



### Key points

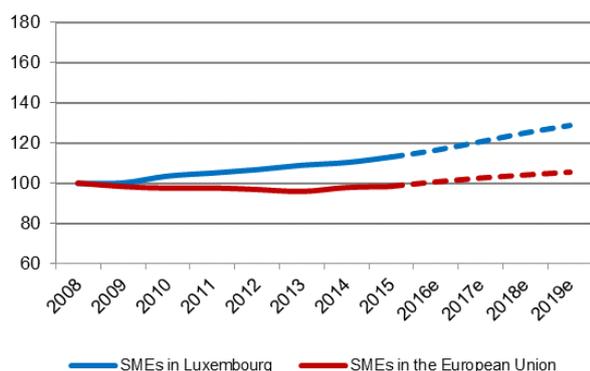
**Past & future SME performance**<sup>1</sup>: SMEs generate 67.2 % of total value added in Luxembourg, 10 percentage points higher than the EU average, while their contribution of 68.0 % to total employment is only 1.6 percentage points above the EU average. SME productivity is roughly twice the EU average. Luxembourg's SMEs have generated solid growth in recent years. In 2013-2017, SME value added rose by 18.4 % and SME employment increased by 10.5 %. Most recently, in 2016-2017, SME value added grew by 5.9 % and SME employment by 3.5 %. Strong growth is expected in 2017-2019. SME value added is expected to increase by 12.7 %, accompanied by SME employment growth of 6.6 % in the same period.

**Implementing the Small Business Act for Europe (SBA)**: Luxembourg's SBA profile is in line with the EU average. The country performs strongly in the environment area, with the second highest performance of all EU Member States, and above the EU average in the single market area. Luxembourg's weakest score remains in the area 'second chance'. It also performs below average in the area of 'entrepreneurship'. Since 2008, there has been a downward trend in the areas 'second chance' and 'access to finance', while performance has been improving in 'responsive administration'.

**SME policy priorities**: Luxembourg continuously introduces new measures to support SMEs. Areas requiring intensified efforts include 'internationalisation', where the cross-border activities of SMEs should be facilitated further and regulatory inconsistencies with the other countries in the greater region and 'second chance' where the legal framework should be revised so as to allow honest entrepreneurs to start a new business after the failure of their previous one. In particular, the costs of resolving insolvencies appear to be too high. Further policy initiatives are needed to support entrepreneurship and 'second chance' entrepreneurs. A case in point is the new draft law on bankruptcy, currently under review by the Council of State, which includes measures on company survival and 'second chance'. Against the backdrop of an aging population and a drying out labour markets in the greater region, shortages of skilled workers become a rapidly increasing challenge for SMEs. The demographic trends make business transfers increasingly more difficult.

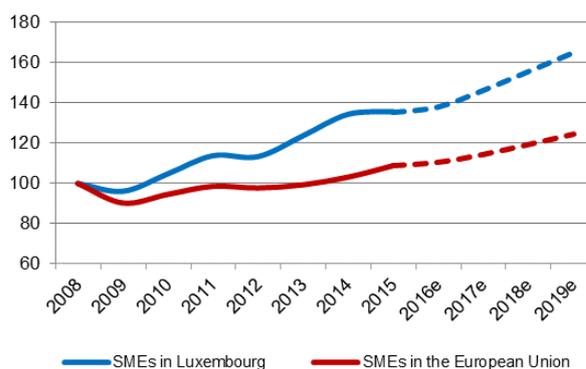
**Number of persons employed in SMEs**

(Index: 2008=100, estimates as from 2016 onwards)



**Value added of SMEs**

(Index: 2008=100, estimates as from 2016 onwards)



### About the SBA fact sheets

The Small Business Act for Europe (SBA) is the EU's flagship policy initiative to support small and medium-sized enterprises (SMEs). It comprises a set of policy measures organised around 10 principles ranging from entrepreneurship and 'responsive administration' to internationalisation. To improve the governance of the SBA, the 2011 review of it called for better monitoring. The SBA fact sheets, published annually, aim to improve the understanding of recent trends and national policies affecting SMEs. Since 2011, each EU Member State has appointed a high-ranking government official as its national SME envoy. SME envoys spearhead the implementation of the SBA agenda in their countries.

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## 1. SMEs — basic figures

Class size	Number of enterprises			Number of persons employed			Value added		
	Luxembourg		EU-28	Luxembourg		EU-28	Luxembourg		EU-28
	Number	Share	Share	Number	Share	Share	Billion €	Share	Share
Micro	29 985	87.8 %	93.1 %	50 536	18.5 %	29.4 %	5.1	20.6 %	20.7 %
Small	3 355	9.8 %	5.8 %	67 655	24.7 %	20.0 %	4.6	18.7 %	17.8 %
Medium-sized	659	1.9 %	0.9 %	67 847	24.8 %	17.0 %	6.9	28.0 %	18.3 %
<b>SMEs</b>	<b>33 999</b>	<b>99.5 %</b>	<b>99.8 %</b>	<b>186 038</b>	<b>68.0 %</b>	<b>66.4 %</b>	<b>16.7</b>	<b>67.2 %</b>	<b>56.8 %</b>
Large	154	0.5 %	0.2 %	87 398	32.0 %	33.6 %	8.2	32.8 %	43.2 %
Total	<b>34 153</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>273 436</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>24.9</b>	<b>100.0 %</b>	<b>100.0 %</b>

*These are estimates for 2017 produced by DIW Econ, based on 2008-2015 figures from the Structural Business Statistics Database (Eurostat). The data cover the 'non-financial business economy', which includes industry, construction, trade, and services (NACE Rev. 2 sections B to J, L, M and N), but not enterprises in agriculture, forestry and fisheries and the largely non-market service sectors such as education and health. The following size-class definitions are applied: micro firms (0-9 persons employed), small firms (10-49 persons employed), medium-sized firms (50-249 persons employed), and large firms (250+ persons employed). The advantage of using Eurostat data is that the statistics are harmonised and comparable across countries. The disadvantage is that for some countries the data may be different from those published by national authorities.*

SMEs are of greater importance to the 'non-financial business economy' in Luxembourg than on average for the EU. This is particularly the case with value added. SMEs generate 67.2 % of total value added, 10 percentage points higher than the EU average, while their contribution of 68.0 % to total employment is only 1.6 percentage points above the EU average. These figures indicate that SMEs in Luxembourg are as productive in terms of value added per person employed as large firms. In contrast, SMEs in the EU as a whole are typically less productive, reflected in their significantly higher shares of employment compared with value added. SME productivity in Luxembourg, measured as value added per person, is EUR 89 800, roughly

twice the EU average. In Luxembourg, SMEs are also bigger than average for the EU. They employ an average of 5.5 people, against the EU average of 3.9.

Luxembourg's SMEs have generated solid growth in recent years. In 2013-2017, SME value added rose by 18.4 % and SME employment increased by 10.5 %. The most rapid growth in this period was in micro firms, with a rise of 22.7 % in value added and 13.0 % in employment. Most recently, in 2016-2017, SME value added grew by 5.9 % and SME employment by 3.5 %. Again, micro firms generated the strongest increase among SMEs in this recent period.

SMEs in the *construction* sector are particularly important for the labour market in Luxembourg as they generate 20.8 % of SME employment in the 'non-financial business economy', almost double the EU average. In recent years, SME growth has been mostly consistent. Except for a brief period of levelling off in 2013-2014, SME employment has risen annually, increasing by 8.6 % in 2014-2017. SME value added has also climbed steadily, culminating in an increase of 24.1 % in 2013-2017. Growth in this sector has been mainly thanks to rising demand for housing. Population increases, heavily driven by rising numbers of non-national residents, who comprise roughly half of the total population<sup>2</sup>, have contributed significantly to increasing demand, which in turn has resulted in a rise in the house price index<sup>3</sup>. Furthermore, the Luxembourgish government has taken a number of measures to boost construction and improve housing affordability. The 2008 Housing Pact law<sup>4</sup> introduced various financial incentives to encourage house building throughout Luxembourg', and more recently, a new 'Housing Pact 2.0'<sup>5</sup> has been under discussion, with the goal of further optimising support for housing construction. Additionally, home owners are eligible for a reduced value added tax rate of 3.0 % (instead of the regular rate of 17.0 %) on construction and renovation works carried out at their principal residence<sup>6</sup>. All of these factors are likely to have spurred on construction activities, partly reflected in the rise in multi-dwelling building permits in 2013-2016<sup>7</sup>. Consistent with this development, business confidence in the construction sector is at its highest level since 2000<sup>8</sup>.

