Key points

**Past & future SME performance**: SMEs play a large role in the Danish ‘non-financial business economy’. They account for 60.0% of total value added and 64.1% of total employment, very close to the respective EU averages of 56.8% and 66.4%. However, SME productivity, measured as value added per person employed, is around 90% higher than the EU average. In recent years, Danish SMEs increased their value added while keeping their employment levels roughly stable. SME value added grew by 14.3% in 2013-2017, and SME employment rose by only 1.2% in the same period. The outlook for SMEs is positive. SME employment is forecast to increase by 1.6% in 2017-2019. SME value added will likely increase by 7.3% in the same period.

**Implementing the Small Business Act for Europe (SBA)**: Denmark performs above the EU average in 7 of the 10 SBA principles. It scores particularly highly in the single market and internationalisation areas, putting Denmark among the top three performers in the EU in both of these areas. In entrepreneurship and environment, Denmark is on a par with the EU average. The two principles where Denmark has made the most improvement since 2008 have been state aid & public procurement and access to finance.

**SME policy priorities**: Denmark has taken a variety of policy measures to promote entrepreneurship since 2008, and promoting entrepreneurship remains a key priority for the country. It has been difficult to encourage entrepreneurship because Denmark is now experiencing low unemployment, high demand for skills and a low supply of labour. Denmark could further promote entrepreneurship by making intergenerational business transfers easier or by making self-employment an attractive career choice. Denmark should also address the remaining obstacles in access to finance for entrepreneurs and small companies, and ensure that follow-up actions to the recent Danske Bank scandal do not limit the availability of funding for SMEs. Efforts to encourage private investment and to build a culture of stock ownership should continue.

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**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

<table>
<thead>
<tr>
<th>Class size</th>
<th>Number of enterprises</th>
<th>Number of persons employed</th>
<th>Value added</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Denmark</td>
<td>EU-28</td>
<td>Denmark</td>
</tr>
<tr>
<td></td>
<td>Number</td>
<td>Share</td>
<td>Share</td>
</tr>
<tr>
<td>Micro</td>
<td>185 324</td>
<td>88.7 %</td>
<td>93.1 %</td>
</tr>
<tr>
<td>Small</td>
<td>19 206</td>
<td>9.2 %</td>
<td>5.8 %</td>
</tr>
<tr>
<td>Medium-sized</td>
<td>3 619</td>
<td>1.7 %</td>
<td>0.9 %</td>
</tr>
<tr>
<td>SMEs</td>
<td>208 149</td>
<td>99.7 %</td>
<td>99.8 %</td>
</tr>
<tr>
<td>Large</td>
<td>686</td>
<td>0.3 %</td>
<td>0.2 %</td>
</tr>
<tr>
<td>Total</td>
<td>208 835</td>
<td>100.0 %</td>
<td>100.0 %</td>
</tr>
</tbody>
</table>

These are estimates for 2017 produced by DIW Econ, based on 2008-15 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 a large role in the Danish ‘non-financial business economy’. They account for 60.0 % of total value added and 64.1 % of all employment, very close to the respective EU averages of 56.8 % and 66.4 %. However, with average value added of EUR 62 400 per person employed, SME productivity in Denmark is around 90 % higher than the EU average of EUR 43 900. Danish SMEs are comparatively large, with an average of 5.1 people employed.

SMEs have increased their value added and kept their employment stable in recent years. SME value added grew by 14.3 % in 2013-2017, but SME employment was almost unchanged, rising by only 1.2 % during the same period. This modest growth in SME employment is the aggregate result of a decline of 3.5 % in micro-firm employment and an increase in employment in small and medium-sized firms (of 2.3 % and 4.8 % respectively). The employment progress made by SMEs lagged behind that of large firms, in which employment grew by 7.2 % in 2013-2017. Large firms also outperformed SMEs in terms of value added, with growth of 21.7 % in this period.

Administrative and support services is an example of a sector that had an unusual performance pattern in 2013-2017. SME
value added grew by 30.9 % in this sector, recording the highest SME growth of any sector in the ‘non-financial business economy’. However SME employment in this sector remained almost unchanged: it rose by only 0.9 % in 2013-2017. At the same time, large firms in this sector saw an employment increase of 20.3 %. However, these figures may not accurately reflect a true picture of SME growth, since it is likely that several medium-sized firms became large firms during the period (by exceeding the threshold of 250 employees). Data show that in 2017 the number of large firms in this sector increased from 44 to 56, and employment in medium-sized firms declined by 1.8 % during the same period.

