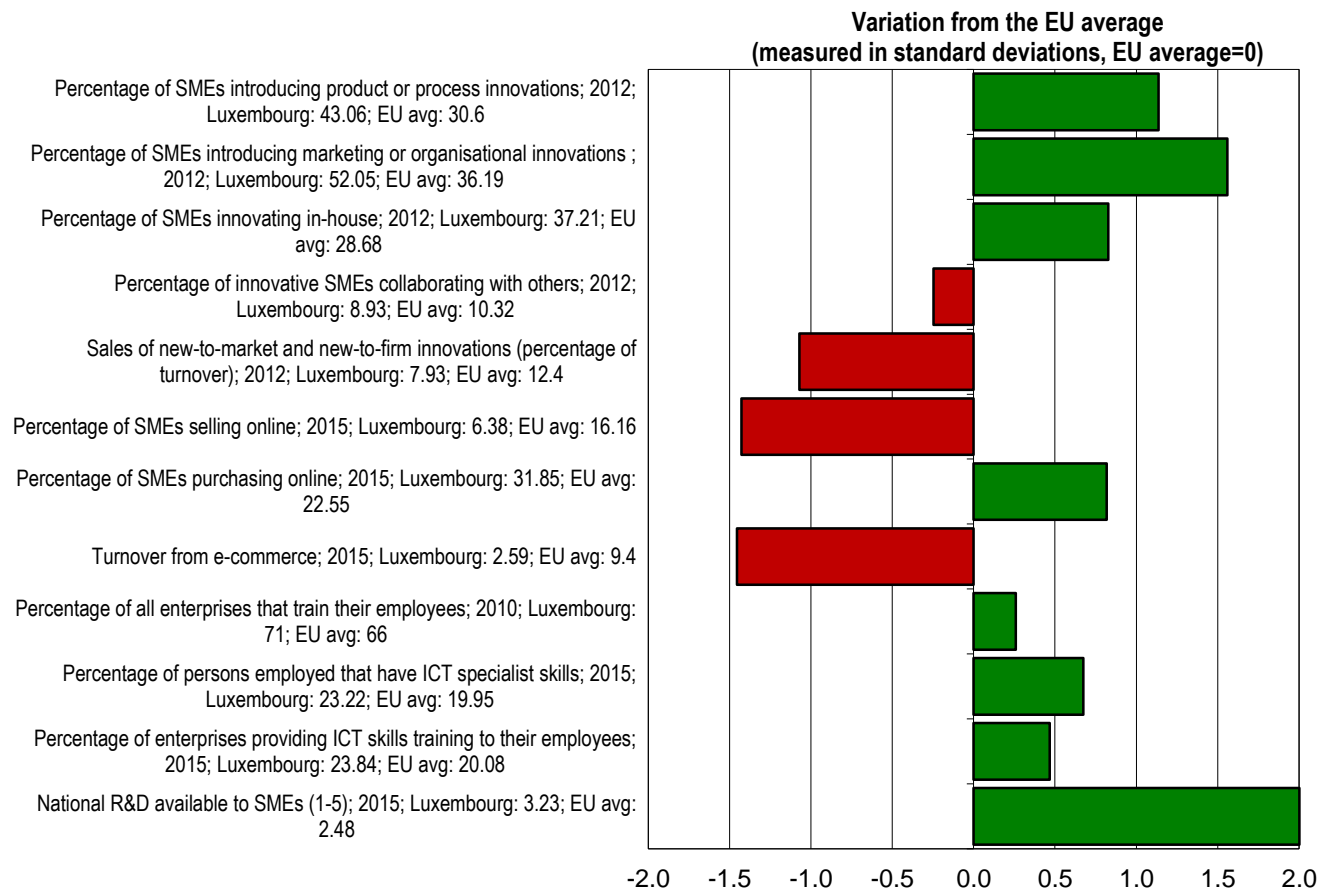
The 'Luxembourg Institute for Standardisation, Accreditation, Security and Quality of products and services' (*ILNAS — Institut Luxembourgeois de la Normalisation, de l'Accréditation, de la*

Sécurité et qualité des produits et services) carried out an update of the national normative strategy. The aim is to develop a national normative culture through the implementation of educational standards and to enhance the interest and involvement of the national market in normative work. In 2014, ILNAS also launched a new portal for consumers and organisations who wish to gather information on quality, security and conformity.