SMEs in *information and communication* account for around 1.7 times more of total SME value added and employment than the respective EU averages. SMEs have benefited from both public and private initiatives promoting growth in this sector<sup>9,10</sup>. For example, the Digital Tech Fund jointly established in 2016 by the

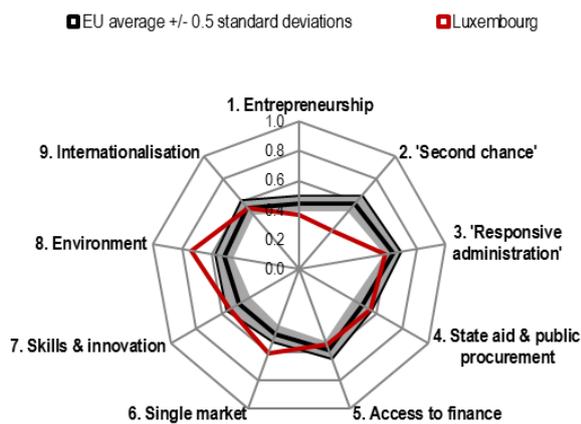
Ministry of the Economy and a group of private investors supports funding and development of start-up companies in this sector. The fund is part of the 'Digital Lëtzebuerg' strategy, which aims to support start-up ICT companies, promote e-government, and strengthen Luxembourg's position in ICT<sup>11</sup>. In parallel, the Luxembourg ICT cluster, along with a wide range of data centres, has also supported the uptake of ICT in various sectors<sup>12,13</sup>. Partly thanks to these various initiatives, SME value added in *information and communication* increased by 23.3 % in 2013-2017, and SME employment also grew strongly, by 17.0 %, in the same period.

Luxembourg remains attractive to businesses, as evident in the consistent rise in the number of registered businesses in recent years. At the start of 2017, the total number of registered businesses totalled 33 733, an increase of 3.4 % from the previous year, and slightly higher than the previous growth rate of 2.0 % of 2015-2016<sup>14</sup>. Also, the total number of bankruptcies fell by 4.9 %, to 935 in 2017, following two years of rising bankruptcies<sup>15</sup>.

In 2015, 425 firms — 9.6 % of all firms in the business economy<sup>16</sup> with at least 10 employees — were high-growth firms<sup>17</sup>. This is roughly consistent with the EU average of 9.9 %. The sector with the highest proportion of high-growth firms is *administrative and support services* at 14.9 %, followed by *information and communication* at 12.7 %.

Strong growth is expected for Luxembourgish SMEs in 2017-2019. SME value added is expected to increase by 12.7 %, accompanied by SME employment growth of 6.6 % in the same period, translating into around 12 200 SME jobs.

## 2. SBA profile<sup>18</sup>



Luxembourg's SBA profile is broadly in line with the EU average. The country is one of the best performers among all EU Member States in the environment area and performs above the EU average in 'single market'. Nevertheless, it needs to improve its performance in the area of entrepreneurship and especially in 'second chance' where it has performed poorly for years. In the other areas, Luxembourg falls in line with the EU average.

Since the SBA was implemented in 2008, Luxembourg has demonstrated a steady commitment to SMEs' interests and development. The government has been willing to adapt good international practices to national demands and has consistently improved conditions for SMEs in Luxembourg. SME stakeholders

are widely consulted on the measures implemented and are well integrated into the development structure.

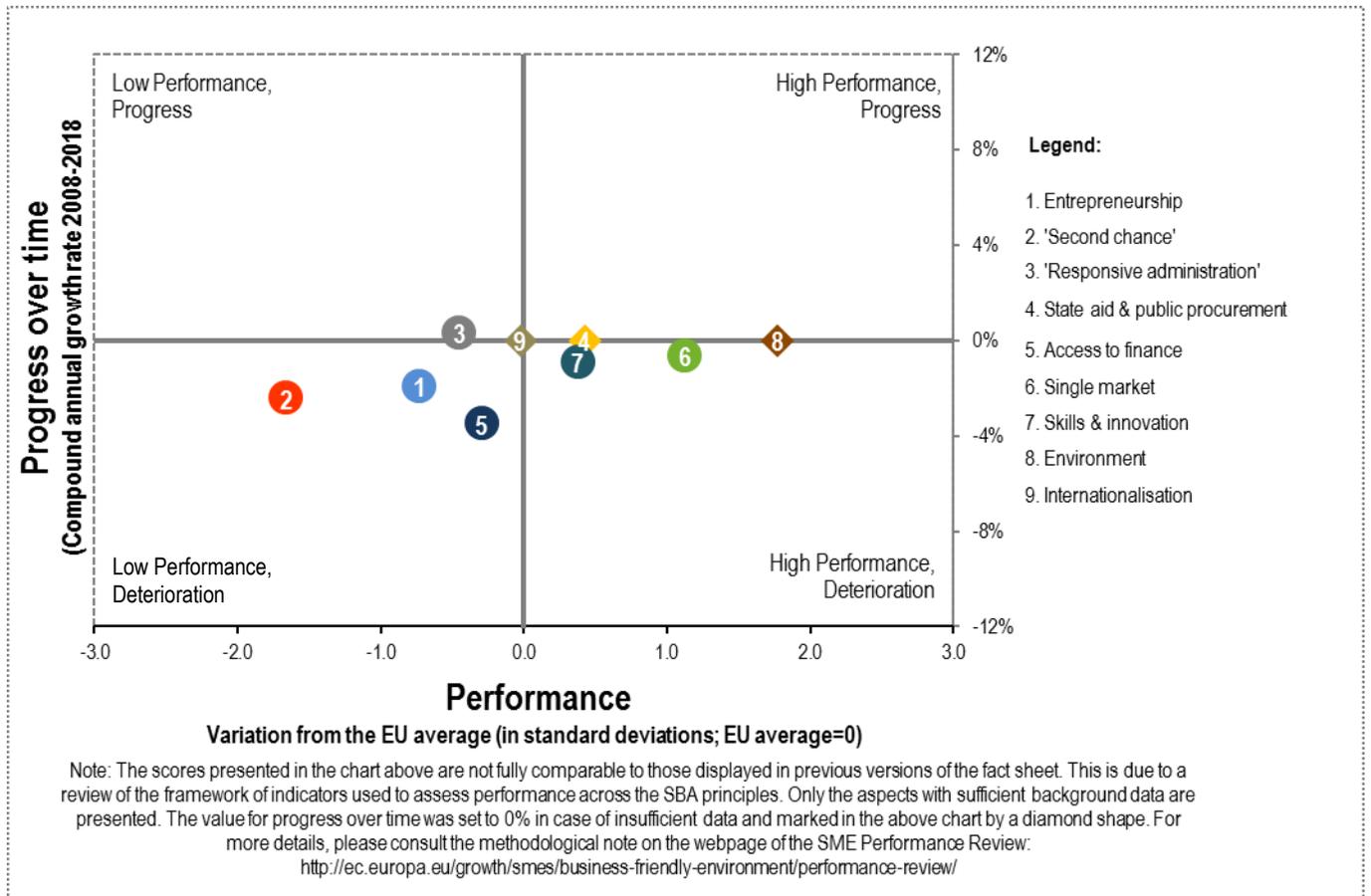
Over recent years, many measures on 'responsive administration' have been put in place, significantly reducing the administrative burden imposed on SMEs (e.g. the e-portal for public procurement, or the 'Digital Luxembourg' initiative). Luxembourg continuously aims to digitise its administrative procedures and thus facilitate SMEs' access to the information or procedures required.

Most recently, Luxembourg has paid increasing attention to the 'skills & innovation' area, encouraging multidisciplinary and digital skills to be acquired and the workforce market to be diversified (e.g. Fit4Digital — 2016, Fit4Entrepreneurship — 2015, Fit4Start — 2016.). These efforts go hand-in-hand with the government's continued attempt to promote entrepreneurship and encourage its population to develop an entrepreneurial spirit.