The growth in the administrative and support services sector was driven by developments in subsectors, mostly employment activities and rental and leasing activities. Firstly, because demand for skilled workers in Denmark is strong and unemployment is low, it is difficult for companies to hire new employees. This has fuelled the demand for services from the employment activities subsector. Data show that well-established, large firms in the subsector were better at attracting talent than SMEs. Secondly, the rental and leasing activities subsector has boomed in recent years. In 2013-2016, private car leasing rose by 80.6 %, while leasing of trucks and commercial vehicles increased by 68.5 %. Consequently, in 2013-2017, SMEs in this subsector generated the highest value added growth of the entire sector, at 59.5 %. Nonetheless, rental and leasing activities are not labour intensive, which is why SME employment remained stable.

Digitalisation, a major focus for many firms in Denmark, has especially stimulated growth in SMEs in the information and communication sector. In 2013-2017, SMEs in this sector clearly outperformed large firms, with growth of 10.2 % in value added and 6.0 % in employment. However, these developments were not uniformly reflected across the subsectors. SMEs in computer programming and consultancy accounted for around a third of total employment in information and communication in 2017, and were the main growth drivers in 2013-2017, with total employment growth of 6.7 % and value added growth of 8.4 %. In contrast, for firms in the media subsector, digitalisation has created major challenges, the most significant of which are falling sales in print media and decreasing revenues from traditional advertising. However, despite these challenges, SMEs in media-related subsectors achieved surprisingly good results. In 2013-2017, SME employment in publishing grew by 3.7 % and SME value added in publishing grew by 23.3 %. In the same period, SME employment and value added grew in programming and broadcasting by 49.9 % and 24.8 %, respectively. However, the digitisation trend is not uniformly beneficial for SMEs. This is because the digital transformation requires high levels of investment and good access to capital across all sectors of the non-financial business economy. And both high levels of investment and good access to capital tend to be more difficult for SMEs than for large firms.

The number of new businesses in Denmark has grown substantially in recent years. In 2013-2017, company registrations doubled, totalling 35 702 in 2017, a rise of 7.6 % against the previous year. In 2017, there were 6 383 bankruptcies, 4.4 % fewer than in 2016.

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. The Danish start-up ecosystem has been developing steadily over the past decade. The typical Danish start-up founder is male (87.2 % of start-up founders) and holds a university degree (91.5 % of start-up founders). A very positive feature of Danish workplaces is the open working culture: 73.9 % of Danish firms give their employees a high degree of freedom to carry out their work, against an EU average of 54.4 %. Start-ups in Denmark are to be found in many sectors, such as IT and software development (27.7 % of all start-ups) or software-as-a-service (25.5 % of all start-ups). Other sectors with a large share of Denmark’s start-ups are the bio-tech/med-tech sector (8.5 % of start-ups, against an EU average of 6.5 %) and the green-technology sector (8.5 %, against an EU average of 4.0 %). The average Danish start-up currently employs 12.5 people and is planning to hire 7.8 more people within the next 12 months. Most Danish start-ups generate revenues mainly or completely through business-to-business sales (82.1 % of Danish start-ups generate their sales mainly or completely in this way). Danish start-ups show great interest in internationalisation. While 87.0 % want to internationalise within the Eurozone, 54.8 % of Danish start-ups (against 39.7 % EU average) are looking to enter global markets. The geographic start-up hub for Denmark is Copenhagen.

Furthermore, many Danish firms have successfully scaled-up their operations in recent years. The latest available data indicate that in 2014, 2 118 firms — 92.9 % of all firms in the ‘business economy’ with at least 10 employees — were high-growth firms. This percentage share is very close to the 2014 EU average of 9.1 %. However, in 2014-2015 the number of high-growth firms fell by 2.4 % to 2 068.

The outlook for SMEs is positive. Stagnation in SME employment levels is predicted to turn into growth, with an increase in SME employment of 1.6 % forecast for 2017-2019. Medium-sized firms are expected to be the main growth drivers, with above-average employment growth of 3.0 % in 2017-2019. Overall, around 17 100 new SME jobs will likely be created in 2017-2019. SME value added growth is predicted to continue, with SME value added forecast to rise by 7.3 % in the same period.
2. SBA profile

Denmark continues to display a very strong SBA profile. The country is the EU’s top performer in internationalisation and takes third place in single market. Remarkably, it shows above-average results in seven SBA principles. Its scores are in line with the EU average in the entrepreneurship and environment areas. The country does not score below the EU average in any of the SBA principles.

Since 2008, Denmark has made substantial progress in implementing the SBA. The government has set up services to give advice and financial help to entrepreneurs. It has also created various financial tools to make it easier for entrepreneurs to deal with government agencies. This has made it easier for entrepreneurs to set up and run businesses. Many unnecessary and burdensome administrative tasks have been removed and there has been a high level of government support for entrepreneurial activity, especially in high-skill sectors.