Progress in policy work for this area is considered moderate during the reference period, as only one significant measure was adopted.

At the end of November 2015, the Ministry of the Economy signed an agreement with Belgium and the Netherlands aiming to understand the reasons behind the supply problems of companies at the Benelux level and to find a solution to this problem. This initiative aims to decrease the difficulties faced by Luxembourgish companies to source at the best possible market conditions in the EU's internal market and, hence, defend them against unfair commercial practices.

3.7 Skills & innovation



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

Luxembourg continues to outperform most of its peers in this area, but is losing some of its relative advantage due to better performance throughout the EU.

Statistics confirm the innovative edge of Luxembourg SMEs. About four to five in ten of them can be described as being active innovators, while that ratio is only three in ten for the EU SMEs in average. Enterprises in general perform even better and

demonstrate that Luxembourg is one of the EU frontrunners in this area. The extent to which national research and development is to lead to new commercial opportunities and is available to SMEs is among the highest in the EU.

When it comes to cashing in on innovative products, especially on line, Luxembourg SMEs however lag well behind their EU peers. While the overall turnover from online trading in

Luxembourg is among the highest in the EU, this process is not yet widely spread among SMEs. The government is taking action to sensitise the SME community by initiatives such as the 'Pakt Pro-Commerce' which aims at the retail sector and includes an on line platform for e-commerce.

Substantial progress has been made in the areas of Skills & innovation since 2008. The national innovation system is being progressively developed. Different innovation support measures are in place, including incubators ('Ecostart', 'House of BioHealth', 'lux future lab', 'Technoport'), an accelerator ('PwC Accelerator') and co-working spaces ('Nyuko', 'FabLab Luxembourg'). The Public Research Centre 'Gabriel Lippmann' and the Public Research Centre 'Henri Tudor' merged on 1 January 2015 to become the 'Luxembourg Institute of Science and Technology' (LIST), enhancing the international visibility of Luxembourg's research, and facilitating companies' access to public research by developing the national RDI system.

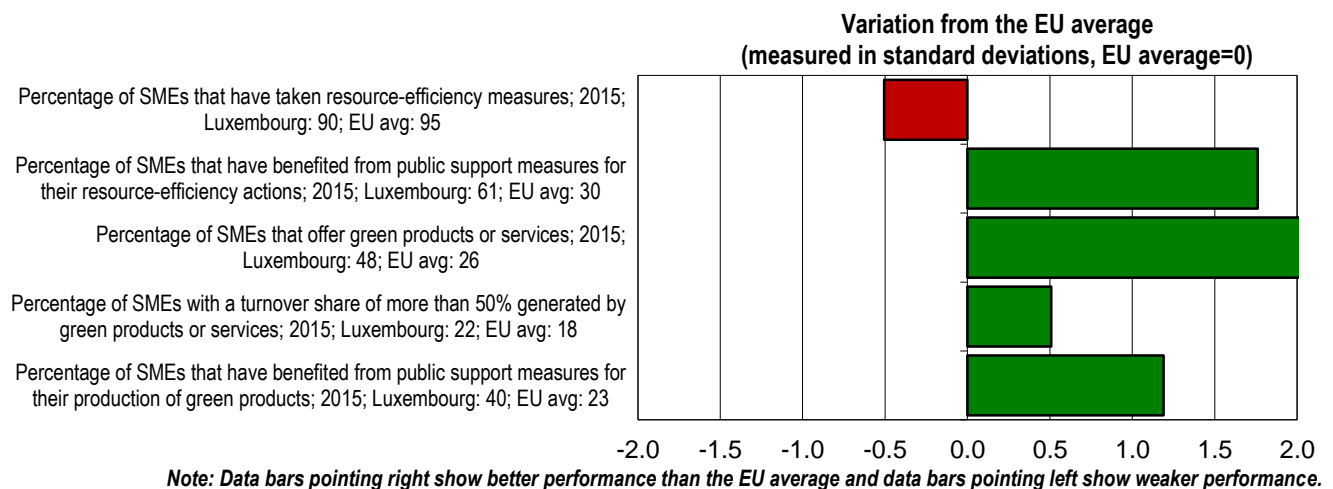
Public measures are in place to provide training to SME employees including co-financing of apprenticeships. The 'National institute for the development of lifelong vocational training' (INFP — *Institut National pour la Formation Continue*)