While Luxembourg has been performing well overall, little to no effort has been made regarding the 'second chance' principle. No measures have been introduced to reduce the stigma of failure, nor have the legal procedures in place been reviewed yet, as the planned bankruptcy law is still being reviewed.

In 2017 and the first quarter of 2018, which is the reference period for policy measures in this year's fact sheets, Luxembourg implemented 10 new policy measures addressing 4 out of 10 policy areas under the Small Business Act. As Luxembourg has been implementing a high number of measures covering most SBA recommendations in recent years, the number of measures introduced during this reference period was more limited.

## SBA performance of Luxembourg: state of play and development from 2008 to 2018<sup>19</sup>



### 3. SBA principles<sup>20</sup>

#### 3.0 ‘Think Small First’

The ‘think small first’ principle is meant to be a guiding principle for all policy- and law-making activities. It requires policymakers to take 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.

Since 2008, Luxembourg has made significant progress in applying the ‘Think Small First’ principle. The country has consistently applied it to both legislative and administrative procedures, reducing the administrative burden imposed on SMEs. The SME test and the regulatory impact assessment (RIA) process are in place and applied systematically. SME stakeholders are consulted on new legislative proposals and

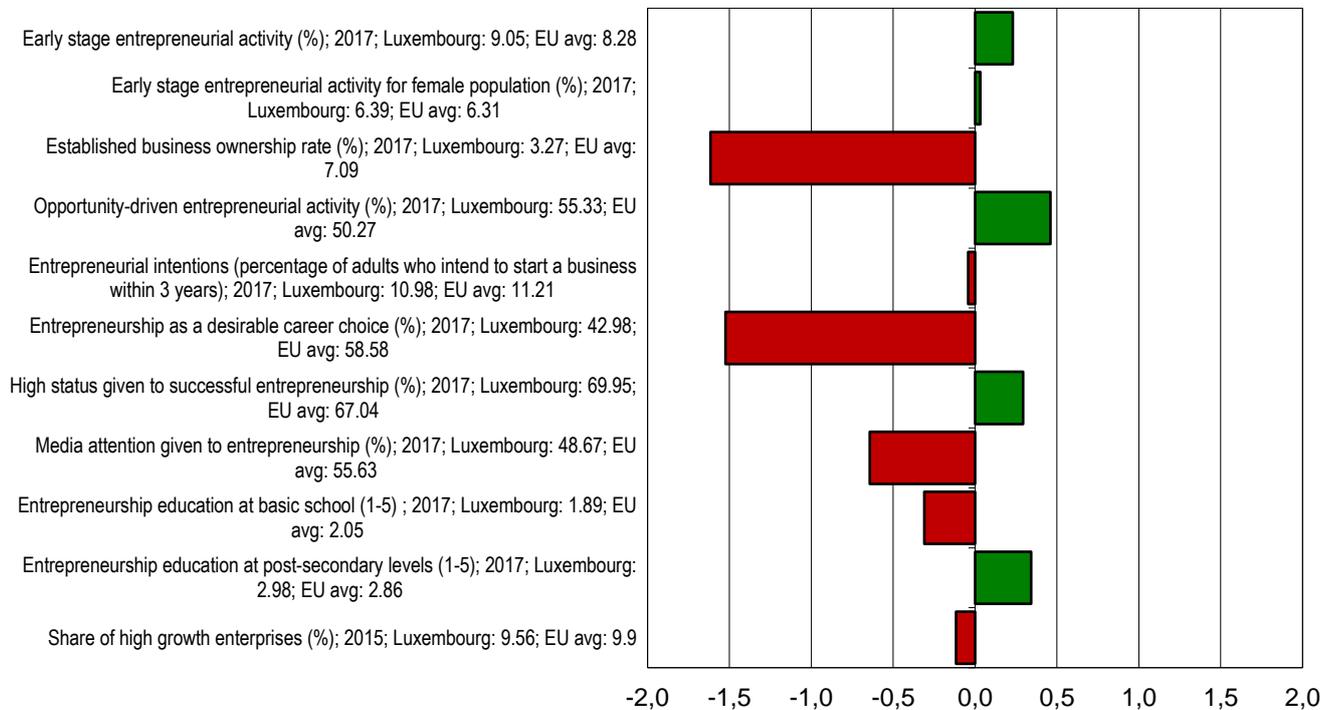
their findings taken into account. The SME envoy is generally seen as actively engaged by SME stakeholders.

Despite Luxembourg’s positive performance in this SBA area overall, there is still room for improvement. Luxembourg continues to lack ‘common commencement dates’ for all new legislation and amendments to existing legislation that affect SMEs. In addition, impact assessment results do not automatically lead to existing legislation being reviewed.

During 2017 and the first quarter of 2018, no significant new policy measures were adopted or announced in this area. Nevertheless, Luxembourg has continued to progress in implementing its fourth SME action plan.

#### 3.1 Entrepreneurship

**Variation from the EU average  
(measured in standard deviations, EU average=0)**



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

Luxembourg’s performance in entrepreneurship fell below the EU average during the reference period, having been on a downward trend since 2008. The results are mixed in this area,

and performance on most indicators declined between 2016 and 2017. Entrepreneurial intentions have dropped slightly from 11.9% to 11% since 2016. Only 43% of the population

consider entrepreneurship as a desirable career choice, which is one of the lowest scores in the EU. The rate of established business ownership slightly increased to 3.3 % but this also remains well below the EU average which reflects the limited entrepreneurial culture in the country overall. As regards the entrepreneurship environment, minor progress was made as regards giving high status to entrepreneurs.

Since 2008, Luxembourg has been continuously increasing its efforts to support the development of an entrepreneurial culture. Numerous programmes to promote an entrepreneurial spirit have been introduced, encouraging women, jobseekers and young visionaries to establish their own businesses. Progress has been especially visible regarding entrepreneurship education, which is available at all levels of the nation’s school system. For years, the association of young entrepreneurs has been very active in this field, offering educational programmes at primary, secondary and tertiary levels. With the entrepreneurial schools programme put in place, Luxembourg is further strengthening entrepreneurship education at tertiary level and is attempting to foster the entrepreneurial spirit among students. While all these efforts are encouraging signs for the future development of entrepreneurial education in Luxembourg, further measures aimed specifically at immigrants and mandatory training of teachers in entrepreneurship are still needed.

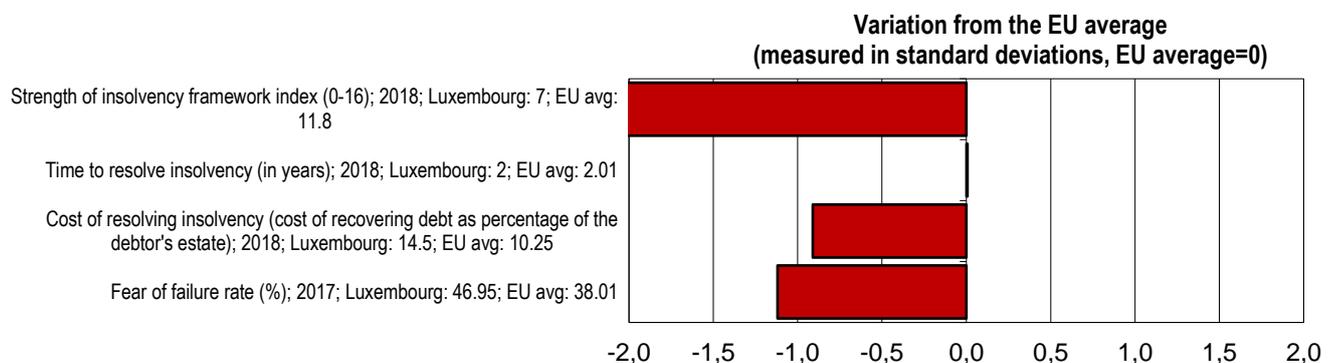
Luxembourg’s efforts regarding entrepreneurial education go hand-in-hand with its aspiration to build an encouraging start-up environment. Over recent years, numerous initiatives have been launched in this context (e.g. ‘NYUOKO’, ‘the House of Biohealth’, and ‘Gzéro1’).