The reference period for this fact sheet covers the whole of 2017 and the first quarter of 2018. During the reference period moderate progress was made in implementing the SBA principles. Denmark adopted 14 new measures that address 6 out of the 10 SBA policy areas.

In 2017, the government established the Commission on Simplification of Danish Business Promotion (Forenklingsudvalget for Erhvervsfremme) to revise the structure of the Danish business-support system. The existing system was considered not efficient enough, and entrepreneurs were asking for more clarity about where to seek advice or where to find the information they required. The Commission presented its first proposal in April 2018, which suggested bringing all regional efforts under a single umbrella strategy. As part of this proposal, a digital platform and network of new regional Business Houses (Erhvervshuse) will become the first points of contact for SMEs seeking advice. Government support services will also be concentrated in a smaller number of more effective clusters with clear lines of responsibility.

The general principles underpinning business support in Denmark will not change. The authorities will continue to support SMEs and streamline administrative processes, while fulfilling their obligations under EU legislation and protecting consumer rights. The government still consults entrepreneurs about their needs to advance policy in their interests. The government also continues to consult entrepreneur and SME representatives through a number of panels. 2017 saw the implementation of the first suggestions of the Entrepreneur Panel (Iværksætterpanelet), and the establishment of the Fintech Forum (FinTech Forum) to help guide regulatory policymaking in the fintech sector in a way that maintains consumer protection without being overly onerous for SMEs.

Digitalisation of production processes and the development of digital products are significant drivers for future growth in Danish SMEs. For this reason, the government introduced several measures to increase skills and innovation capacity in SMEs to help their digitalisation.

Banks are now lending more liberally than in the years preceding the crisis. Still, start-ups report difficulties in attracting venture capital funding. The government has recognised this and is taking steps to increase venture capital financing from sources such as institutional investors, business angels and the general public. Several measures to make it more attractive for the general public to invest in start-ups were introduced in 2017. Overall, Denmark has implemented a large number of measures proposed in the SME action programme, with significant progress achieved in the areas of better legislation and skills and training. During the reference period the most progress was made in entrepreneurship and ‘responsive administration’, with the least in ‘second chance’ and public procurement.
SBA performance of Denmark: state of play and development from 2008 to 2018

Legend:
1. Entrepreneurship
2. ‘Second chance’
3. ‘Responsive administration’
4. State aid & public procurement
5. Access to finance
6. Single market
7. Skills & Innovation
8. Environment
9. Internationalisation

Variation from the EU average (in standard deviations; EU average=0)

Note: The scores presented in the chart above are not fully comparable to those displayed in previous versions of the fact sheet. This is due to a review of the framework of indicators used to assess performance across the SBA principles. Only the aspects with sufficient background data are presented. The value for progress over time was set to 0% in case of insufficient data and marked in the above chart by a diamond shape. For more details, please consult the methodological note on the webpage of the SME Performance Review: http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review
3. SBA principles

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 policymaking process. The principle also calls for newly designed legislation, administrative rules and procedures to be made simple and easy to apply.

Since 2008, Denmark has made significant progress in thinking small first. Much of this progress is thanks to the Business Forum (Virksomhedsforum), which includes members from the SME community. The role of this forum is to highlight areas where SMEs experience unnecessary and burdensome legislation. Since 2015 the government has applied a ‘burden stop’ principle, which requires that no enterprise should be subject to burdensome regulation without a compelling reason (such as implementation of EU legislation, measures agreed with the SME community, or reasons of national security or health).

E-governance is generally well developed in Denmark for both individuals and businesses. However, on several occasions small and micro-enterprises have experienced increased burden, rather than reduced burden. This was due to new requirements such as the requirement to go through a new administrative procedure, make financial outlays or get to know a technology whose costs did not match the efficiency gains it created. Despite these occasional difficulties, the ‘Think Small First’ principle has continued to be applied to make e-government more flexible for smaller enterprises. In particular, the use of digital signatures has been made easier, enabling small enterprise owners to use just their personal signatures for their business affairs rather than having to obtain a second signature in addition.

Since 2012, the Business Forum has sent 767 suggestions (118 in 2017) to the government, of which 582 have been addressed.

The government’s objective is to reduce burden on businesses by EUR 538 million between 2015 and 2020, and by a further EUR 269 million by 2025. From 2015 to 2017 there was a net burden relief of EUR 176 million.

SME representatives point towards tax regulation as an area for future improvement, given that current tax legislation does not sufficiently incentivise private investors to invest in start-ups.

