

2018 SBA Fact Sheet

Netherlands

Key points

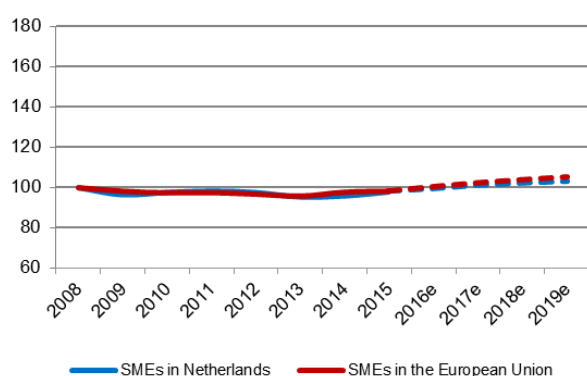
Past & future SME performance¹: SMEs play an important role in the Dutch ‘non-financial business economy’. They generate 61.8 % of overall value added — higher than the EU average of 56.8 % — and account for 64.2 % of overall employment — slightly less than the EU average of 66.4 %. SMEs have generated healthy growth in recent years and contributed to the development of the Dutch ‘non-financial business economy’. In 2013-2017, SME value added and employment increased by 16.6 % and 5.7 % respectively. Most recently, in 2016-2017, SME value added and employment rose by 5.3 % and 1.8 % respectively. SME growth is predicted to continue. In 2017-2019, SME employment is likely to continue to grow moderately, increasing by 1.9 %. SME value added is predicted to rise more dramatically, by 7.9 % in the same period.

Implementing the Small Business Act for Europe (SBA): The Netherlands continues to enjoy a very strong SBA profile overall, with only one principle — state aid & public procurement — scoring below the EU average. It has the highest score among the Member States on entrepreneurship, the second highest on ‘second chance’ and the third highest on ‘responsive administration’. All remaining areas score above average except for access to finance, which is in line with the average.

SME policy priorities: Restoring momentum to drive SME policy-making activities should be a priority for the government, the sector’s development having been hampered by relative inattention during the long government formation period. Priority should be given to initiatives on state aid & public procurement. In particular, the government should encourage more SME participation in public tendering.

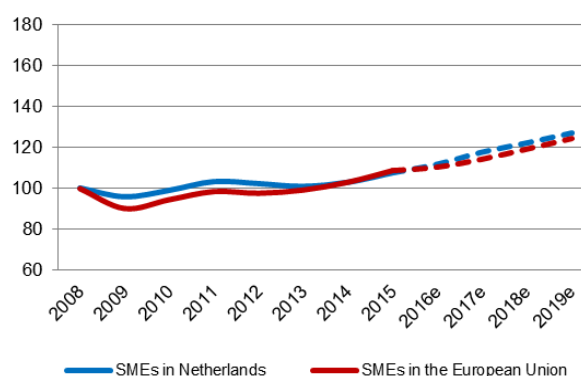
Number of persons employed in SMEs

(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		
	Netherlands		EU-28	Netherlands		EU-28	Netherlands		EU-28
	Number	Share	Share	Number	Share	Share	Billion €	Share	Share
Micro	1 095 882	95.5 %	93.1 %	1 611 021	28.1 %	29.4 %	71.4	19.8 %	20.7 %
Small	41 626	3.6 %	5.8 %	1 033 000	18.0 %	20.0 %	64.7	18.0 %	17.8 %
Medium-sized	8 843	0.8 %	0.9 %	1 035 902	18.1 %	17.0 %	86.5	24.0 %	18.3 %
SMEs	1 146 351	99.8 %	99.8 %	3 679 923	64.2 %	66.4 %	222.6	61.8 %	56.8 %
Large	1 726	0.2 %	0.2 %	2 052 455	35.8 %	33.6 %	137.5	38.2 %	43.2 %
Total	1 148 077	100.0 %	100.0 %	5 732 378	100.0 %	100.0 %	360.2	100.0 %	100.0 %

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 play an important role in the Dutch 'non-financial business economy'. They generate 61.8 % of overall value added — higher than the EU average of 56.8 % — and account for 64.2 % of overall employment — slightly less than the EU average of 66.4 %. Dutch SMEs employ an average of 3.2 people, lower than the average of 3.9 for the EU as a whole. SMEs in wholesale and retail trade contribute more than a quarter of overall SME value added, at 27.4 %, above the EU average of 21.8 %.

SMEs have generated healthy growth in recent years and contributed to the development of the Dutch 'non-financial business economy'. In 2013-2017, SME value added and employment increased by 16.6 % and 5.7 % respectively. Value added growth was similar for all size-classes, including large firms. On employment, however, SMEs were unable to match the growth of large firms, where employment rose by 14.2 % in 2013-2017. Small firms had the lowest performance, with an employment increase of only 2.6 %. More recently, in 2016-

2017, SME value added and employment rose by 5.3 % and 1.8 % respectively.

SMEs in information and communication have grown strongly in recent years. SME employment increased by 16.5 % in 2013-2017, while SME value added rose by 15.4 %. Firms in the sector have been supported in their development by one of the best digital infrastructures in the EU, encompassing networks, data centres and web hosting. With internet traffic growth of more than 25 % annually in 2013-2016, the Amsterdam Internet Exchange (AMS-IX) is now one of the largest data transport hubs in the world². The capacity of colocation data centres in Amsterdam has also grown strongly, by an average of 15 % annually in 2013-2015³. Overall, around one third of all European data centres were located in the Amsterdam area in 2016⁴. This strong business ecosystem has not only benefited domestic ICT companies, but has also attracted foreign ICT firms⁵. Another factor that has benefited SME growth in the sector is flexible work arrangements, which are on the rise in the Netherlands. In 2016, more than one fifth of the Dutch labour force was in some form of flexible employment, an increase of around 50 % against 2003⁶.

SMEs in manufacturing have also been growth generators. SME value added and employment rose by 14.7 % and 2.2 % respectively in 2013-2017. The main growth driver was increased demand, particularly in terms of exports, which grew by 10 % in 2016-2017^{7,8}. Dutch manufacturing is highly export dependent, with 70 % of value added coming from exports in 2015⁹. The subsector with the highest SME growth was pharmaceutical products, with increases of 23.1 % and 40.8 % respectively in employment and value added in 2013-2017. SMEs generate around a third of employment and value added in this subsector, and clearly outperformed large companies, where employment dropped by 1.9 % and value added rose by 13.8 % in the same period. In 2017, 5.1 % of overall Dutch exports were pharmaceutical products, the fastest growing export category in 2016-2017, with growth of 101.2 %¹⁰.

The number of business registrations has been fairly stable in recent years. In 2017, a total of 188 052 businesses were registered, 2.7 % more than in the previous year¹¹. In contrast, the trend in deregistrations was more volatile, with a fall of 10.5 % in 2016-2017, totalling 116 008 deregistrations in 2017¹². However, this relatively strong decrease was due to an unusually high number of deregistrations the previous year¹³. An

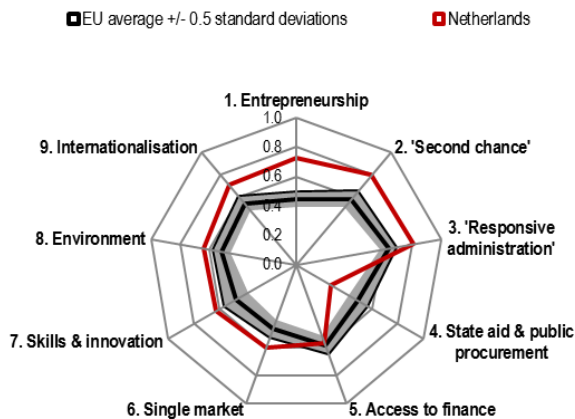
indicator of an overall healthy business environment is the decline in bankruptcies. In 2017, 3 125 companies declared bankruptcy, 20.6 % fewer than in the previous year and less than half of the total in 2013¹⁴.