During the current reference period, one new and significant policy measure was introduced<sup>21</sup>:

- The University of Luxembourg Accelerator, a programme open to all universities, will provide training and office infrastructure to support founders and young companies in the early stage of developing their business ideas. Additionally, a mentoring scheme will allow entrepreneurs to benefit from the advice, knowledge, and networks of experienced mentors from industry and academia.

There were no new scale-up measures introduced in the current reference period. In fact, most scale-up initiatives are privately led. Therefore, there is still room for improvement in building an environment more conducive to scale-ups in Luxembourg.

### 3.2 ‘Second chance’



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

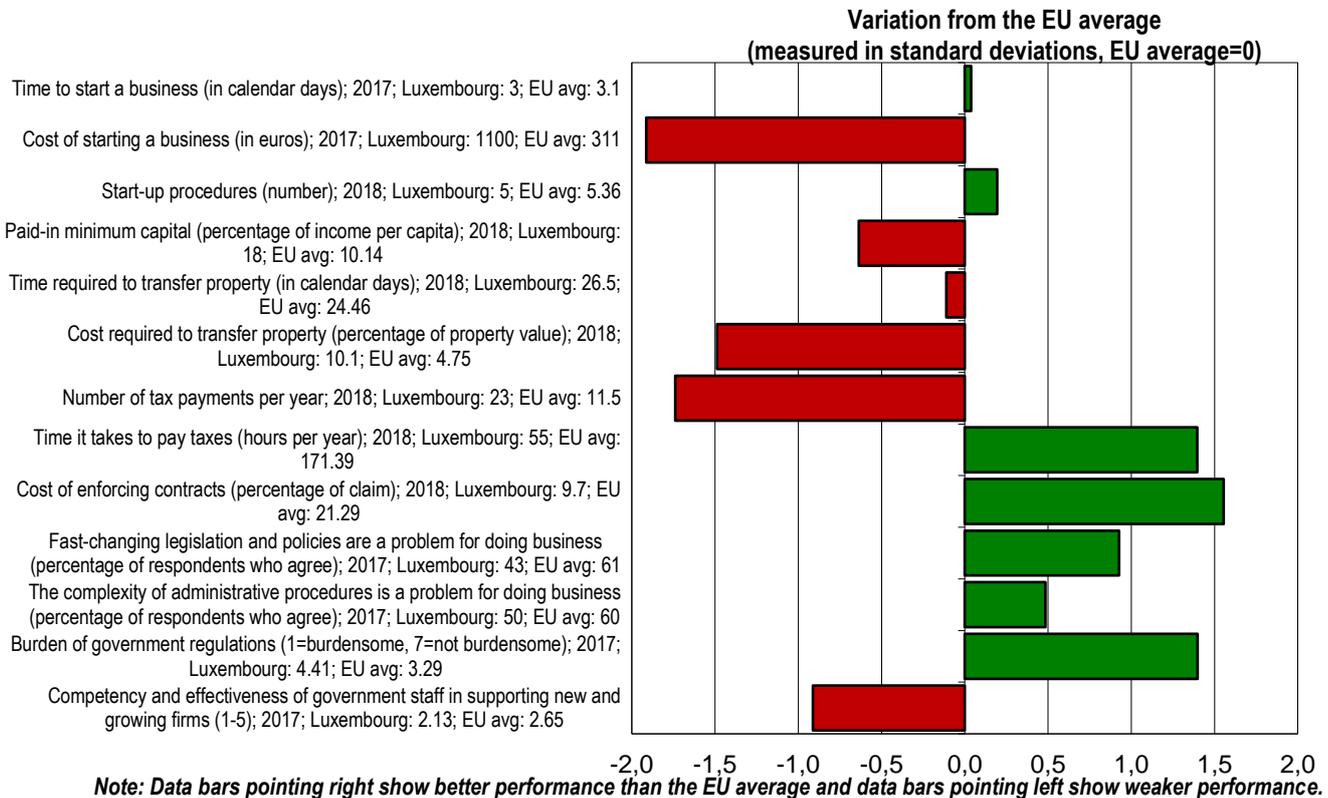
‘Second chance’ refers to ensuring that honest entrepreneurs who have gone bankrupt get a second chance quickly. Luxembourg continues to perform below the EU average in the ‘second chance’ area and the country’s performance has been declining since 2008. The fear of failure rate has further worsened as the proportion of potential entrepreneurs expressing such feelings increased from 45.8 % to 47 % between 2016 and 2017. While it takes 2 years to recover from insolvency the costs remain quite high, meaning that Luxembourg performs below the EU average on this indicator. Moreover, the insolvency framework in Luxembourg is the second weakest among all EU Member States and needs to be addressed as a priority.

Little has been done to limit the stigma of business failure and no significant pre-emptive measures been put in place to

prevent businesses from failing in the first place. On average, the legal procedures surrounding the failure of a business last longer than 1 year and discharge from bankruptcy often takes longer than 3 years. Moreover, no fast-track procedures are in place for SMEs, nor are honest entrepreneurs automatically discharged after liquidation.

The draft legislation on rescuing companies and modernising the bankruptcy law, which was mentioned in the previous fact sheet and which aims to introduce measures to avoid business failures by identifying businesses in jeopardy at an early stage, is still being reviewed. Overall, there is still room for improvement in this SBA area. In 2017 and first quarter of 2018, there were no new significant measures implemented or announced.

### 3.3 'Responsive administration'



'Responsive administration' refers to public administration being responsive to the needs of SMEs. Luxembourg continues to perform in line with the EU average in this area, making continuous progress since 2008 (though not as fast as at the EU level). The cost of starting a business and the number of tax payments per year are both among the highest in the EU. In addition, SMEs indicated that the competence and effectiveness of government agencies in supporting new and growing firms has worsened, with the country's performance now falling below the EU average. Even though it only takes 3 days to start a business, the time needed for and the cost of transferring property remain key areas for improvement.

The proportion of companies that deem fast-changing legislation to be a problem for their business fell from 47% to 43% between 2015 and 2017. Half of the respondents considered complex administrative procedures to be a problem in 2017, against 58% in 2015. These two indicators are better than the EU average.

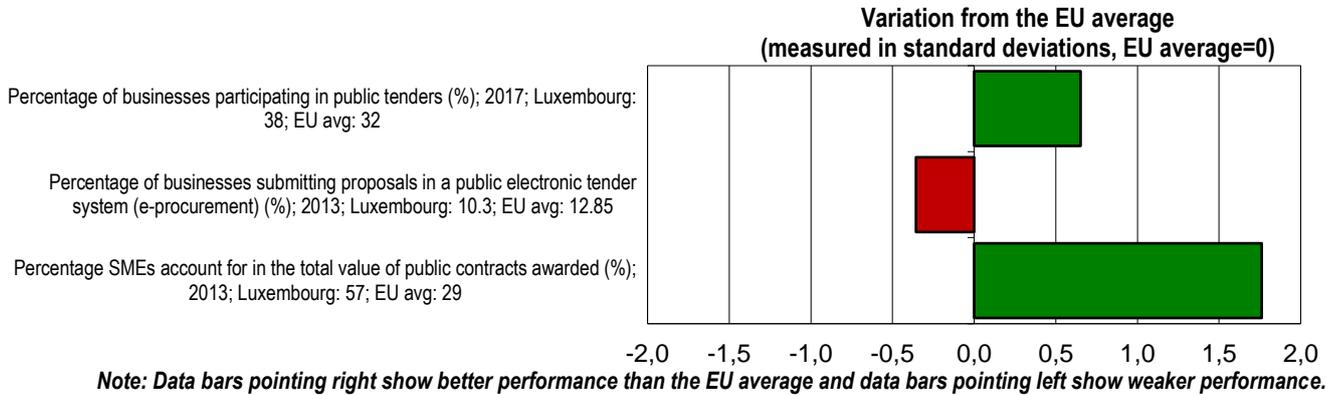
Since 2008, Luxembourg has been very active in this SBA area. It has been continuously working on facilitating administrative

procedures and government regulations which have reduced the overall administrative burden imposed on SMEs. In recent years, various measures were introduced to further encourage SMEs to grow and develop (e.g. opening of the 'House of Entrepreneurship', implementing the 'law on social impact companies', etc.). These efforts continued throughout the current reference period.