During the reference period the Danish government introduced a new measure aimed particularly at the fintech sector. The measure aims to (i) improve the advice and information given to SMEs about financial regulations, and (ii) provide support to enterprises when they apply for permission to introduce new or improved financial services (also known as fintech) (Bedre vejledning og information til SME’ere om finansiel regulering og håndholdt støtte gennem tilladelsesprocessen). Fintech is becoming an increasingly important area of growth and development. The burgeoning technology underpinning many fintech firms means this is new territory for both SMEs and regulatory authorities. The approval process for the introduction of new financial services, such as crowdfunding or robo-advice, can be difficult to navigate, expensive and time-consuming. In addition, the regulatory environment surrounding aspects of cryptocurrencies is not sufficiently straightforward. This measure is designed to facilitate greater cooperation between the authorities that regulate the sector and the SMEs subject to that regulation. Under the measure, authorities will provide individualised guidance to SMEs on financial regulation and will support SMEs throughout the process of getting a licence for new financial products (e.g. products based on distributed ledger technology).
3.1 Entrepreneurship

Denmark continues to perform in line with the EU average for entrepreneurship. No updated data were available for the indicators in this area since 2014. The impact of recent measures is therefore not reflected in these indicators.

Since 2008, there has been substantial policy progress in this area. Entrepreneurship has been a high political priority across governments of different political complexions. This commitment to promoting entrepreneurship was achieved primarily through cooperation and dialogue between industry and the various regulatory authorities.

Entrepreneurial education has been integrated into the education system at every level, giving students the tools to pursue entrepreneurial careers from an early stage. Entrepreneurial education has also provided guidance to graduates who hope to realise their business ideas and make the leap from student to entrepreneur. Although there has been some progress in entrepreneurial education, stakeholders emphasise the need for more training in entrepreneurial education at every educational level. Some stakeholders also argue that the current approach puts too much focus on entrepreneurs offering new/advanced products or services as opposed to those who want to become self-employed with conventional products or services.

The Danish Business Authority (Erhvervsstyrelsen) supports start-up communities and non-governmental organisations (NGOs) so they can further promote the members of their networks and communities. NGOs often consist of experienced entrepreneurs and are vital in providing coaching. Another area where progress has been made is in making it easier to transfer family businesses from one family member to another. The Danish Business Authority hopes to make generational succession easier.

Scale-up Denmark is a national programme to help businesses grow by training entrepreneurs. In particular it aims to attract high performing enterprises; facilitate entrepreneurs’ access to seed capital and venture capital; engage market leading firms from regional ecosystems; involve leading universities, research institutions and science parks; and provide easy access to the services of the entire Danish business-support system.

Two new entrepreneurship measures were introduced during the reference period: Teaching Entrepreneurship (Undervisning i iværksætteri) and Practical Start-up (Start-op i praksis), which aim to promote the teaching of entrepreneurship to students in vocational schools and universities respectively. Many students want to pursue an entrepreneurial career because they have a good business idea. But often they have neither the practical tools nor the knowledge needed to set up and run an enterprise. These two measures address this by offering better training programmes for teachers and internships for students.
3.2 ‘Second chance’

‘Second chance’ refers to ensuring that honest entrepreneurs who have gone bankrupt get a second chance quickly. Denmark continues to perform above the EU average in the ‘second chance’ area. Most indicators are positive. The insolvency framework index is quite strong while the cost and time to resolve insolvency are favourable when viewed against other EU Member States. It takes one year for creditors of insolvent enterprises to recover their receivables. The ‘fear of failure’ rate of 41% has not been updated since 2014. It stands roughly in line with the EU average. Despite Denmark’s mostly above-average performance in the area, the available absolute figures point to a stagnation since 2008.

Since 2008, there have been few new policy measures in this area in Denmark. There is an early warning system in place to help companies in distress. It is run by the regional Growth Houses (Væksthuse). The Growth Houses provide free, impartial and confidential advice to SMEs experiencing difficulties. The aim of the advice is to assist or accelerate turnarounds. If it is too late for a turnaround, the Growth Houses aim to make the process of bankruptcy as smooth as possible.

An early warning system helps to reduce potential crises in businesses, and minimises the risk entrepreneurs face when starting out. It can also help avoid great personal and economic distress for entrepreneurs and their families.

Despite a mature insolvency framework, it is not necessarily easy for Danish entrepreneurs to start again, because in complex cases it can take several years for a bankruptcy to be fully dissolved and the enterprise removed from the business register.

The lack of policy initiatives in this area means that it can take a long time for insolvent businesses to wind up with the tax and business-registry authorities. SME stakeholders believe future reforms should address this problem.