The following segment presents data that has been collected for the EU Startup Monitor and refers mainly to the population of online and technology based start-ups.¹⁵ The Dutch start-up ecosystem has been developing rapidly over the past few years and has received great attention from both the government and the private sector. This has resulted in multiple initiatives to benefit young entrepreneurs. The typical Dutch founder is male (77.8 %) and holds a university degree (87.5 %). A very positive tendency seen in the Netherlands is the high proportion of female founders (22.2 %, against the EU average of 15.6 %). The Dutch start-up ecosystem is one of the most varied start-up sectors with start-ups being created both in traditional sectors, like 'industrial tech and hardware production' (11.1 %) and 'software as a service' (15.3 %), and in trending sectors, such as 'green tech' (11.1 %, against the EU average of 6.4 %). Dutch start-ups currently employ an average of 11.3 people and are planning to hire an average of 7.3 more within the next 12 months. Dutch start-ups generate revenue mainly or completely through other businesses (72.1 %), not the end customer. While 80.7 % of Dutch start-ups are looking to internationalise within the euro area, interest in the African market is among the highest in Europe, with 11.5 %, against a 9.4 % EU average. The geographic start-up hubs for the Netherlands are spread across the country, with Amsterdam as the innovative centre.

Furthermore, many Dutch firms have successfully scaled-up their operations in recent years. In 2015, 6 242 firms — 10.7 % of all firms in the 'business economy'¹⁶ with at least 10 employees — were high-growth firms¹⁷. This is slightly above the EU average of 9.9 % and a percentage point increase of 1.1 against the previous year. High-growth firms are particularly prevalent in information and communication and administrative and support services, both with a proportion of 18.1 %.

SME growth is predicted to continue. In 2017-2019, SME employment is likely to grow moderately, by 1.9 %, resulting in around 70 800 new jobs by 2019. SME value added is predicted to rise more strongly, by 7.9 % in the same period.

2. SBA profile¹⁸



The Netherlands' overall SBA profile remains strong, with above-average scores on seven SBA principles. The Netherlands had the highest score among the Member States on entrepreneurship, the second highest on 'second chance' and the third highest on 'responsive administration'. Scores were also above the EU average on the single market, skills & innovation, environment and internationalisation, and in line with the average on access to finance. On state aid & public procurement, the Netherlands scores significantly below average, with the third lowest score in the EU.

The development and implementation of new policies in 2017 and in the first quarter of 2018 — the reference period for this year's fact sheet — were hampered by the long government formation period in 2017 (225 days). A policy planning 'catch-up' is expected over the remainder of 2018. The new government is expected to publish its SME action programme in the middle of the year. The programme will address SBA principles including

access to finance, 'responsive administration', skills & innovation and internationalisation. It will also introduce new measures to address the impact of digitalisation in the future.

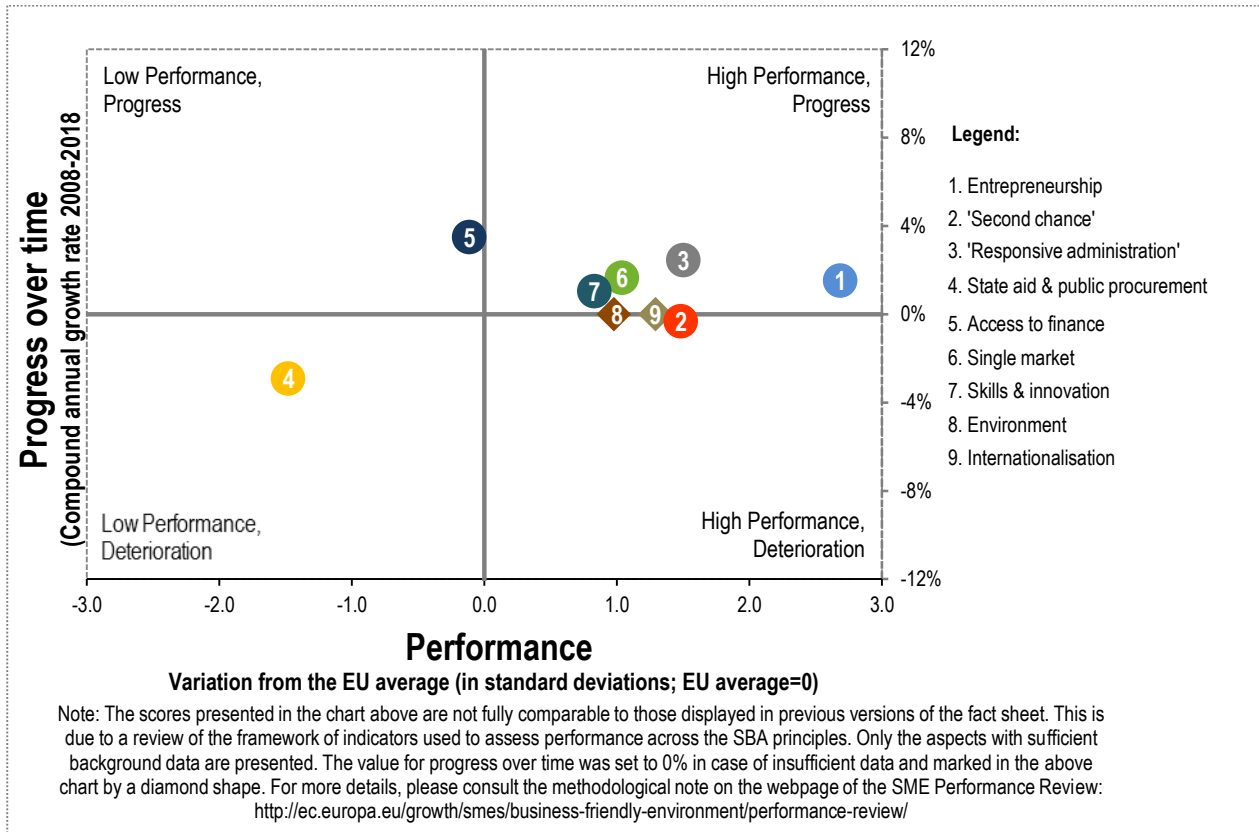
During the reference period of 2017 and the first quarter of 2018, the Netherlands implemented a number of measures promoting SME development on a national and international scale. This year the government put a specific policy emphasis on access to finance and skills & innovation, with several measures being implemented or adopted for each.

Innovation and skills development have been priorities of the Dutch government to enable the application of new technologies and make the most of the potential of educating for innovation. The 2018-2021 Smart Industry programme provides funding to develop technological laboratories to pursue breakthroughs in science and technology that may further the Dutch economy. The focus is mainly on educating young people about these technologies, starting as early as possible at primary school level.

Steady developments took place on the SBA principles of entrepreneurship, 'responsive administration', state aid & public procurement, environment and internationalisation. Several programmes announced in 2016 were implemented during the reference period, including the energy agenda (concerning CO2 emission reduction up to 2050) and the Energy Transition Financing Facility (ETFF), which finances projects contributing to energy transition in the Netherlands.

Overall, the Netherlands' SBA profile has remained fairly stable against last year, with few new measures on the two SBA principles of 'second chance' and single market, but an ongoing focus on digitalisation for future development.

SBA performance of the Netherlands: state of play and development from 2008 to 2018¹⁹



3. SBA principles²⁰

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.