After years of debate, the Omnibus law (*Omnibus Gesetz*) entered into force in April 2018. The law aims to amend various procedures and legislation. Overall, the law simplifies administrative procedures by, for example, reducing the costs related to the introduction and treatment of projects and by supporting the continued digitisation of administrative procedures.

During 2017 and the first quarter of 2018, one new significant measure was put in place. The Pro-Craftsmanship Pact (*Pakt Pro Artisanat*) introduced a new development plan for national craftsmanship based on a four-fold strategy that focuses on promoting craftsmanship, facilitating the transfer of businesses, improving the quality of service and digitising the sector.

### 3.4 State aid & public procurement



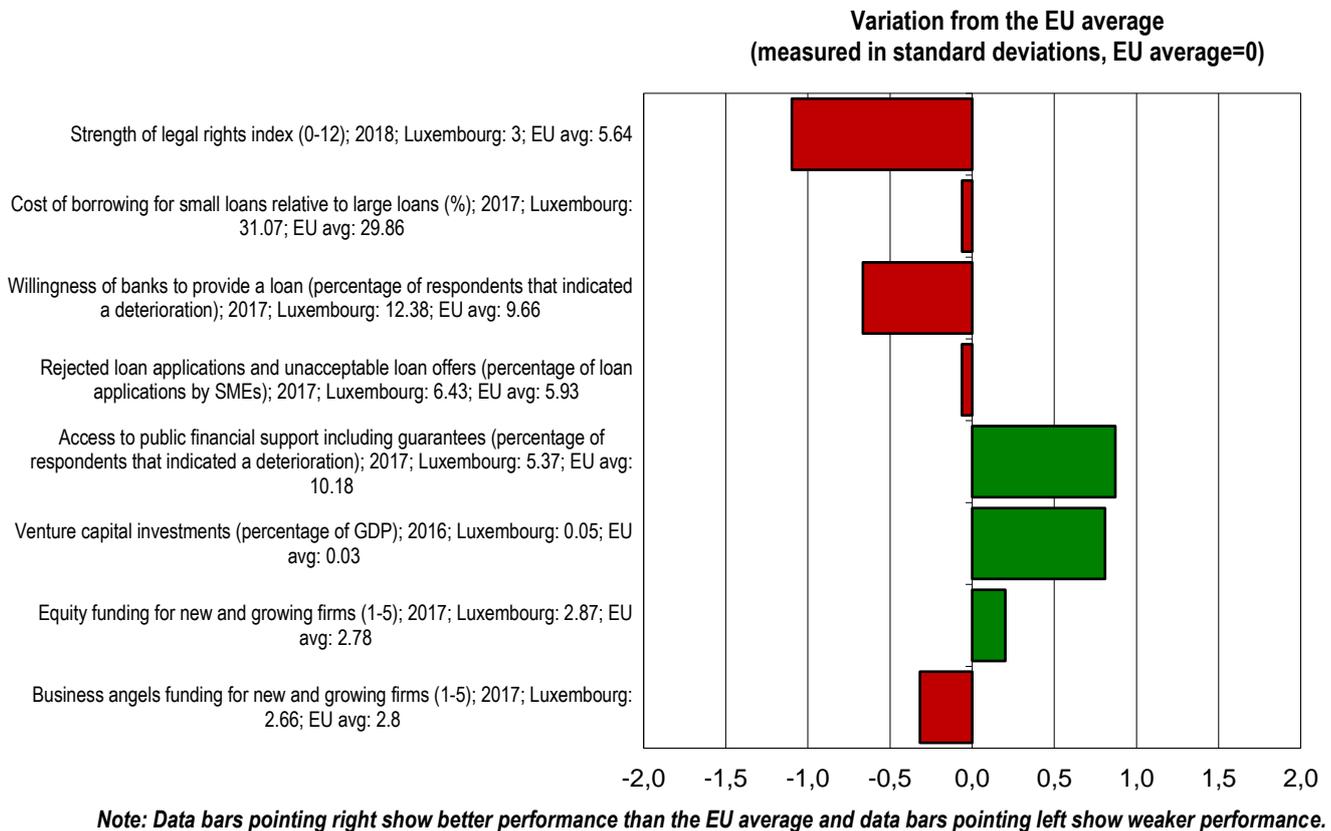
Luxembourg continues to perform within the EU average in the area of state aid & public procurement. The proportion of businesses participating in public tenders increased from 35 % to 38 % between 2015 and 2017, surpassing the EU average. No new data are available for the other indicators.

Since the SBA was introduced in 2008, Luxembourg has been performing well in this area. Overall, SMEs can easily access state aid and public procurement with an effective e-

procurement portal in place. SMEs benefit from protective measures regarding late payments, and big tenders are often divided into smaller lots, giving SMEs the opportunity to apply.

This positive assessment explains why the government made limited efforts in this SBA area. SME stakeholders confirmed that no immediate action was required for the current reference period. In 2017 and first quarter of 2018, there were no new significant measures implemented or announced in this area.

### 3.5 Access to finance



Luxembourg continues to perform in line with the EU average in access to finance. However, its performance has been weakening significantly since 2008. This decline is specifically marked in more classic ways of financing. Banks seem more reluctant to provide loans. The cost of borrowing for small loans relative to large loans and the proportion of rejected loan applications and unacceptable loan offers are higher in Luxembourg than at EU level. As regards alternative forms of financing, venture capital investment was 0.05 % of GDP in 2017, which was slightly less than the previous year, but still above the EU average. On a positive note, more national experts agree that equity funding for new and growing firms was made available between 2016 and 2017. The performance on this indicator surpasses the EU average over that period. However, there is still room for improvement in ‘business angel’ funding, which is limited in Luxembourg compared to the EU average.

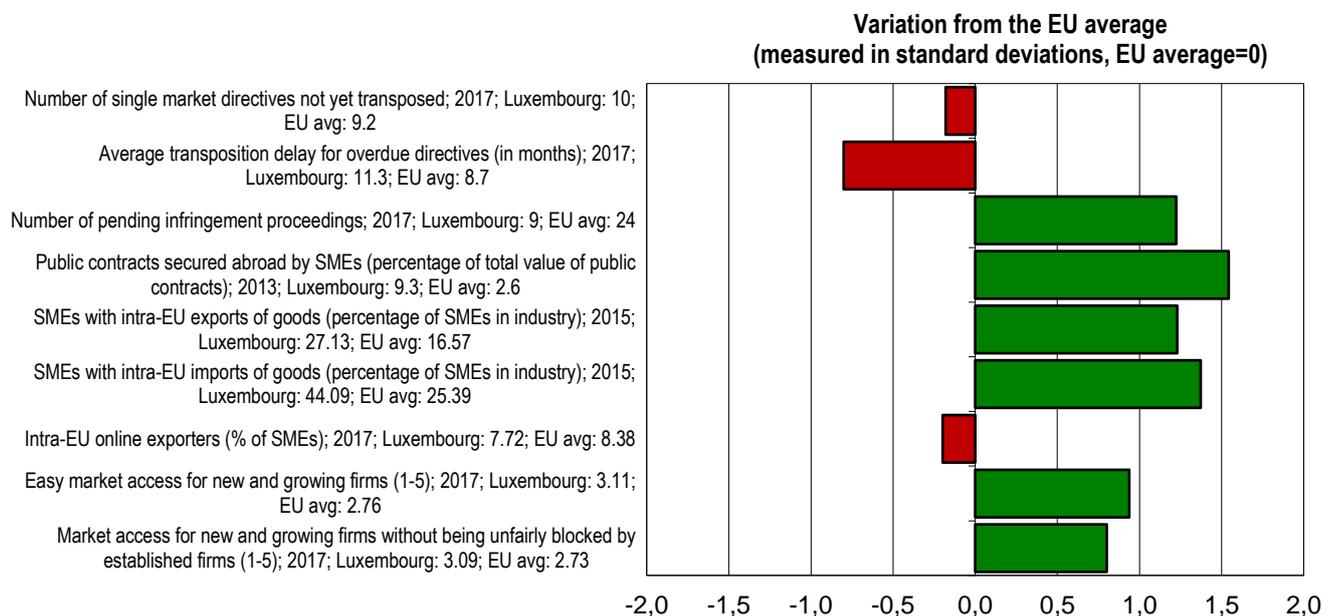
Since 2008, Luxembourg has continuously focused its efforts on improving SMEs’ access to finance. These efforts are reflected in

positive feedback from SME stakeholders regarding the implementation of this principle. Over the years, several venture capital funds have been established and business angel funds introduced. Moreover, SMEs can easily access loans with mutual societies providing the necessary guarantees. Specific funds are available for those people starting up a business, or intending to make their businesses more environmentally friendly.