In 2017 and the first quarter of 2018, no new measures were introduced in the ‘second chance’ area.
3.3 ‘Responsive administration’

‘Responsive administration’ refers to public administration being responsive to the needs of SMEs. Denmark continues to perform above the EU average in ‘responsive administration’, although the country’s performance has stagnated since 2008. Only minor changes occurred in the indicators for ‘responsive administration’ compared to last year’s fact sheet. The time taken to start a business in Denmark remains one of the shortest in the EU and the administrative burden on businesses is quite strictly managed. However, more and more companies are finding it difficult to deal with complex administrative procedures and fast-changing legislation. Between 2015 and 2017, the percentage share of respondents reporting complexity of procedures as an obstacle to doing business increased from 30% to 38%, and the percentage share of those suffering from rapid changes in legislation went up from 40% to 45%. Paid-in minimum capital and the cost of enforcing contracts remain in line with the EU average.

Since 2008, there has been substantial policy progress in this area. Practically all SBA recommendations have been implemented. The authorities generally make significant effort to incorporate SME stakeholder views into the regulatory process, through a number of advisory bodies. The Business Forum (Virksomhedsforum) and the Implementation Council (Implementeringsrådet) are two of the most prominent of these advisory bodies. The Implementation Council was established in 2015 to oversee the implementation of EU legislation into Danish law, with specific attention given to minimising additional expense for Danish enterprises.

Stakeholders confirm that their voices are being heard. They view positively the fact that the public administration acts on information collected through consultation activities.

In 2017 and the first quarter of 2018, six new measures were introduced in this area. The most important was the establishment of the Commission on Simplification of Danish Business Promotion (Forenklingsudvalget for Erhvervsfremme). In recent years, SMEs have found it increasingly complicated and costly to rely on government services that support business. The main task of the Commission is to suggest a revised structure that will bring more transparency, effectiveness and efficiency. The Fintech Forum and the Entrepreneur Panel17 were set up to improve collaboration between authorities and businesses. The Fintech Forum is an informal forum, where the Danish Financial Supervisory Authority (DFSA) and representatives from the fintech industry discuss (i) how regulatory authorities can support fintech activities, and (ii) ways in which inadequate legislation limits the development of the sector. Fintech is a relatively new area in financial services and thus represents ‘uncharted waters’ for regulatory authorities. For this reason, the regulation of fintech requires experience and cooperation, so that it provides the necessary safety without excessively limiting
the speed of its development. In 2017, the DFSA also introduced another measure aimed at the fintech industry. With this measure, the DFSA provides companies with guidance and information on financial regulation, and supports them throughout the process of getting a licence (Bedre vejledning og information til SME’ere om finansiel regulering og håndholdt støtte gennem tilladelsesprocessen).

The Entrepreneur Panel consists of entrepreneurs, investors and experts. It issued its first set of recommendations in September 2017. Some of these recommendations have since been enacted in legislation. The four main recommendations are listed below:

1. To expand access to capital through improved tax legislation and by requiring Danish institutional investors to contribute a certain amount of venture capital to start-ups.

2. To improve the talent pool, including by (i) attracting talent from abroad by offering more attractive tax rules on the provision of stock options, and (ii) providing better education in entrepreneurship at all educational levels.

3. To promote knowledge-sharing activities between academia and industry.

4. To enact modern regulation for modern technologies. Investor tax deductions, employee stock options and lower capital requirements have subsequently been introduced through the Business and Entrepreneurship initiative (November 2017).

Increased IT security in SMEs (Løft af IT-sikkerhed i SMVere) is an initiative designed to increase awareness among SMEs of risks and solutions related to IT security. The initiative will create a website to provide knowledge, tools and advice in recognition of the fact that IT security is often neglected at SMEs. The initiative will also improve knowledge about IT security among advisors such as accountants, lawyers and banks. In addition, the initiative will extend the mandate of the Enterprise Council on IT Security (Rådet for Digital Sikkerhed) as part of the digital growth strategy.

The government’s strategy for growth through the sharing economy (Strategi for vækst gennem deleøkonomi) discusses how authorities can fairly promote the possibilities provided by the sharing economy while maintaining regulatory and taxation oversight.
Denmark continues to be above the EU average in state aid & public procurement. The country has continuously improved in this area since 2008. No significant changes were reported in Denmark's performance since last year. Although 2 out of 4 indicators have not been updated since 2013, the proportion of companies participating in public tenders remained unchanged since then. The only change has been the average delay in payment from public authorities, which reduced from 5 days to 4 days between 2016 and 2017. This is a sign of improvement.

Since 2008, moderate policy progress has been achieved in the area of state aid & public procurement. There are two main SBA recommendations on which further progress could be made. The first of these recommendations is the setting up of a comprehensive e-procurement website. The second recommendation is making it a common practice to cut big tenders into several smaller lots to make it easier for SMEs to bid on them. On the first recommendation, there has already been some progress: almost the entire public procurement process in the EU became electronic in October 2018 following the revision of European Public Procurement Directive. The Public Procurement Act (Udbudsloven) transposing the directive into Danish legislation came into force in 2016. It makes the public tendering process more flexible.