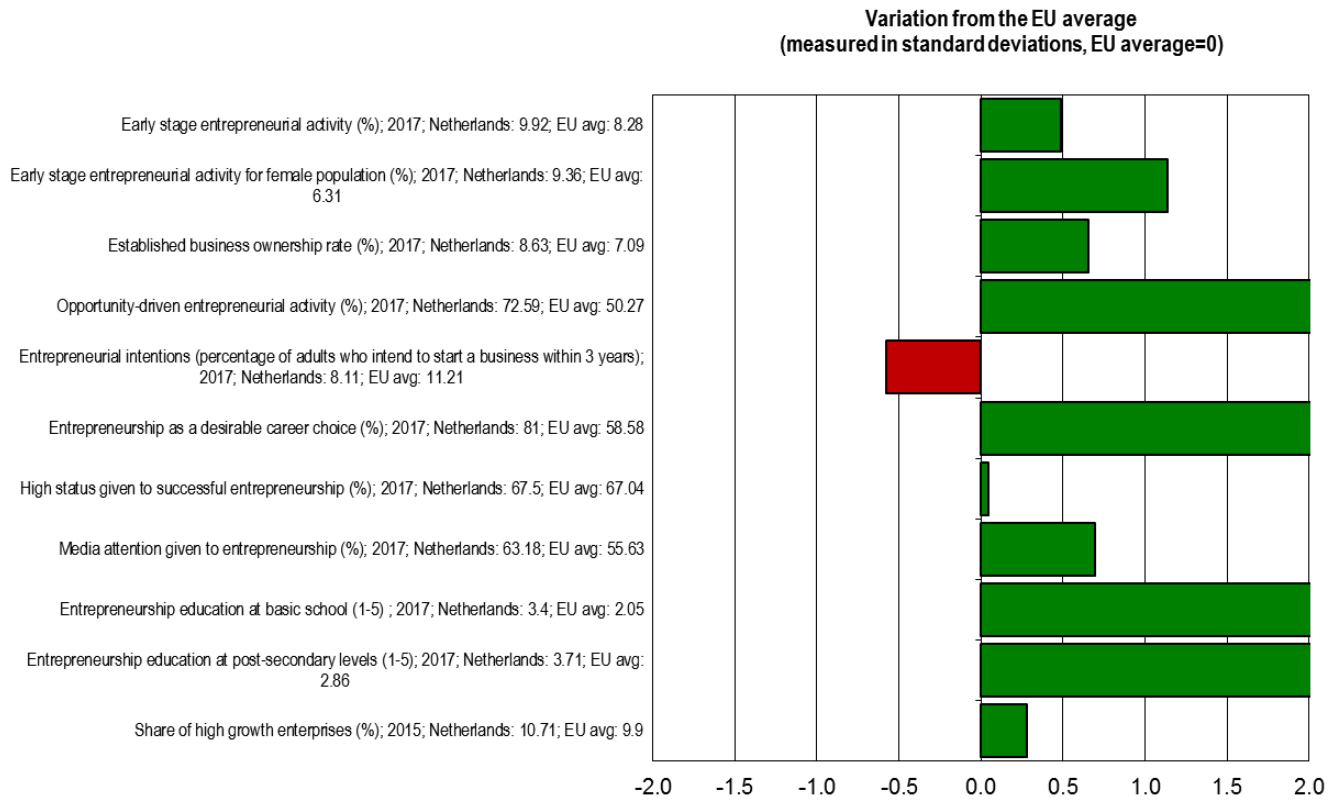
Since 2008, a considerable number of measures have been put in place based on the 'Think Small First' principle. SME stakeholders hope that the policy discussions still ongoing within the new government will lead to new policy initiatives that improve the position of SMEs in the Netherlands. In 2011, the Ministry of Economic Affairs launched the '2011-2015 Administrative burdens programme' (*Programma Regeldruk Bedrijven 2011-2015*) with measures on wages, taxes, start-up businesses and licensing. This programme reduced the administrative costs for SMEs by between 5-10 % between 2011-2015.

During the reference period, two policy measures were implemented on this SBA principle. In January 2017, the 'Electronic Invoicing' programme (*Elektronisch factureren*) was

implemented at the central state level to reduce the administrative burden and ensure fewer errors made in electronic deposits. The same programme will follow at local government level in 2019. Starting from fiscal year 2016, legal entities classified as 'micro' or 'small' have been obliged to submit their financial statements using standard business reporting (SBR) or the online service at the Dutch Chamber of Commerce (KVK). The measure began to be applied to legal entities in the 'medium' business class 1 year later. Since fiscal year 2017 it is mandatory to report using one of the methods above.

In 2017, the 'Independent Review College for Regulatory Burden' (*Onafhankelijk Regeldruk Toetsingscollege*) was set up to help all central government departments prepare legislation by sharing knowledge and practical expertise. The intention is to achieve better mapping of the impact of regulatory burden and better assessment of the cost of regulatory burden against the economic and societal benefits.

3.1 Entrepreneurship



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

The Netherlands has made substantial progress since 2008 and remains the top performer among the Member States on entrepreneurship, significantly outperforming the EU average. The Netherlands has the best scores in the EU on opportunity-driven entrepreneurship (reaching 72.6 % in 2017 from 67.5 % in 2016) and on entrepreneurship as a desirable career choice (81 % in 2017 against 77.9 % in 2016), outperforming other Member States on all but one of the indicators on entrepreneurial education. High status for successful entrepreneurship grew to 67.5 % against 60.2 % in 2016, with strong growth also in media attention for entrepreneurship (63.2 % in 2017 against 57.3 % in 2016). While all but one of the educational indicators (colleges and universities providing adequate preparation for starting-up) improved between 2016-2017, there were small falls in early-stage entrepreneurial activity and the established business ownership rate. Each fell by just over one percentage point but remained above both the EU average and its respective 2008 level.

Since 2008, the Netherlands has made great policy progress on entrepreneurship. So far, Dutch SME policy has been mainly based on fiscal incentives and promoting entrepreneurship in education. These fiscal incentives were evaluated in 2017. It was then concluded that the incentives should be better targeted at achieving defined policy objectives, more focused on the wider

external effects of entrepreneurship and designed so that they interfere less with the labour market. The Netherlands' leading position on entrepreneurship education is notably reflected in its good score in the Global Entrepreneurship Monitor.

In 2015, the Ministry of Economic Affairs launched 'StartupDelta', a system connecting over 10 Dutch tech innovation hubs across the country with some international hubs. It provides support to young Dutch and foreign businesses and enables established businesses to contribute to further growth.

In 2016, the Dutch government introduced a new law to protect the pension rights of employed people starting their own business. The law is specifically designed to secure the continuation and growth of a pension for self-employed people who start a business while employed or after leaving their job. The 'Law on Release of Life Annuity and Employment Income, and Promotion of Voluntary Continuation of Pensionbuilding' (*Wet vrijlating lijfrenteopbouw en inkomsten uit arbeid en bevordering vrijwillige voortzetting pensioenopbouw*) allows employees to voluntarily continue their current pension if their pension rules allow for such continuation. The new law extended the period during which members can opt for this continuation from 3 months to 9 months.

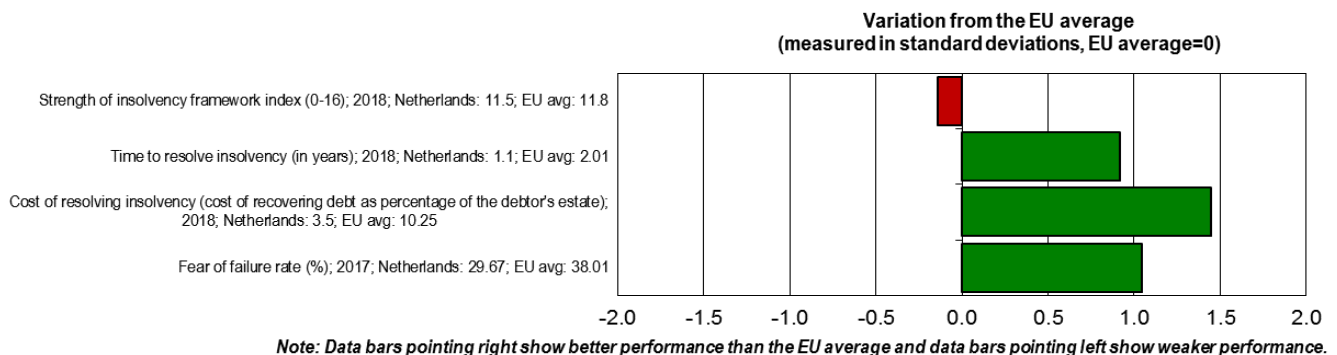
'The Netherlands grows', (*NLgroeit*) is a partnership between the Dutch Chamber of Commerce and the NLevator foundation, facilitated by the Ministry of Economic Affairs. Together, they were created to stimulate the growth of SMEs in the Netherlands. The main target group is Dutch scale-up entrepreneurs with an annual turnover of up to EUR 100 million. The initiative is a collaborative effort providing applicants with access to the combined knowledge, contacts and learning opportunities of the participating bodies. 'The Netherlands grows' provides key scale-up services. These include growth tests (an online scan that provides immediate feedback on entrepreneurial skills that need to be improved), networking events, peer-to-peer (P2P) learning and mentorship. Since 2016, the partnership has carried out more than 1 000 growth tests and held 50 events. It has also accommodated 7 000 visitors, created 600 P2P matches and achieved 500 matches of entrepreneurs and mentors.