During the reference period, one new policy measure was introduced: the reform of mutual societies’ guarantees (*réforme de la mutualité de cautionnement*). The amount of the guarantee companies can obtain has been raised to EUR 250 000 per candidate, allowing businesses to have a wider variety of funds to use to cover their guarantees.

Overall, continuous progress is being made in this SBA area, underlining Luxembourg’s overall national strategy of encouraging entrepreneurship and supporting the further development of SMEs.

### 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 perform above the EU average in the single market area, despite declining since 2008. The average transposition delay for overdue directives has dramatically increased from 6.3 months to 11.3 months. The proportion of SMEs exporting online within the EU is also still weak — below the EU average and representing only 7.7 % of total SMEs. On a positive note, most of the other indicators are better than the EU average. There have been some great improvements — especially in the number of single market directives not yet transposed, which has been cut from 22 to 10 since 2016. The

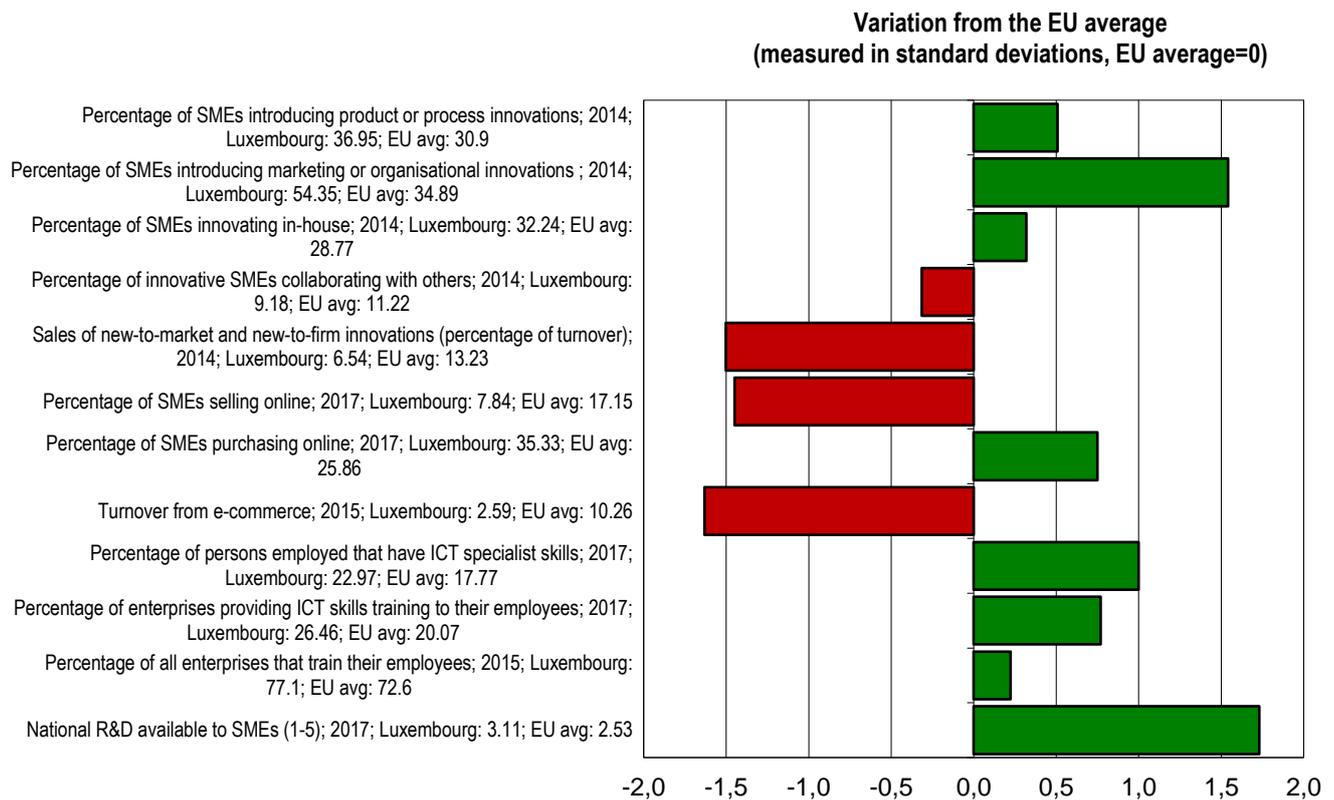
number of pending infringements has also dropped from 14 to 9 cases over the same period.

Luxembourg has performed stably in this SBA area since 2008. The government has been trying to enact EU laws on time. It has also been introducing measures to assist SMEs with their positioning on the single market by helping them register their patents and trademarks. Further support is available at the Enterprise Europe Network, a single point of contact for SMEs on everything related to the single market.

In 2017 and the first quarter of 2018, no new significant measures were implemented or announced. SME stakeholders

confirmed that no immediate action was required in this area.

### 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 perform in line with the EU average in the skills & innovation area. However, there is a slight downward trend in the country's performance since 2008. In terms of innovation, some indicators have not been updated since 2014 but others show that Luxembourg lagged behind the EU in embracing digital technologies. For example, the proportion of SMEs selling online dropped from 9.1 % to 7.8 % between 2016 and 2017. A similar declining trend is seen for SMEs purchasing online over the same period. As for skills-related indicators, SMEs perform well in training and recruiting ICT skilled workers, with a performance above the EU average. In addition, national R&D is more widely available to SMEs in Luxembourg compared to the EU average.

Luxembourg has been making significant policy progress in this SBA area. Since 2008, numerous policy measures have been put in place to encourage the development of skills and innovation in Luxembourg (e.g. Fit4Digital, Fit4Innovation). These efforts align with the country's overall strategy to turn Luxembourg into a start-up nation and to stimulate the entrepreneurial spirit of its people. The measures introduced so far in this SBA area aim to diversify the local economy and support the country's future

development by encouraging start-ups and innovative businesses to locate their activities in Luxembourg.

For the current reference period, three policy measures in particular stand out:

- The Cluster for Creative Industries introduced a new creative industries platform bringing together the sector's private and public players. By supporting the development of the creative industries sector, Luxembourg wants to diversify its national economy and support its sustainable development. The Cluster for Creative Industries will increase the visibility of the existing market and act as an intermediary between government institutions, professional chambers and its members. Moreover, members will be encouraged to collaborate and exchange information on developments in the market, thus further strengthening SME growth.
- Similarly, the 'Wood Cluster' aims to create a new platform that brings together the private and public players in the wood industry. The Wood Cluster

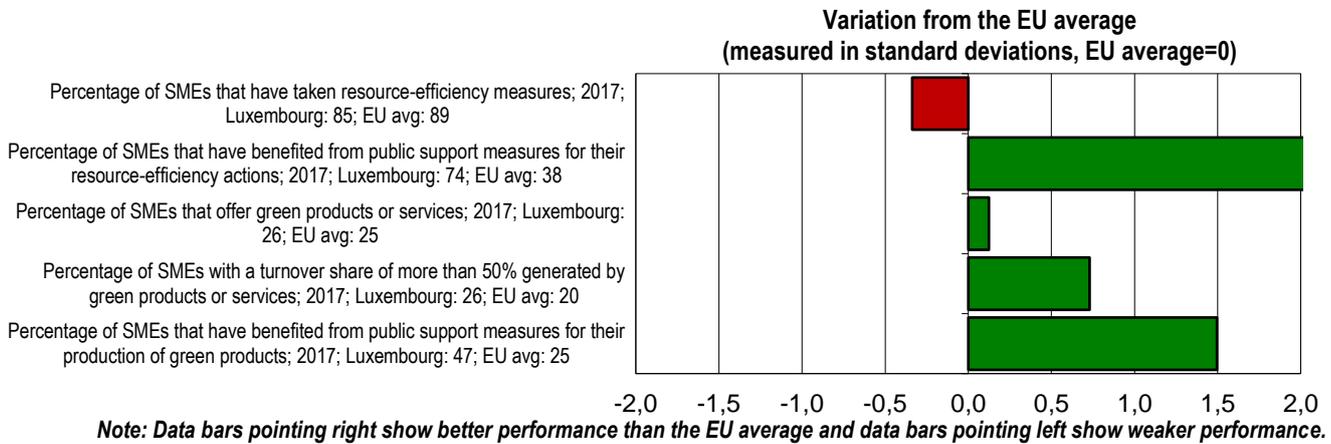
specifically focuses on recovering wood, a highly sustainable material. This initiative aligns itself with Luxembourg’s wider strategy on preparing the national market for the ‘Third Industrial Revolution’.