On the second recommendation, the Public Procurement Act also sets minimum standards for public procurement. The Danish Competition and Consumer Authority analyses public procurement to create the best environment for competition for public contracts. It pays specific attention to ensure SME participation in public tendering. Its legal guidance also requires contracting authorities to consider the appropriateness of dividing contracts into lots. However, authorities remain free to decide this themselves on a case-by-case basis, without being subject to administrative or judicial supervision (this is the so-called divide-or-explain principle, known as opdel eller forklar-princippet in Danish). Stakeholders would like to see further steps taken to ensure equal and easy access for SMEs to public tenders.

The Danish Business Authority also has a crowdsourcing website (challenges.dk) where public authorities challenge businesses and the general public to come up with new ideas and ways of doing things. The platform is now up and running and has completed several challenges in cooperation with external partners.

Several stakeholders have pointed out unfair competition from public and semi-public providers in public tenders. These stakeholders complained that these providers can submit lower bids than private businesses, because their bids do not include all overhead expenses. In 2017 and first quarter of 2018 no new measures were introduced.
3.5 Access to finance

Denmark continues to perform above the EU average in access to finance. It has improved since 2008, outperforming the average progress made by EU Member States during that time. Payments are now made more promptly, with business invoices now paid 3 days earlier than last year. The availability of bank financing slightly improved between 2016 and 2017. The percentage share of respondents reporting a deterioration in the willingness of banks to provide a loan has fallen from 8.9% to 7.9% between 2016 and 2017. Moreover, the percentage share of rejected loan applications is still higher than the EU average. The key finance challenge for SMEs is that the cost of borrowing small amounts (as opposed to large amounts) increased between 2016 and 2017, making Denmark the second-worst performer for the relative cost of small loans in the EU. The availability of venture capital remained mostly unchanged between 2016 and 2017. Indicators measuring equity and business-angel funding for new and growing firms have not been updated. The percentage share of respondents who indicated a deterioration in public support for business have slightly increased from 3 % to 4 % since 2016.

Since 2008, there has been substantial policy progress in access to finance, with most of the SBA’s policy recommendations in this area put in place. The most notable policy measure in the past 10 years in this area was the development of the Danish Growth Fund (Vækstfonden). The Danish Growth Fund is a state investment fund that contributes to the creation of new companies by providing both capital and expertise. Together with private investors, the fund has co-financed growth in more than 6 600 Danish companies with a total commitment of EUR 3 billion. The Danish Growth Fund is not only an equity investor; it also provides loans and guarantees for small and medium-sized enterprises in collaboration with private partners and Danish financial institutions.

The Danish Growth Fund and the European Investment Fund (EIF) have created a joint business-angel fund which plays the key role in providing capital, knowledge and experience to firms. Typically, the main companies in its focus are businesses in their early stages or those whose ownership is changing, e.g. due to generational change.

While commercial bank lending to SMEs is growing, early-stage funding for companies needs to be made more available. Stakeholders are asking for the development of a stock ownership culture, where the general public can invest directly in start-ups. Stakeholders would also welcome changes to tax legislation to enable institutional investors like ATP (Arbejdsmarkedets Tilaegspension) to invest more in the seed and venture capital segments. In general, lower taxation of stocks, including employee stock options, would be welcomed by stakeholders.

In 2017 and the first quarter of 2018, the Danish Growth Fund and the EIF agreed that the EIF will cover 50% of the Danish Growth Fund’s losses on defaulted loans, up to a total of EUR 200 million. Two further measures were also announced in

Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.
this period: the investor tax deduction (Investorftradrag) and the improved scheme for employee stock options (Forbedret ordning for medarbejderaktier). The investor tax deduction gives private individuals tax deductions of up to EUR 54,000 for investing in small, unlisted companies. The improved scheme for employee stock options allows newly formed small businesses to offer up to 50% of an employee’s salary as stock options, taxed as stocks not income (tax on stocks is lower than income tax). Small enterprises are also exempt from the requirement to offer stock options to 80% of employees, a requirement which is otherwise obligatory for companies that offer stock options. The government plans for the improved scheme for employee stock options to enter into force on 1 January 2019. Both schemes are important for promoting a culture of stock-ownership, which should result in more venture capital flowing to entrepreneurs from the general public in Denmark.
3.6 Single market

Denmark continues to perform above the EU average for the single market, having made faster progress than the EU average since 2008. The country still stands in the top three EU performers in this area. Minor changes occurred for most of the single market indicators. Between 2014 and 2015, the percentage share of SMEs exporting and importing within the EU has increased from 24.2% to 25.2% and from 38.7% to 41% respectively. In addition, the number of pending infringement procedures has also fallen from 16 cases to 14 cases between 2016 and 2017. Despite this good performance, there is still room for improvement in the average transposition delay for overdue directives, which increased substantially from 2.7 months to 7.2 months between 2016 and 2017.