During the reference period, three new significant policy measures were announced or implemented in this area. Two new measures were introduced to make it financially attractive for employers to hire or continue to employ people in vulnerable

positions in the labour market (such as the elderly and occupationally disabled). In January 2017, the Dutch Tax and Customs Administration launched the 'low-income benefit' (*Lage-inkomensvoordeel*) measure, which enables employers to receive an allowance of up to EUR 2 000 a year for labour costs when hiring workers with low income. The level of advantage depends on the number of hours salaried employees work and the average hourly earnings (annual salary divided by the number of salaried hours). The criteria the employee has to meet to be eligible for the scheme include having an average hourly wage of at least 100 % of the legal minimum wage (125 % for workers aged 23 and up), working at least 1 248 salaried hours per year, and not yet having reached the state pension age.

In May 2017, StartupDelta initiated the 'MOOC Technology-based Entrepreneurship' programme, a joint project between four universities (Wageningen University, TU Eindhoven, TU Delft and TU Twente). It involves experts demonstrating the process of transforming innovative ideas into market opportunities, with the goal of inspiring students to start a tech company.

3.2 'Second chance'



'Second chance' refers to ensuring that honest entrepreneurs who have gone bankrupt get a second chance quickly. The Netherlands maintains its above-average performance in this area, with only Finland scoring higher. However, the overall Dutch score on 'second chance' has remained unchanged since 2008. Despite this, the Netherlands has the lowest cost of resolving insolvency in the EU, and the third lowest fear of failure rate, having fallen substantially between 2016 and 2017 from 37.9 % to 29.7 %, just slightly higher than its 2008 level of 29.4 %. The state's performance on the other indicators for this SBA principle remains unchanged from previous years.

Since 2008, legislation on bankruptcy and fraud has been approved by the government. Between 2013 and 2015, several laws on fraud, modernised procedures and the reorganisation of companies were revised to grant some 'flexibility' to SMEs.

The 'Entrepreneurial soundboard' (*ondernemersklankbord*) is a platform providing support to entrepreneurs. It has over 300

consultants spread across 19 regions of the Netherlands who are former entrepreneurs with extensive knowledge and years of experience. They also provide business advice to avoid bankruptcies. In the 37 years since its establishment, the 'Entrepreneurial soundboard' claims that 85 % of entrepreneurs have been satisfied with the advice provided and that 66 % of potential bankruptcies have been avoided.

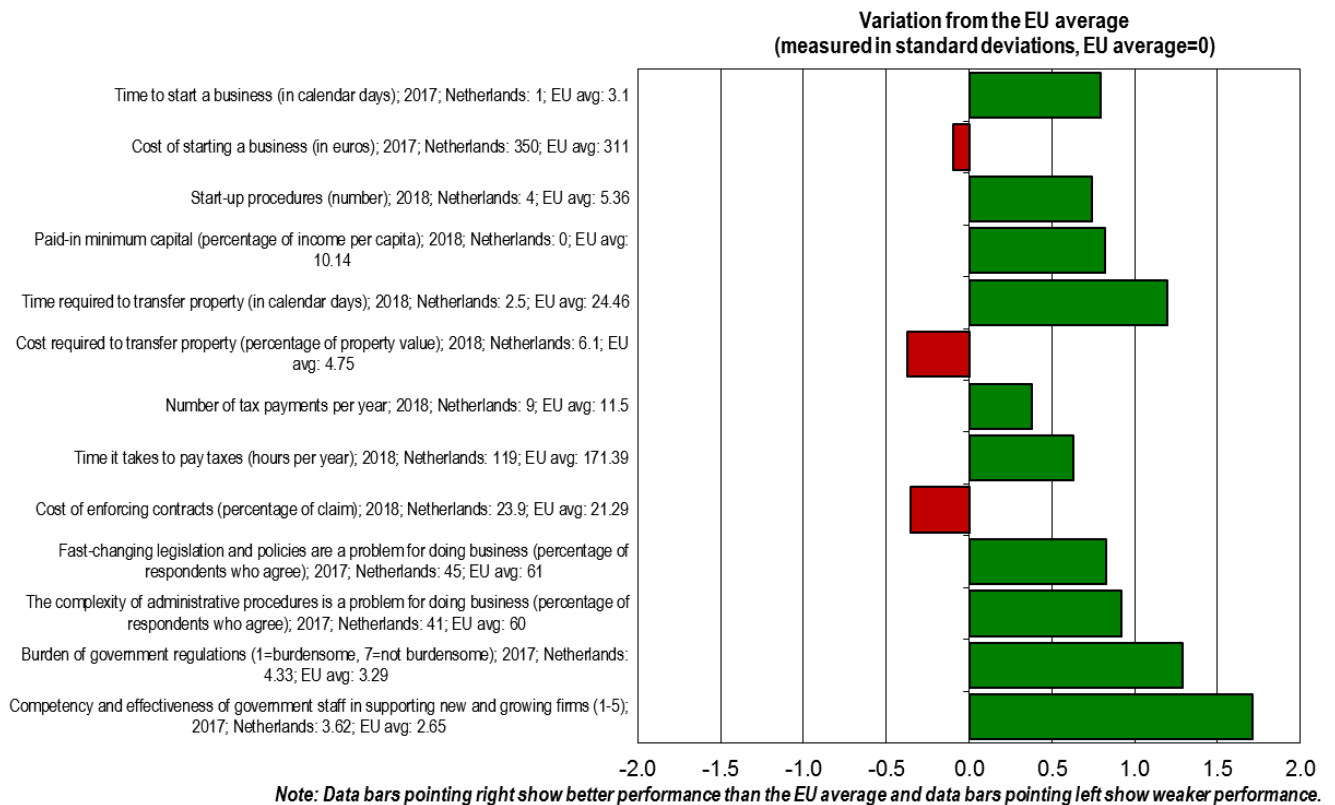
The 'Chamber of Commerce comeback line' (*KVK comeback-lijn*) was created to ensure that honest entrepreneurs who go bankrupt receive a second chance quickly, but also to allow entrepreneurs to discuss a specific situation, circumstance or business issue with an expert.

During the reference period, no significant additional measures were adopted or implemented concerning the 'second chance' SBA principle. However, two new legislative acts to reorganise bankruptcy legislation are expected to be submitted to the Dutch Parliament in 2018, namely the 'Act on homologation of private

agreements' (*Wet homologatie onderhands akkoord*), intended to prevent bankruptcy and currently in the consultation phase, and the 'Law on the effectiveness of bankruptcy procedures' (*Wet*

versterking doelmatigheid faillissementsprocesrecht), which is under preparation for submission.

3.3 'Responsive administration'



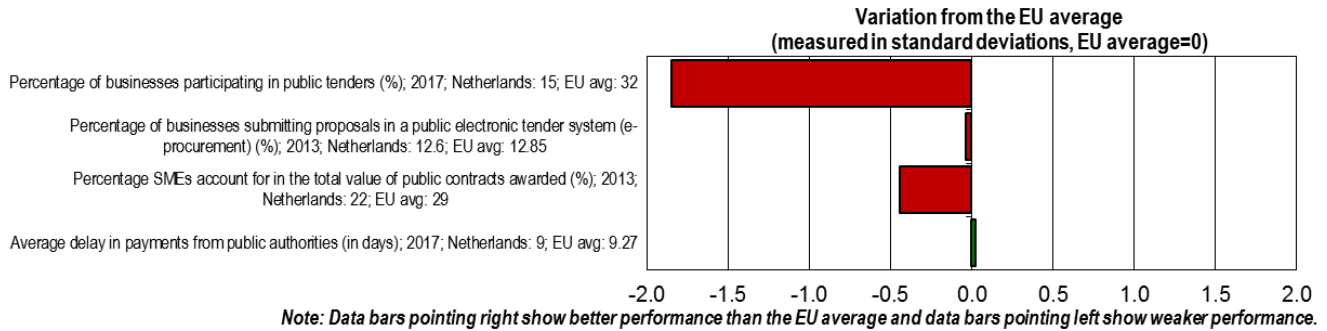
'Responsive administration' refers to public administration being responsive to the needs of SMEs. The Netherlands continues to score substantially above the EU average, with the third highest score among Member States. Overall progress since 2008 has been significant and the Netherlands now has the lowest time to start a business and the equal lowest paid-in minimum capital requirements, along with the second highest level of perceived public servant competency and the second shortest time required to transfer a property. Between 2016 and 2017, the cost of starting a business fell from EUR 375 to EUR 350. Despite this, there were significant increases in the proportion of businesses who agree that either fast-changing legislation and policies (45 % in 2017 against 39 % in 2015) or the complexity of administrative procedures (41 % in 2017 against 32 % in 2015) were a problem when doing business — an interesting development given that the burden of government regulation was reduced notably over the same period. Overall, the scores of all indicators for which data were available in 2008 are either equal to or better than the 2008 levels and in some cases significantly so.