develops and disseminates information tools on training, helps companies apply for state co-funding subsidies and monitors trends in training through its 'Observatory of Training'. The latter conducts studies on the supply of trainings by private companies, whether the skills acquired during schooling are relevant to the labour market, and which support is available for training. Numerous lifelong learning facilities have been created.

During the reference period, four facilities to ease access to innovation and knowledge and adapt vocational training to the requirements of the labour market opened their doors: the 'Competence Centre ICT', the 'Competence Centre for Civil Engineering', the 'Competence Centre for Completion' and the 'House of Training'.

A draft bill on state aid was adopted to refocus state aid policy to better address SMEs' needs. In the area of research, development and innovation, the new provisions allow the funding of the purchase of shared research equipment. Luxinnovation will receive the statute of financing agency and will be in charge of the evaluation of state aids below EUR 200 000.

3.8 Environment



Luxembourg's overall profile in this area has improved noticeably. Whereas the percentage of SMEs that have taken resource-efficiency measures has slightly gone down compared to previous year, 50 % more than in 2013 have benefitted from public support measures for their resource-efficiency actions; this is almost double as many as in the EU on average.

Also according to the Eurobarometer survey, the number of SMEs that offer green products or services has gone up from 34 % in 2013 to 48 % in 2015. Out of those, slightly more Luxembourg enterprises than those in the rest of the EU on average generate at least half of their turnover from these green products and services. 40 % of SMEs in Luxembourg make

use of public support for their 'green' production, against only 23 % in other EU Member States.

Policy wise, progress since 2008 has been moderate in this area though measures are in place to encourage the development of innovative eco-efficient products, processes and services. In 2012, the Ministry of Economy and Foreign Trade announced a strategy for developing the broader field of clean/green technologies by focusing on two closely related priority areas, namely innovative materials and the rational use of natural resources. The main objective of the 'Luxembourg EcoInnovation Cluster' is to enhance the fields of energy, environment and sustainable development in Luxembourg.

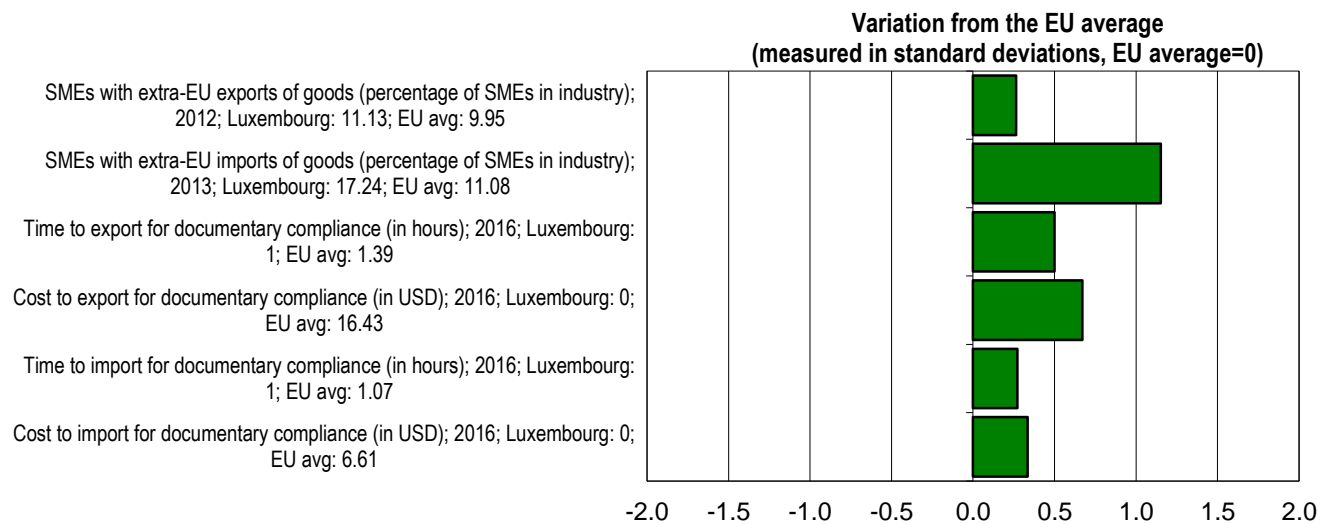
Financial support for energy efficiency in SMEs is also provided. An aid scheme for environmental protection and the rational use of energy by SMEs was first introduced in 2004, and modified in 2010 and 2016. The aid scheme aims to encourage SMEs to invest in energy and natural resource-saving buildings and/or devices. Eco-consultancy services can also be co-funded under this scheme.