Since 2008, Denmark has made substantial policy progress in this area, addressing all SBA recommendations. Thanks to its small domestic market, Danish enterprise already has a long tradition of exporting goods and services, and the authorities have supported this through several schemes, detailed below:

- The Export Credit Agency (Eksportkreditrådet) helps provide export credit guarantees, which ensure that SMEs are paid when they export goods and services, particularly to countries where there is a risk that the Danish SME might not get paid.

- The regional Growth Houses provide advice on how to best benefit from the single market. They give special attention to e-commerce.

- The Danish Business Authority provides businesses, authorities and the general public with information on the rules of free movement of goods and services. The Danish Business Authority also addresses matters related to the SOLVIT network, the Product Contact Point, the Point of Single Contact and standardisation regulations.

- The European SOLVIT network provides assistance when SMEs face difficulties with public authorities in another EU country.

- In 2017, the Danish government merged two new measures aimed specifically at the German market — Kickstart Germany (Kickstart Tyskland) and Trade Fair Germany (Messeprogram Tyskland) — into the more general programmes administered by the Trade Council (Eksportrådet).

Stakeholders generally applaud the government’s efforts to improve SMEs’ access to the single market. However, they would welcome even more help for Danish companies seeking to export to other EU Member States.

In 2017 and the first quarter of 2018 one new measure was introduced: the creation of an e-commerce centre for export promotion (E-handelscenter til eksportfremme gennem e-handel til SMV’ere). This centre was set up in cooperation with the Export Support department in the Ministry of Foreign Affairs to help SMEs export. SMEs will be supported through advisory services on specific issues like payment, distribution and legal systems in specific countries. The advisory services are tailor-made to respond to the individual needs of participating companies.
Denmark continues to perform above the EU average in skills & innovation. While half of the indicators have not been updated since last year, a slight improvement can be observed in the percentage of SMEs selling online, which increased from 27% to 27.8% between 2016 and 2017. This makes Denmark one of the best performers in the EU for this indicator. On skills-related indicators, the country continues to perform well despite a slight decline. The percentage of ICT-skilled employees fell slightly from 23.8% to 22.8% between 2016 and 2017. Similarly, the companies that train their employees in ICT fell from 26.9% to 25.1% over the same period. Sales of new-to-market and new-to-firm innovations remain a challenge in Denmark — this is the only indicator where the country scores below the EU average.

Since 2008, there has been substantial number of policies introduced in the area of skills & innovation. For example, the Innovation Fund Denmark (Innovationsfonden) was set up in 2014. Its goal is to create more innovative SMEs by encouraging closer collaboration with academia and other subject-matter experts. It now provides support such as grants for (i) strategic research, (ii) advanced technology and (iii) innovation. Its innovation grants are disbursed through projects such as the InnoBooster. The Innovation Fund Denmark also gives support in the form of consulting services.

Another measure introduced since 2008 was the Innovation Network Denmark (Innovationsmiljøer), which comprises four national innovation networks in which R&D and innovation activities are organised for researchers and enterprises.

Skills shortages remain a significant issue, with stakeholders indicating that it is still difficult to find suitably qualified employees. SME representatives have suggested that the Danish ‘expert tax’ (Forskerordningen — a special lower rate of tax to attract non-Danes to work in Denmark) could be made more flexible by extending the list of required ‘in demand’ qualifications. This would allow for a broader inclusion of researchers and other key employees (this list also covers citizens from third countries).

In 2017 and the first quarter of 2018 four new measures were introduced in this area. They are detailed below:

- Industry 4.0 Digitalisation Boost (Industri 4.0 Digitaliseringsboost). This measure strengthens innovation and cooperation between SMEs and innovation schools by co-financing the development of new commercial products, solutions or concepts.
- **FT Lab (FT Lab)**. This is a ‘sandbox’ where selected companies can test innovative financial products and business models in a safe environment before going large scale.

- Extension of duration and coverage to include all SMEs in the Business Partnership for Advanced Production (Udvidelse og forlængelse af indsatsen i det eksisterende Enhvervspartnerskab for Avanceret Produktion). This promotes new technology to improve competitiveness.

- **Strategy for Denmark’s Digital Growth (Strategi for Danmarks digitale vækst)**. This strategy includes the programme SMV:Digital. The programme focuses on improving digitalisation and e-commerce in small and medium-sized businesses through public guides, subsidiaries and networking activities.