Since 2008, the Dutch administration has made changes to SMEs, including reducing the cost of starting a business and reducing the number of yearly tax payments.

During the reference period, the Netherlands continued to improve on this principle year on year. At the beginning of 2018, two new measures were launched by the Ministry of Economic Affairs, the Ministry of Finance and the Ministry of Foreign Affairs and Trade. This was to provide better access and more protection for self-employed entrepreneurs and SMEs with regard to banking and insurance products offered by financial institutions. The 'Dutch SME Test' (*MKB-toets*, not to be confused with the European SME Test) was announced in October 2017 and includes various reforms, such as a reduction in corporate and income tax rates, and adjustments to public tendering procedures to make them more favourable for SMEs.

The Dutch government is also paying attention to specific business relations between large companies and SMEs. In February 2018, the Minister of Economic Affairs published a draft bill that provides self-regulation for the franchise sector on a statutory basis.

3.4 State aid & public procurement



The Netherlands remained well below the EU average for state aid & public procurement, with the third lowest score among the Member States in this area. Of all the Member States, it had the lowest proportion of businesses taking part in a public tender at 15 % in 2017, down from 17 % in 2015. The average delay in payments by public authorities fell from 10 days in 2016 to 9 days in 2017, still in line with the EU average for this indicator.

Although there is no update for the other indicators, the European Commission Scoreboard on Public Procurement²¹ indicates that in 2017, 70 % of all bids in public tenders came from SMEs; 71 % of the contracts awarded were won by SMEs. However, this information is solely based on notices published in the TED (Tenders Electronic Daily) and does not give a complete overview.

Since 2008, Dutch progress on state aid & public procurement has been relatively weak, with further measures required to develop this area.

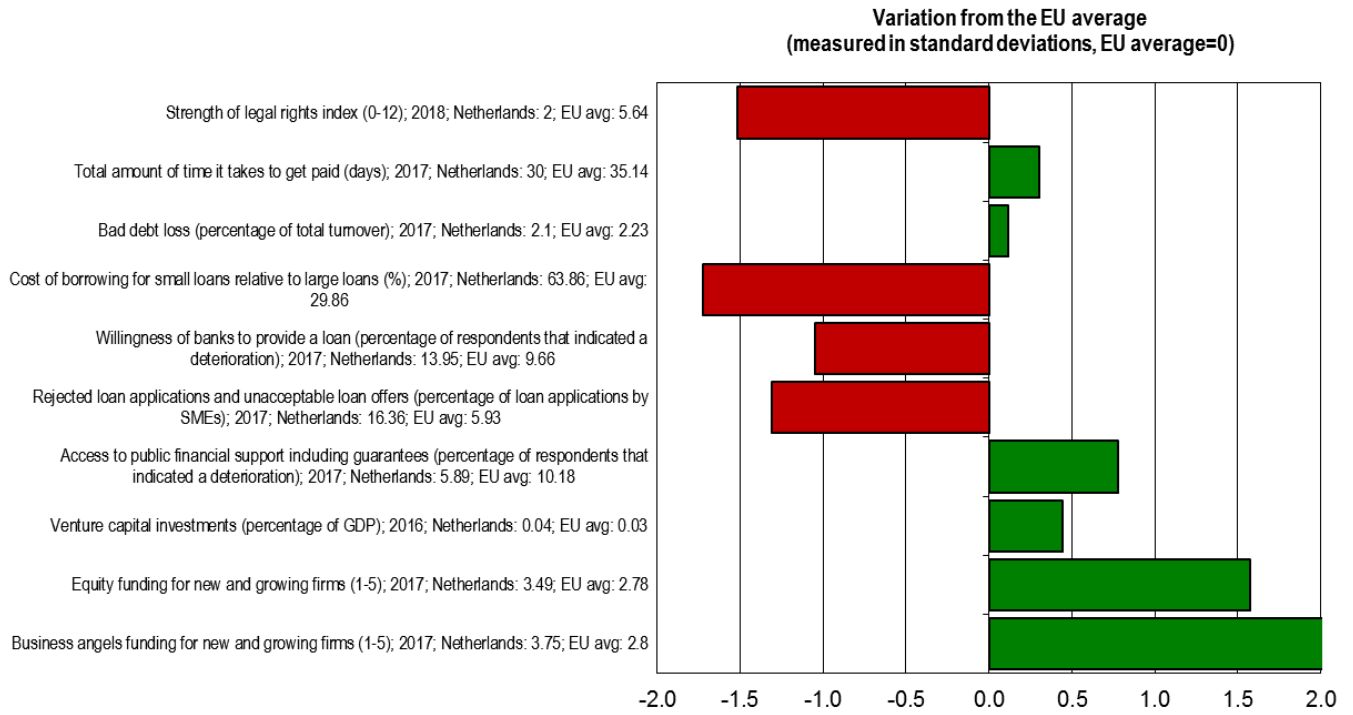
Nevertheless, a number of measures have been put in place over recent years. The 2012 Public Procurement Act ('Aanbestedingswet 2012') improved access for SMEs to public tenders. Amendments implementing the latest EU procurement directives entered into force on 1 July 2016. In 2013, the Netherlands created the possibility for SMEs and freelancers to apply for bids issued by the government. It also set up a web platform called TenderNed, which also provides better visibility

for government tenders. According to the 'Act on the Role of the Dutch State on the Private Market' ('Wet Markt en Overheid'), economic activities by public authorities are limited and subject to certain conditions. Private companies can file complaints if they experience unfair competition. This law was introduced in 2012 with an expiry date in 2017 but has been extended.

The government put in place the Dutch Public Procurement Expertise Centre, PIANOo, to professionalise procurement and tendering in all government departments, improve the efficiency of government procurement officers and ensure better compliance with the rules. PIANOo brings experts in specific areas together, pools knowledge and experience and provides advice. It also fosters dialogue between government contracting authorities and private sector companies.

During the reference period, the Dutch government introduced a web platform on Brexit (www.hulpbijbrexit.nl). This is a good example of an early warning system for SMEs. Dutch SMEs are often not able to keep track of upcoming legislation and do not know what they can do to take advantage or mitigate the potential negative impact of upcoming legislation. SME stakeholders praise the adoption of the web platform. They would welcome other similar initiatives facilitating SMEs' access to information on upcoming legislation.

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.

The Netherlands maintains a score in line with the EU average on access to finance, though its progress overall since 2008 has been quite strong. While the cost of borrowing for small loans relative to large ones is the third highest in the EU (despite falling marginally since 2016), the Netherlands has the strongest environment of the Member States for equity funding, professional ‘business angel’ funding and private lender funding, all of which improved between 2016 and 2017. The annual average interest rate for small loans and the percentage of rejected loan applications fell very slightly, though more substantial improvements in access to public financial support were evident (5.9 % indicated a fall in 2017 against 11.5 % in 2016) and the willingness of banks to provide loans (13.9 % indicated a fall in 2017 against 18.8 % in 2016). Bad debt loss as a percentage of total turnover fell from 2.6 % in 2016 to 2.1 % in 2017, bringing the figure below its 2008 level of 2.4 % for the first time.

Since 2008, several tools to attract venture capital were launched and policy discussions to improve access to finance for SMEs are still ongoing. In 2013, the government worked to improve SME access to finance by increasing the availability of capital risk. Since 2015, ‘Qredits’ has provided microcredits of up to EUR 250 000, mainly in the hospitality, retail and business services sectors. Qredits has helped more than 12 000 start-up entrepreneurs in their financing and the organisation provides coaching for entrepreneurs with more than 650 coaches.

ABN AMRO created ‘New10’, a digital solution that provides SMEs with clear information on whether they can get a loan, and at what rates and conditions. This initiative allows for a loan of between EUR 20 000 and EUR 1 million with a duration of up to 5 years. To benefit from this loan, SMEs must have been registered for at least two years with the Chamber of Commerce.