- Another interesting policy measure is the Luxembourg Digital Skills Bridge programme. The Ministry of Labour, Employment and the Social and Solidarity Economy launched a first pilot of this programme in spring 2018. The programme aims to coach and upskill

employees whose jobs will be impacted by the digital transformation of the market and advise them on new placement opportunities. Simultaneously, businesses will be assisted in assessing their workforce and skills. Therefore, businesses will be encouraged to innovate their working processes while simultaneously increasing the skills of their employees.

Overall, considerable progress continues to be made in this SBA area.

### 3.8 Environment



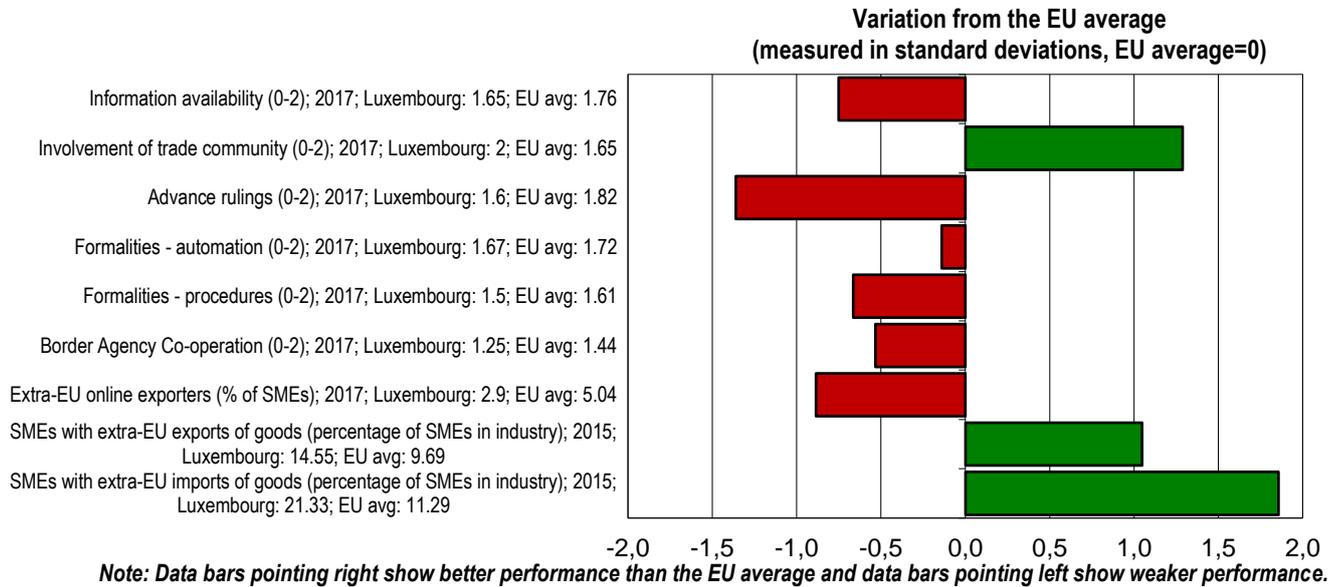
Luxembourg continues to perform above the EU average in the environment area. The country ranks as the second best performer among all EU Member States. However, there is still room for improvement in the proportion of SMEs taking resource-efficiency measures, which fell from 90 % to 85 % between 2015 and 2017. Also, since 2015 the percentage of SMEs that provide green products or services dropped from 48 % to 26 %. On a positive note, in three out of five indicators, Luxembourg continues to surpass the EU average. Eco-efficient businesses are provided with great access to public support. Hence, 74 % of SMEs in 2017 against 61 % in 2015 benefited from public support for their resource-efficiency activities. Similarly, 47 % of SMEs in 2017 against 40 % in 2015 took advantage of public support measures for the production of green products.

From a policy perspective, Luxembourg has been performing quite well in this area, having introduced a range of measures since 2008. As the introduction of the Wood Cluster mentioned

above shows, Luxembourg has been making considerable efforts to support the development of eco-efficient and sustainable products, process and services. Simultaneously SMEs have been receiving government support to increase their energy efficiency. Although regulatory incentives for SMEs to get certified by the EU eco-management and audit scheme (EMAS) have not been pursued, SME stakeholders confirmed the limited need for this requirement for Luxembourgish SMEs, as many have already been checked by the energy agency.

During the reference period, no new significant measures were implemented or announced. However, this should not cause concern as Luxembourg continues to work on implementing its ‘Third Industrial Revolution’ strategy, its long-term roadmap towards a more interconnected and sustainable economy. Overall Luxembourg is making great efforts in this policy area.

### 3.9 Internationalisation



Luxembourg is in line with the EU average, having made some progress since 2015. This improvement is thanks to the full involvement of the trade community and an increasing proportion of SMEs exporting goods to and importing goods from countries outside the EU. Some 21.3 % of SMEs imported goods from outside the EU in 2015 against 19.3 % in 2013. In addition, more information is made available for SMEs over the same period. Despite this progress in helping SMEs do more business abroad, more needs to be done, especially in fully automating procedures, and in facilitating cooperation with border agencies.

A number of policy measures have been put in place in recent years. With the Europe Enterprise Network functioning as an umbrella organisation providing support to SMEs for their internationalisation as well as the Luxembourg Export Credit Agency (the Office du Dueroire), and Luxinnovation, the institutional framework promoting international trade in Luxembourg is well developed.

Aware of the possible improvements still to be made in this SBA area, the government implemented the 'Luxembourg Nation

Branding' initiative in the previous reference period, thus underlining its intent to refresh the image of Luxembourg's SMEs abroad. Through economic missions assisted by the Chamber of Commerce, the government further aims to help SMEs do business abroad and facilitate their entry into the international market. Some SME stakeholders suggested that business owners' interest in expanding their target market might be limited by the growth observable on the national market and a lack of information about international opportunities. On the other hand, during times of crisis many business owners hesitate to increase their efforts to expand abroad as they want to limit their exposure to risk. Further information campaigns on the benefits of international business are thus recommended. Moreover, cross-border trading procedures should be made smoother, to further support SMEs desiring to expand international ties.

In 2017 and first quarter of 2018, there were no new significant measures implemented or announced.



## 4. Interesting initiative

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

### Entrepreneurial Schools

The Entrepreneurial Schools programme encourages secondary schools to review their educational programmes to help students develop multidisciplinary skills. These skills will in turn enable students to become successful future entrepreneurs. Instead of introducing courses on entrepreneurship, the participating schools are being encouraged to connect their existing courses to entrepreneurial challenges and to awaken their students' creativity. Therefore, the programme aims to bridge the gap between the 'student life' and the 'working life'.

By awakening the students' entrepreneurial spirit at an early stage and encouraging the development of transferable skills, the government aims to facilitate the students in entering the labour market. In the long term this will encourage a society that is more supportive of entrepreneurship. The programme can be easily replicated by schools of different sizes and at various educational levels, thus, it can be opened to the entire student body.

<http://www.cedefop.europa.eu/en/news-and-press/news/luxembourg-promoting-entrepreneurship-secondary-education>

## 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 for the 28 EU Member States. Produced annually, they help to organise the available information to facilitate SME policy assessments and monitor SBA implementation. They take stock and record progress. They are not an assessment of Member State policies. Rather, they should be regarded as an additional source of information to improve evidence-based policy-making. For example, they cite only policy measures national SME policy experts consider relevant. They do not and cannot reflect all measures the government has taken over the reference period. There is more policy information on a database accessible from the SPR website.