### 3.8 Environment

Denmark continues to perform in line with the EU average for this SBA principle, albeit with mixed results. Fewer SMEs than last year benefited from public support for their production of green products and for their resource-efficiency measures. A deterioration in the environment principle can also be observed in the percentage of SMEs that have taken resource-efficiency measures, which fell from 93% to 83% between 2015 and 2017. However, the proportion of Danish SMEs offering green products and the proportion of Danish SMEs which generate over half of their turnover from green products are above the EU average.

Since 2008, Denmark has made substantial policy progress on the environment. The environment is of great concern in Denmark, and this concern has led to strict environmental regulation that is already well complied with and valued by Danish SMEs, many of which provide goods and services that help improve the environment. Often the environment does not receive dedicated attention in Denmark because environmental concerns are already integrated into other policy areas. However, dedicated environment programmes do exist, including the Eco-Innovation Programme (Grøn Innovationspulje), which supports strategic alliances between industry, government, NGOs and schools.

The Sustainable Development Goals call for further action on the environment, renewable energy and climate change in the developing world. Danish stakeholders see many possibilities for Danish enterprises to enter this market. However, government support given to Danish SMEs in Africa and in countries like China, India and Indonesia is insufficient. This affects SMEs more than larger companies which often have the relevant expertise in-house to do business outside the EU.

In 2017 and the first quarter of 2018, no new measures were introduced.
3.9 Internationalisation

Denmark is the best EU performer in business internationalisation. Recent improvements in this area include (i) making information on customs and import and export procedures more easily available for SMEs and (ii) automated treatment of formalities. Both of these were introduced between 2015 and 2017. Another improvement was related to the introduction of advance rulings. Advance rulings are binding decisions that customs offices deliver on individual request prior to an import or export transaction. These rulings take into account specific details of the intended transaction, such as the classification, origin, valuation method, applied to specific goods at the time of the transaction. Advance rulings help traders better manage risks in cross-border transactions. There is room for improvement in internationalisation by (i) making customs authorities more aware of the needs of the trade community, and (ii) further streamlining the required procedures.

Since 2008, Denmark has made substantial policy progress in internationalisation. The Trade Council now runs several schemes designed to increase the internationalisation of Danish enterprises, some of which are provided free of charge through Danish embassies abroad, and others of which are run as paid services. Aside from Danish embassies abroad, the Trade Council runs innovation centres in Silicon Valley, Munich, Shanghai, Seoul, New Delhi and São Paulo. These innovation centres help to promote partnerships with local businesses that allow Danish firms to expand into new markets. The innovation centres also contribute their expertise to assist SMEs in product development.

The Trade Council also supports SMEs through a number of specific programmes detailed below.

Export Sparring (Eksportsparring). In this programme, businesses are helped to prepare for export using a specific export plan.

Strategic Business Alliances (Strategic Business Alliances). This programme is directed at groups of companies operating in the same market.

The VITUS programme (VITUS). This programme targets enterprises that have the potential to expand globally. It provides an export advisor’s tailored advice, based on the advisor’s expertise on the specific market that the company plans to enter.

The GROW (GROW) programme. This programme provides 50-200 hours of counselling to SMEs to promote internationalisation by helping businesses to carry out market analysis and by matching them with other partners operating in the same market.

SME stakeholders perceive unexploited opportunities for exporting health services and social services, in particular to emerging economies and the developing world. Stakeholders feel that public policy should make it easier for Danish SMEs to explore these distant markets.

In 2017 and the first quarter of 2018, no new measures were introduced in the area of internationalisation. However, several measures mentioned under other SBA principles, like the e-commerce support centre, also aim at internationalising Danish SMEs.
4. Interesting initiative

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

**FinTech initiatives**

The fintech sector offers many opportunities for SMEs. Some of these opportunities include the use of online payment platforms, mobile payment methods, and the more widespread adoption of distributed ledger technology in the financial sector. However, the legislation governing the financial sector was conceived and implemented before fintech became as advanced as it is today. The Danish authorities recognise that new business models and innovative financial services are challenging the existing regulatory framework, and that this requires their attention. The Fintech Forum was therefore established with the participation of representatives from the fintech sector, SMEs and legislators to guide and inform the legislative process on fintech. This method of inclusive consultation will allow Denmark to make the most of the possibilities in the fintech sector while protecting consumer rights and data privacy in accordance with European law.

References:

https://em.dk/nyheder/2017/09-21-fintech-initiativer

https://www.finanstilsynet.dk/da/Tilsyn/Information-om-udvalgte-tilsynsomraader/Fintech/Fintech-Forum
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:
grow-spr@ec.europa.eu

Small Business Act:

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/


8 The data presented was collected by the EU Start-up Monitor project, www.startupmonitor.eu

9 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.
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_5pm_r2, last accessed 18.9.2018).

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.

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.

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.