During the reference period, further progress was made on this SBA principle with the launch of four new initiatives. The ‘BMKB’ (*Borgstellingskrediet MKB*) should address the high percentage of business loan rejections for SMEs by banks. BMKB will be open to banks as well as non-banks until 2021, after which it will be evaluated. Opening the facility to non-banks will help SMEs obtain credit by broadening the pool of potential lenders.

The Dutch government has also created a subordinated loan fund as part of a supplementary action plan to widen the range of risk capital available to SMEs. The fund provides additional capital for business angel investments and loan guarantees for seed funding.

The ‘Scale-ups Fund’ is designed to help promising young companies gain easier access to finance, outside the typical venture capital channels. The aim is to enable fast-growing start-ups to expand their activities in light of the significant

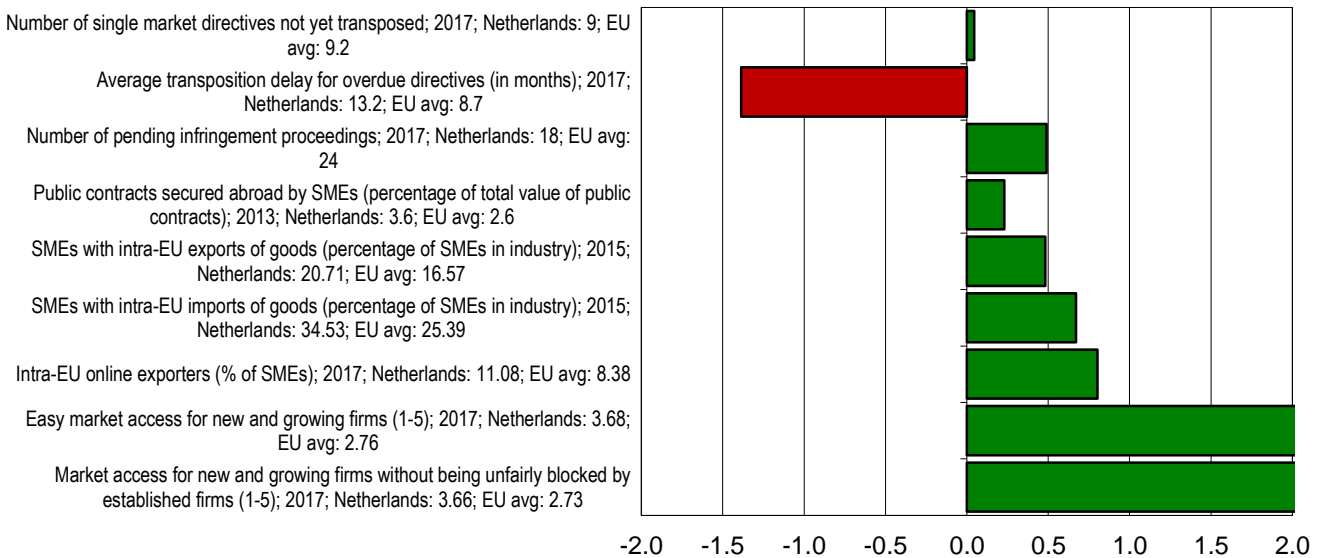
innovation and economic growth they contribute to the Netherlands.

A consultation round has been set up to assess the level of support for 'Invest-NL', which is meant to become a new national promotion bank operating as a private entity alongside regular banks and pension funds, with the state as the sole

shareholder and financier. Invest-NL was originally due to start operating on 1 January 2019. However, this has been postponed for at least 1 year. Invest-NL is expected to have a total capitalisation of EUR 2.5 billion and will also function as a single point of contact for venture capital, guarantees, export credit insurance and international/EU funding programmes used by entrepreneurs.

3.6 Single market

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.

The Netherlands exceeds the EU average on the single market principle, having made consistent progress overall since 2008. While performance on single market directives is generally in line with the EU average, the Netherlands has the third longest average transposition delay for overdue directives at 13.2 months (up from 10.4 months in 2016). The number of pending infringement proceedings fell from 20 to 18. There was also limited growth in the percentage of SMEs engaged in online importing activities (18.9 % in 2017 against 17.1 % in 2015) and exporting activities (11.1 % in 2017 against 10.3 % in 2015) within the EU.

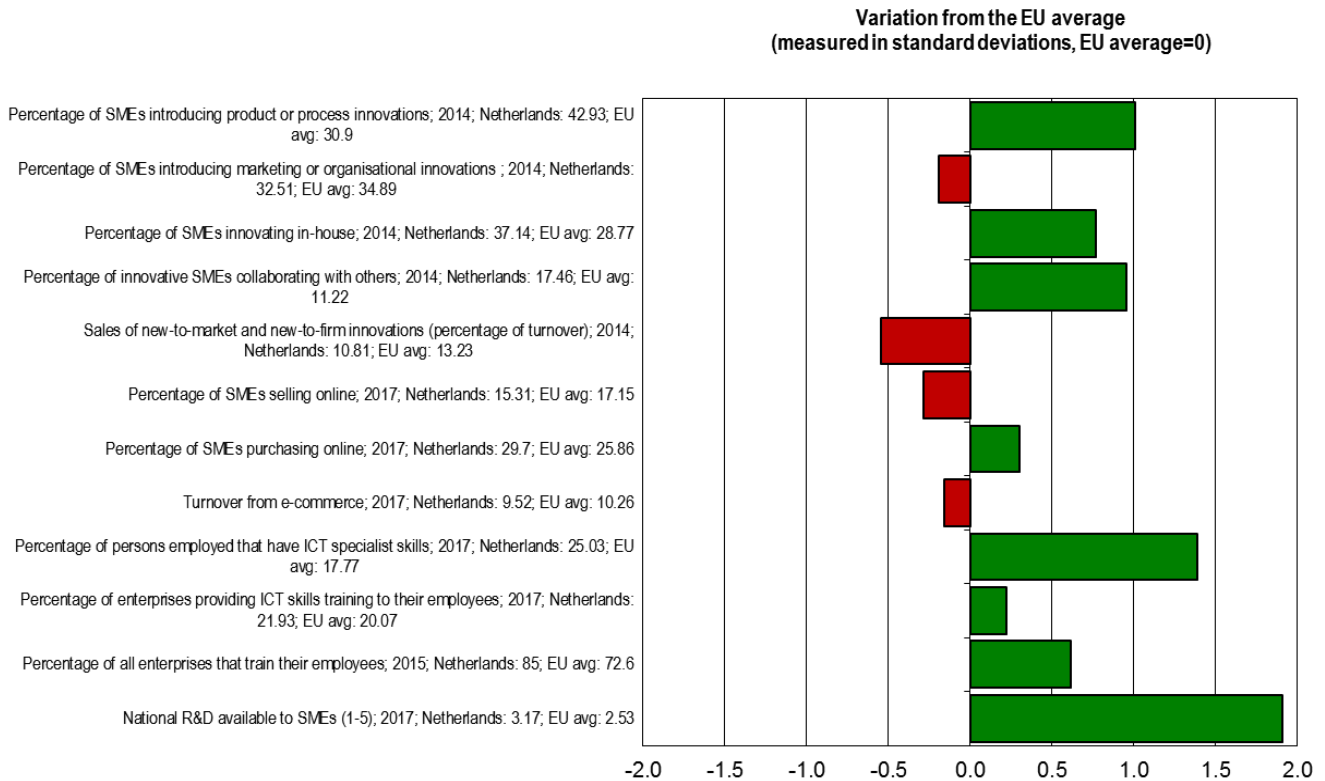
Performance on competition and market access on the other hand is very strong, with top scores on ease and affordability of market access for new firms and on effectiveness and enforcement of antitrust legislation. The Netherlands achieved a second top score on the ability of new and growing firms to enter new markets without being unfairly blocked by established firms. The majority of these indicators improved from 2016 to 2017, continuing the generally positive trend of the last several years.

Since 2008, the Dutch government has decided to tackle unfair competition in the market by creating a website that allows SMEs to inform the authorities responsible, which can then take action. The 'Cross-Border Economy and Labour Action Programme' was created to provide better information and services to entrepreneurs in border regions and to facilitate cross-border cooperation between companies and/or knowledge and educational institutions. It reduces the administrative burden and legal obstacles to doing business in border regions.