SME Performance Review:

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

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

Small Business Act:

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

Entrepreneurship and SMEs:

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

## Endnotes

<sup>1</sup> The two graphs below present the trend over time for the variables. They consist of index values for the years since 2008, with the base year 2008 set at a value of 100. As from 2016, the graphs show estimates of the development over time, produced by DIW Econ on the basis of 2008-2015 figures from Eurostat's Structural Business Statistics Database. The data cover the 'non-financial business economy', which includes industry, construction, trade and services (NACE Rev. 2 sections B to J, L, M and N). They do not cover enterprises in agriculture, forestry and fisheries or largely non-market service sectors such as education and health. A detailed methodology can be consulted at: <http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/>

<sup>2</sup> Stateg, Population by sex and nationality on 1st January (x 1 000) 1981, 1991, 2001-2018, available at: [http://www.statistiques.public.lu/stat/TableViewer/tableView.aspx?ReportId=12853&IF\\_Language=eng&MainTheme=2&FldrName=e=1](http://www.statistiques.public.lu/stat/TableViewer/tableView.aspx?ReportId=12853&IF_Language=eng&MainTheme=2&FldrName=e=1), last accessed 30.5.2018.

<sup>3</sup> Stateg, Acquisition prices for apartments 2007-2017, available at: [www.statistiques.public.lu/stat/TableViewer/document.aspx?ReportId=13440&IF\\_Language=eng&MainTheme=4&FldrName=4](http://www.statistiques.public.lu/stat/TableViewer/document.aspx?ReportId=13440&IF_Language=eng&MainTheme=4&FldrName=4), last accessed 30.5.2018.

<sup>4</sup> Du pacte logement, (30 Mars 2017), available at: <https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=2&cad=rja&uact=8&ved=0ahUKewjqkqDQkLrbAhVLCMAKHxW4CYgQFggYMAE&url=http%3A%2F%2Flogement.public.lu%2Fcontent%2Fdam%2Flogement%2Fdocuments%2Flegislation%2Ffois%2Fpl-loi-modifiee-22-10-2008-v170330.pdf&usq=AQvVaw3 mtTlh08Wvj8F 89G5 myWl>, last accessed 30.06.2018 and <http://logement.public.lu/fr/politique-logement/pacte-logement.html>, last accessed 5.6.2018.

<sup>5</sup> Quo vadis PACTE LOGEMENT 2.0? (2016), available at: [http://logement.public.lu/content/dam/logement/documents/actualites/2017/06-2017\\_Pacte-Logement\\_synthese-questionnaireJDC\\_version-definitive.pdf](http://logement.public.lu/content/dam/logement/documents/actualites/2017/06-2017_Pacte-Logement_synthese-questionnaireJDC_version-definitive.pdf), last accessed 5.6.2018.

<sup>6</sup> Increase in VAT rates and other VAT measures in Luxembourg, December 2014, available at: [www.arendt.com/publications/Documents/Newsflash/2014.12.23\\_%20NF%20VAT.pdf](http://www.arendt.com/publications/Documents/Newsflash/2014.12.23_%20NF%20VAT.pdf), last accessed 5.6.2018.

<sup>7</sup> Stateg, Building permissions, available at:

[http://www.statistiques.public.lu/stat/ReportFolders/ReportFolder.aspx?IF\\_Language=eng&MainTheme=4&FldrName=4](http://www.statistiques.public.lu/stat/ReportFolders/ReportFolder.aspx?IF_Language=eng&MainTheme=4&FldrName=4), last accessed 30.5.2018.

<sup>8</sup> Stateg (2018), Business Survey in Construction, available at:

[www.statistiques.public.lu/stat/TableViewer/document.aspx?ReportId=13852&IF\\_Language=eng&MainTheme=4&FldrName=4&RFPath=36](http://www.statistiques.public.lu/stat/TableViewer/document.aspx?ReportId=13852&IF_Language=eng&MainTheme=4&FldrName=4&RFPath=36), last accessed 4.6.2108.

<sup>9</sup> Luxinnovation, Performance Programmes, available at: <https://www.luxinnovation.lu/innovate-in-luxembourg/performance-programmes/>, last accessed 4.6.2018.

<sup>10</sup> Official portal of the Grand Duchy of Luxembourg, available at: <http://www.luxembourg.public.lu/en/investir/secteurs-cles/economie-numerique/digital-letzebuerg/index.html>, last accessed 4.6.2018.

<sup>11</sup> Official portal of the Grand Duchy of Luxembourg, available at: <http://www.luxembourg.public.lu/en/investir/secteurs-cles/economie-numerique/digital-letzebuerg/index.html>, last accessed 4.6.2018.

<sup>12</sup> Luxinnovation, available at: <https://www.luxinnovation.lu/cluster/luxembourg-ict-cluster/>, last accessed 4.6.2018.

<sup>13</sup> Chambre de Commerce (2017), Luxembourg economy, available at: <http://www.luxembourg.public.lu/en/publications/k/cc-economie-luxembourg/index.html>, last accessed 6.6.2018.

<sup>14</sup> Stateg (2017) Répertoire des entreprises luxembourgeoises, available at: <http://www.statistiques.public.lu/catalogue-publications/repertoire/2017/repertoire-entreprises-luxembourgeoises.pdf>, last accessed 30.5.2018.

<sup>15</sup> Creditreform (2017) Bankruptcies analysis 2017, available at: [https://www.creditreform.lu/fileadmin/user\\_upload/CR-International/local\\_documents/lu/Konkurse/Konkurse\\_2017/2017\\_Bankruptcies\\_22.12.2017.pdf](https://www.creditreform.lu/fileadmin/user_upload/CR-International/local_documents/lu/Konkurse/Konkurse_2017/2017_Bankruptcies_22.12.2017.pdf), last accessed 30.5.2018.

<sup>16</sup> Due to data availability, the data on high-growth firms refers to the 'business economy' only, which covers sections B-N including section K (financial activities, except activities of holding companies). The 'non-financial business economy' excludes section K.

<sup>17</sup> In line with the Commission implementing regulation (EU) No 439/2014, high-growth enterprises are defined as firms with at least 10 employees in the beginning of their growth and average annualised growth in number of employees greater than 10 % per annum, over a 3-year period. The share of high-growth enterprises is the number of high growth enterprises divided by the number of active enterprises with at least 10 employees. Source of the data on high-growth enterprises is Eurostat ([http://ec.europa.eu/eurostat/web/products-datasets/-/bd\\_9pm\\_r2](http://ec.europa.eu/eurostat/web/products-datasets/-/bd_9pm_r2), last accessed 13.04.2018).

<sup>18</sup> The 2018 SBA fact sheets benefited substantially from input from the European Commission's Joint Research Centre (JRC) in Ispra, Italy. The JRC made major improvements to the methodological approach, statistical work on the dataset and the visual presentation of the data.

<sup>19</sup> The quadrant chart combines two sets of information. Firstly, it shows current performance based on data for the latest available years. This information is plotted along the X-axis measured in standard deviations of the simple, non-weighted arithmetical average for the EU-28. Secondly, it shows progress over time, i.e. the average annual growth rates from 2008 to 2018. 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 2018. All SBA principles, with the exception of the 'Think Small First' principle for which there is not enough statistical data available, are calculated as composite indicators following the OECD/JRC Handbook guide. A detailed methodology can be consulted at: <http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/>

<sup>20</sup> The policy measures presented in this SBA fact sheet are only a selection of the measures the government took in 2017 and the first quarter of 2018. The national SME policy expert that PwC (DG GROW's lead contractor for the 2018 SBA fact sheets) contracted made the selection. The experts were asked to select only the measures they considered the most important, i.e. the ones expected to have the highest impact in the SBA area in question. The complete range of measures the experts compiled in producing this year's fact sheets will be published alongside the fact sheets in the form of a policy database on the DG GROW website.

<sup>21</sup> After the end of the reference period for this fact sheet — the Luxembourg House of Financial Technology (LHoFT), an incubator, providing co-working space for early-stage start-ups and helping them forge relationships with established financial players, was opened. The LHoFT Foundation drives technology innovation for Luxembourg's financial services industry by connecting the domestic and international Fintech community.