During the reference period, progress in this area has been moderate. Two significant measures were adopted to promote Luxembourg's move towards a more sustainable economy by enabling SMEs to turn environmental challenges into business opportunities: the '3rd Industrial Revolution Strategy' and the

'White Paper Green Computing'. This Paper tackles the topic of environmental issues related to ICT from the holistic perspective of Green Computing. Both Green IT and Green by IT are treated in their relation with sustainability.

The most significant measure is the '3rd Industrial Revolution Strategy' project. The Ministry of the Economy, the Chamber of Commerce and IMS (*Inspiring More Sustainability*) Luxembourg launched this project in September 2015. The goal is to define a new economic model in which three technologies converge on a smart Internet of things platform: new communication technologies, new sources of energy, and new modes of transportation.

3.9 Internationalisation



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

Luxembourg's profile in this area has progressed and its scores are now above the EU average. The main cause for this is a methodological change in the indicators describing the costs and time required for trading with extra-EU partner countries.

Under the old definition (which was broader and included also non-administrative costs and processes), Luxembourg was in a more disadvantaged position given its distance to a sea-harbour. Under the changed definition, it features now above the EU average for all indicators. The most important changes are linked to the costs to comply with international trade-related administrative processes, where Luxembourg scores well in line with the EU average.

Policy progress in the area of Internationalisation has been substantial since 2008. The institutional framework for trade promotion is well developed. Numerous services are available for Luxembourgish SMEs willing to export: coaching schemes, fairs and business missions in key countries, finance for internationalisation (mostly through the SNCI bank), the European Enterprise Network, etc.

'Luxembourg for Business' was founded in 2008 to operate as Luxembourg's trade promotion agency and as a so-called 'network agency', establishing a platform for its members to review, coordinate and improve their trade promotion efforts. 'Luxembourg for Finance', also established in 2008, is the agency for the development of the financial centre. It promotes the expertise and diversification of Luxembourg's financial services abroad through different communication channels and aims to identify new business opportunities.

During the reference period, no significant policy measures have been adopted. However, in the parliamentary committee of 19 November 2015, the Minister of the Economy presented the merger project of 'Luxembourg for Business' and 'Luxinnovation'. The merging of the two institutions should allow an efficiency gain to promote Luxembourg as a destination for foreign investment, while respecting, and especially keeping, the role of all the other actors involved in economic promotion.

4. Interesting initiative

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

‘Fit4Entrepreneurship’

Launched in January 2015, and led by the Chamber of Commerce, the National Employment Agency (*ADEM*) and the Chamber of Skilled Trades and Crafts, with the support of the European Social Fund (ESF), ‘Fit4Entrepreneurship’ aims to train and support jobseekers who want to start a business project. Through a balanced approach addressing skills, training programmes and individual coaching, it completes the entrepreneurial ecosystem as a new aid package for the creation of a company by jobseekers.