In 2013, the Dutch government implemented the 'Late Payment' Directive, which limits the maximum payment period of invoices by public entities to 60 days. Observing that in the Dutch situation the directive had little effect on the payment period for SMEs, the Ministry of Economic Affairs set up 'betaalme.nu' in 2015 to ensure that SMEs' invoices were paid within 30 days, rendering SMEs less vulnerable and providing them with the liquidity to invest.

During the reference period, no significant additional measures were adopted or implemented on the single market SBA principle.

3.7 Skills & innovation



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

The Netherlands continued to perform above the EU average in this area, with steady progress since 2008. The Netherlands has a very solid science and technology foundation underpinning its SMEs, with the highest rate of technology transfers from academia to new and growing firms. It also has the highest scores on support for the science and technology base of world-class technology-focused ventures, on support available to engineers and scientists for the commercialisation of their ideas and on adequacy of government subsidies for technology acquisition at new and growing firms. Almost all of these areas saw growth between 2016 and 2017. While the percentage of employees with specialist IT skills and the proportion of SMEs providing this kind of training to their employees both increased against 2016 figures (from 24.5 % to 25 % and from 20.7 % to 21.9 % respectively), the proportion of SMEs selling online fell slightly from 16.1 % in 2016 to 15.3 % in 2017, its third lowest level since 2008. The proportion of SMEs purchasing online and the total turnover from e-commerce both grew marginally but remain below the 2008 levels.

Since 2008, the Netherlands has implemented a massive series of policy measures, after the first 'Digital Agenda (2011-2015)'

in 2016. The government refocused on stimulating knowledge development and application. The target areas are:

- education, knowledge and innovation
- open and high-speed infrastructure
- security and trust
- a wider scope for entrepreneurs to pursue their ideas and
- digitalisation of industry and the healthcare, energy and mobility sectors.

The 'Technology Pact' (*Technepact*) is an initiative of five regions of the Netherlands to improve the link between education and the labour market in the engineering sector and to reduce the shortage of technical staff. Altogether, the Technology Pact has 12 targets. These include improving the connectivity and interaction between primary, secondary and higher education providers (both with each other and with the business community), strengthening vocational education and training, and introducing science and technology into primary school curricula by 2020.

The 'Smart Industry' programme was launched in 2015 with an investment of EUR 165 million to create 32 experimental laboratories. Digitalisation via smart industry has been identified as very important to the growth of the Dutch economy given its

heavy reliance on exports. Smart industry holds significant growth potential, particularly thanks to the opportunities it creates for more automation.

During the reference period, three policies measures were implemented on this SBA principle. One new initiative was launched in February 2018 to complete the first programme. 'Smart Industry 2018-2021' will be used to introduce automation on a large scale. This should increase productivity and economic growth in the Netherlands by increasing job creation, driving SMEs and reducing energy consumption.

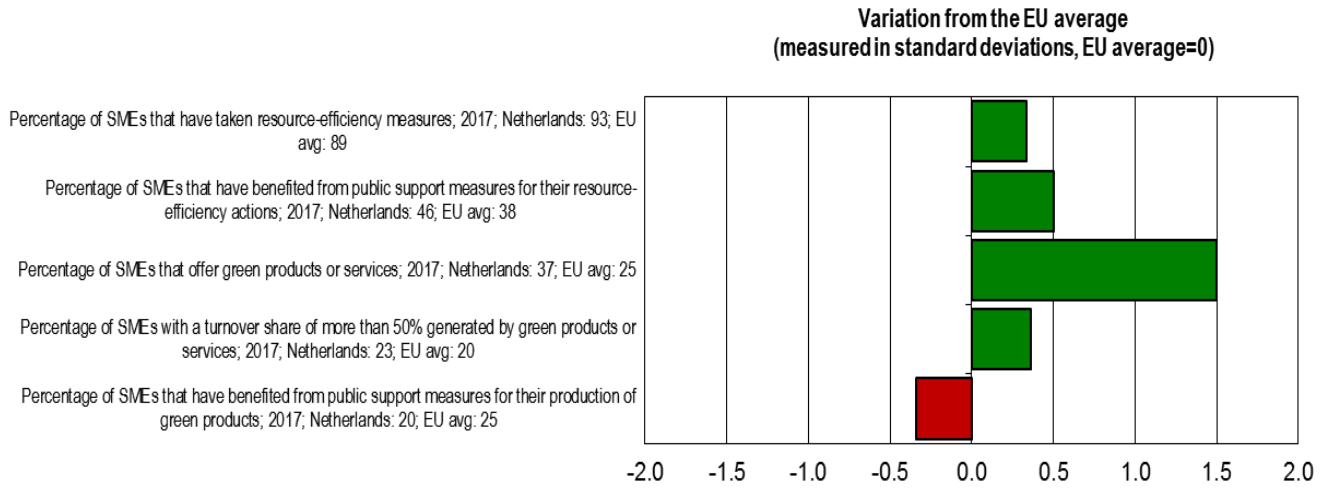
The Ministry also launched the 'MIT' grant module to promote innovation among SMEs and better align them with innovation programmes in the best performing sectors. For this, MIT offers various grants and instruments which a contractor can apply for. Cases where these grants have been used include R&D cooperation projects, feasibility studies and knowledge checks.

Until now, the skills & innovation principle has been mainly concerned with the goal of supporting research and innovation through fiscal incentives. In Dutch SME policy, little attention is given to broader skills development for SMEs. An exception to this is the 'Construction Agenda 2017-2021', which is focused on the three main market segments in construction:

infrastructure, utility construction and housing. It encourages close cooperation between larger, established companies and SMEs. The agenda's core is made up of 11 roadmaps and six overarching themes, designed through open dialogue between more than 50 representatives of government, social groups and the construction industry itself. The agenda's priorities are accountability and responsibility; it must be clear what parties are responsible for achieving the goals set.

Already in 2004, the Ministry of Economic Affairs launched the 'Small Business Innovation Research Programme' or 'SBIR'. It is managed by the Netherlands' Enterprise Agency (RVO.nl) and aims to stimulate entrepreneurs to put forward innovative solutions for Dutch societal issues. SBIR has an annual budget of € 2.5 million and takes the form of a competition: businesses with the best offers are awarded a feasibility study. Those companies with the most promising studies receive funding to further develop their products. Any SME established within the European Union can participate if their project falls within the scope of one of the current SBIR themes: bio-economy, energy, and safe and secure society. The company owns the intellectual property. In 2017, 89% of the petitioners were small businesses. Companies working on blockchain, mobility and renewable energy received early-stage funding from the program.

3.8 Environment



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

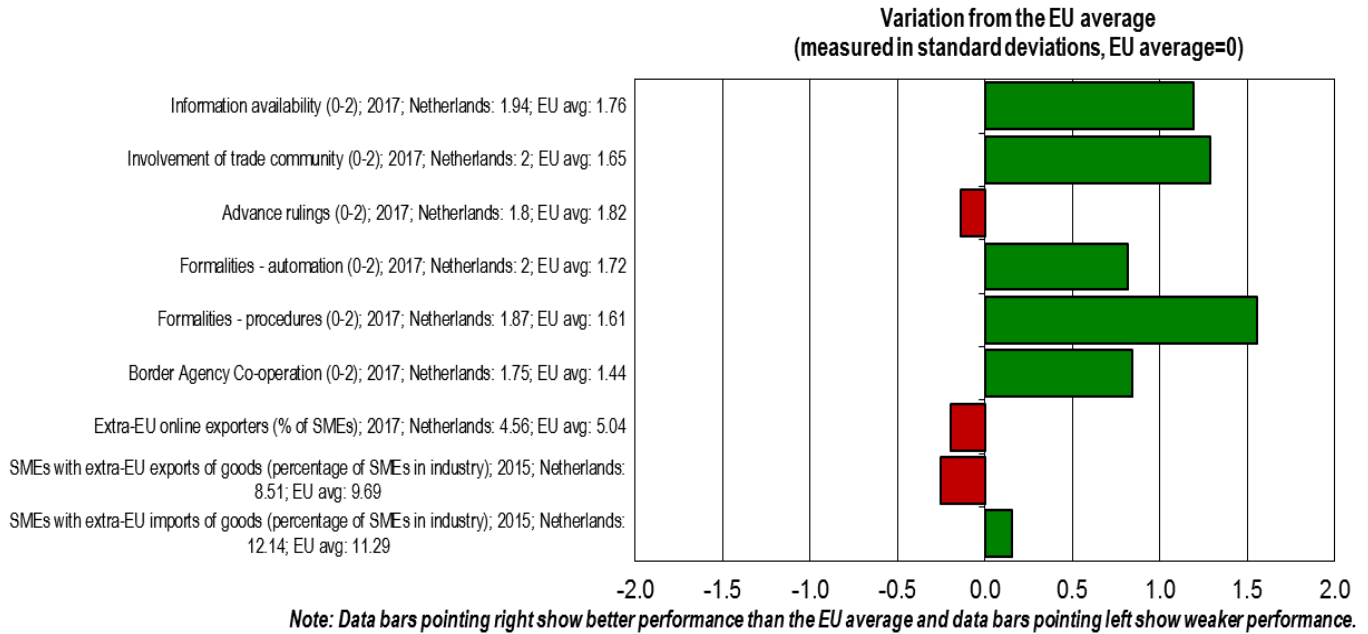
The Netherlands continued to perform above the EU average on the SBA environment principle. The proportion of SMEs that benefited from public support for their resource efficiency activities rose to 46 % in 2017, up from 39 % in 2015. This is likely to have contributed to the growth in the proportion of SMEs that actually implemented resource efficiency measures from 89 % in 2015 (below the EU average) to 93 % in 2017 (in line with the EU average). Similarly, the number of SMEs offering green products or services grew from 27 % to 37 % between 2015 and 2017. This closely mirrored the increased percentage of SMEs that benefited from public support to produce such green products, from 9 % in 2015 (below the EU average) to 20 % in 2017 (in line with the EU average). Despite growth on these indicators, the proportion of SMEs generating more than 50 % of their turnover from green products actually declined, from 26 % in 2015 (above the EU average) to 23 % in 2017 (in line with the EU average).

Since 2008, the Netherlands has implemented measures to develop this SBA principle. In 2014, the Dutch government was

the first in Europe to launch a circular economy programme, which was continued in 2016. It outlined how to create a sustainability-driven, fully circular economy by 2050. To accelerate the transition towards a circular economy, the government plans to establish five ‘transition agendas’, targeting biomass and food, plastics, consumer goods, the manufacturing industry and the construction industry.

During the reference period, the Netherlands showed a clear and ambitious outlook towards 2050 with the ‘Energy Agenda’, which will introduce additional policies covering all sectors of the economy to support a gradual reduction in CO2 emissions of 80-95 % by 2050. These policies will consist of a mixture of ‘carrots’ (incentives) and ‘sticks’ (regulatory standards and obligations) and will be captured in so-called ‘transition paths’, drawn up for each of the four functionalities (power & light, high temperature heat, low temperature heat and transport). The government will then consult citizens, businesses, research institutions, civil society organisations and local authorities on how the transition paths will be realised in practice.

3.9 Internationalisation



The Netherlands performed above the EU average on this SBA principle, though a recent change to the methodology for the indicators on the facilitation of trade limits the comparisons that can be made with results from previous years. On the one hand, the proportion of SMEs exporting online outside the EU grew slightly from 4.2 % in 2015 to 4.6 % in 2017 but remains in line with the EU average. On the other hand, traditional importing/exporting by manufacturing SMEs fell slightly, but still remain in line with the EU average.

Since 2008, the Netherlands has implemented a vast number of policies to promote trade. Some highlights of Dutch SME internationalisation are the ‘DutchBasecamp’ initiative, which was launched in 2014 to bring together Dutch and foreign SMEs in a network, and the creation of a ‘Brexit Information Desk’ (*Informatieloket over de Brexit*) at the Dutch Embassy in London. The Desk was set up in June 2016 to help entrepreneurs through advice and suggestions, and to provide answers to questions about the consequences of Brexit.

During the reference period, two new measures were introduced in this area. A new policy approach in internationalisation is expected from the ‘Team NL’ initiative launched in April 2017. The Dutch government wants to allow SMEs to grow by involving them in new plans for investment in Africa, Asia and South America. With the launch of this international project, the government wants to increase the proportion of GDP income from abroad to 40 % (currently 33 %) by 2030, and to facilitate growth and employment in the SME sector.

One of the first results of the ‘Team NL’ initiative is the ‘NL International Business’ digital platform, designed to support ‘first movers’ in international markets. The programme was initiated by VNO-NCW (the Confederation of Dutch Industry and Employers), MKB Nederland (The Royal Association of Small and Medium-Sized Enterprises), FME (the Dutch employers’ organisation in the technology industry) and Evofenedex (the Dutch employers’ association for Dutch exporters and logistic service providers).

4. Interesting initiative

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

A comprehensive SME action plan for the Netherlands

The policy domain for SMEs is complex, with this complexity originating from the wide variety of SMEs (in terms of both size and activity) and from the many factors influencing SME performance. The Dutch government's answer to this complexity is a comprehensive plan that addresses the sub-segments of the SME sector, recording and classifying what matters most to the SMEs in each sub-segment. Only with an integral plan it is possible to build a strategy to boost the performance of SMEs.

The new Dutch State Secretary of the Ministry of Economic Affairs and Climate Policy announced the upcoming launch of an integral plan for the Dutch SME sector ('*MKB Actieplan*'). The plan sets out the continuation and improvement of the existing policy mix targeting SMEs, such as the start-up policy and the policy that helps to build the businesses of the future through R&D and innovation. The plan also adds a coherent strategy which targets productivity improvements by disseminating knowledge and best practices more effectively (in particular in digitalisation), modernising regulation and improving access to capital and skills. The SME action plan was published on 29 June 2018.

References:

https://www.tweedekamer.nl/kamerstukken/brieven_regering/detail?id=2018Z12927&did=2018D37178

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/>

grow-spr@ec.europa.eu

Small Business Act:

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

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 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/>

² Deloitte 2016, Dutch Digital Infrastructure, available at <https://www.dinl.nl/wp-content/uploads/2016/11/17112016-Dutch-Digital-Infrastructure-Report-2016.pdf>, last accessed 06.06.2018, p. 18.

³ Ibid, p. 22.

⁴ Invest in Holland, available at <https://investinholland.com/dutch-data-centers-on-the-rise/>, last accessed 06.06.2018.

⁵ Deloitte 2016, Dutch Digital Infrastructure, available at <https://www.dinl.nl/wp-content/uploads/2016/11/17112016-Dutch-Digital-Infrastructure-Report-2016.pdf>, last accessed 06.06.2018.

⁶ CBS, Trends in the Netherlands 2017, available at https://www.cbs.nl/-/media/pdf/2017/44/trends_in_the_netherlands_2017_web.pdf, last accessed 06.06.2018.

⁷ HIS Markit, PMI 217, available at <https://www.markiteconomics.com/Survey/PressRelease.mvc/786d17570c0345c1a8a73108130dd03b>, last accessed 06.06.2018.

⁸ CBS, 2018, <https://www.cbs.nl/en-gb/news/2018/15/dutch-exports-outside-eu-show-higher-growth>, last accessed 06.06.2018.

⁹ CBS, 2017, <https://www.cbs.nl/en-gb/news/2017/16/growing-export-dependence-dutch-manufacturing-industry>, last accessed 06.06.2018.

¹⁰ World's Top Exports, available at <http://www.worldstopexports.com/netherlands-top-10-exports/>, last accessed 06.06.2018.

¹¹ KvK-Bedrijvendynamiek, Jaaroverzicht 2017, available at https://www.kvk.nl/download/Bedrijvendynamiek%202017Q4%20definitief_tcm109-453456.pdf, last accessed 05.06.2018.

¹² Ibid.

¹³ Ibid.

¹⁴ Ibid.

¹⁵ The data presented was collected by the EU Startup Monitor project, www.startupmonitor.eu

¹⁶ 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.

¹⁷ 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, last accessed 13.04.2018).

¹⁸ 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.

¹⁹ 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/>

²⁰ 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.

²¹ http://ec.europa.eu/internal_market/scoreboard/docs/2018/public-procurement/2018-scoreboard-public-procurement_en.pdf