To be accepted for the programme, jobseekers have to complete an application form and pass an interview. The programme is divided into three steps:

1. Sensitisation and awareness raising about entrepreneurship;
2. Knowledge enhancement: jobseekers participate in workshops held by professional coaches and a reference coach from the national employment agency. During these workshops, the entrepreneurial skills of the participants are further analysed and evaluated;
3. Training and coaching: during this last and final step of the programme, the participants work out their business idea, get training in business administration and are supported in the drafting of their business plan. During a pitching session, the participants get the opportunity to present their business plan in front of an expert jury. This pitching event is an effective exercise as it allows them to train convincing people of their project before they have to convince bankers to get funding for their project.

During the first year of the programme, four sessions were held and 20 future entrepreneurs trained. The collective and individual coaching sessions are provided by successful entrepreneurs, professional coaches and trainers from the Chamber of Commerce and the Chamber of Skilled Trades and Crafts.

References:

<http://www.fit4entrepreneurship.lu/>

<http://www.cc.lu/en/news/detail/de-demandeur-demploi-a-chef-dentreprise/>

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/index_en.htm

grow-spr@ec.europa.eu

Small Business Act:

http://ec.europa.eu/growth/smes/business-friendly-environment/small-business-act/index_en.htm

European Small Business Portal:

http://ec.europa.eu/small-business/index_en.htm

Endnotes

¹ The two graphs below present the trend over time for the variables. They consist of index values for the years since 2008, with the base year 2008 set at a value of 100. As from 2014, the graphs show estimates of the development over time, produced by DIW Econ on the basis of 2008-2013 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/index_en.htm

² Deloitte (2013): The Trust & Corporate Services Sector in Luxembourg, <http://www2.deloitte.com/lu/en/pages/investment-management/articles/trust-corporate-services-sector-lux.html>, last accessed 05.04.2016.

³ <http://www.luxembourgforfinance.com/de/news/luxembourg-fund-industry-committed-growth>, last accessed 05.04.2016.

⁴ Deloitte (2013): The Trust & Corporate Services Sector in Luxembourg, <http://www2.deloitte.com/lu/en/pages/investment-management/articles/trust-corporate-services-sector-lux.html>, last accessed 05.04.2016.

⁵ <http://www.luxembourgforfinance.com/de/news/luxembourg-fund-industry-committed-growth>, last accessed 05.04.2016.

⁶ 2015 SBA Fact Sheet Luxembourg, http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/index_en.htm, last accessed 05.04.2016.

⁷ <http://www.tradingeconomics.com/luxembourg/housing-index>, last accessed 05.04.2016.

⁸ <http://www.wort.lu/en/business/jones-lang-lasalle-report-luxembourg-real-estate-sector-sets-new-records-54bf72940c88b46a8ce51de8>, last accessed 05.04.2016.

⁹ Ibid.

¹⁰ Répertoire des Entreprises Luxembourgeoises, 2015, <http://www.statistiques.public.lu/fr/publications/series/repertoire-entreprises/2015/repertoire-2015/index.html>, last accessed 05.04.2016.

¹¹ Jeremy Zabatta. 23 January 2016. Le Quotidien. Les faillites en hausse au Luxembourg, <http://www.lequotidien.lu/economie/les-faillites-en-hausse-au-luxembourg/>, last accessed 05.04.2016.

¹² Merkur. CoporateNews.lu. 22 January 2016. Augmentation du nombre des faillites de 3.3 %, <http://www.corporatenews.lu/fr/archives-shortcut/archives/article/2016/01/augmentation-du-nombre-des-faillites-de-3-31?author=Creditreform>, last accessed 05.04.2016.

¹³ Ibid.

¹⁴ The 2016 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.

¹⁵ The quadrant chart combines two sets of information. Firstly, it shows current performance based on data for the latest available years. This information is plotted along the X-axis measured in standard deviations of the simple, non-weighted arithmetical average for the EU-28. Secondly, it shows progress over time, i.e. the average annual growth rates from 2008 to 2016. 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 2016. 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/index_en.htm

¹⁶ The policy measures presented in this SBA fact sheet are only a selection of the measures the government took in 2015 and the first quarter of 2016. The national SME policy expert that CARSA Spain (DG GROW's lead contractor for the 2016 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.