

# 2019 SBA Fact Sheet

## LUXEMBOURG

### Key points

#### **Past & future SME performance<sup>1</sup>:**

SMEs in Luxembourg play an important role in the non-financial business economy, especially in terms of their contribution to total value added. SMEs in Luxembourg's non-financial business economy have generated solid growth in recent years, with SME value added rising by 14.4% and employment by 11.8% in 2014-2018. In 2018-2020, SME value added is projected to rise by 8.6%, with SME employment growth expected to be more moderate, at 2.7% in the same period.

#### **Implementing the Small Business Act for Europe (SBA):**

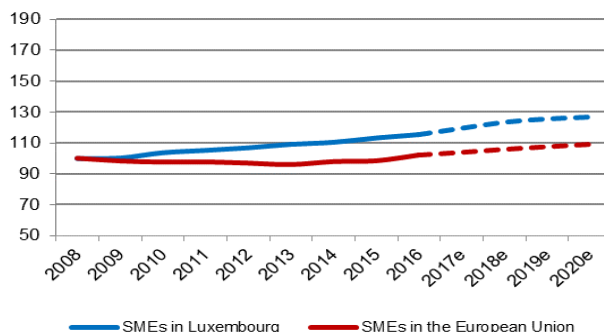
Luxembourg's SBA profile is in line with the EU average. The country's main strengths lie in environment and single market, with Luxembourg being the second best performer in the EU in both. The country also performs above the EU average in skills & innovation and in line with the EU average in entrepreneurship, 'responsive administration', State aid & public procurement, access to finance and internationalisation. The weakest area remains 'second chance', where Luxembourg is one of the EU's poorest performers.

#### **SME policy priorities:**

Although Luxembourg has introduced numerous measures to support SMEs, there are several areas where its SME policy environment could be further improved. Further effort should be made to enhance the policy framework providing a 'second chance' to honest entrepreneurs. Additionally, the 'Think Small First' principle must be enforced on a coherent basis, for instance in the new SME action plan announced in February 2019, where increased consultation is expected with SME stakeholders. With a view to the future, policies supporting the innovative capacity and digital transformation of SMEs are of critical importance, as is addressing the skills gap.

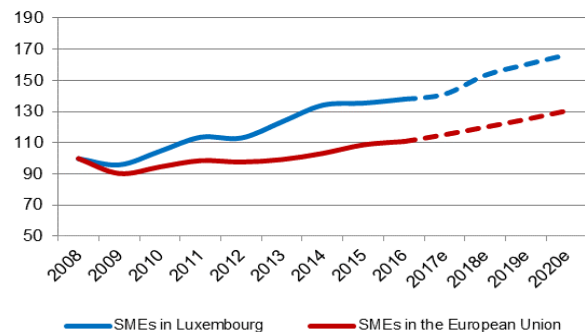
**Number of persons employed in SMEs**

(Index: 2008=100, estimates as from 2017 onwards)



**Value added of SMEs**

(Index: 2008=100, estimates as from 2017 onwards)



#### **About the SBA fact sheets:**

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

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## 1. SMEs — basic figures

Class size	Number of enterprises			Number of persons employed			Value added		
	Luxembourg		EU	Luxembourg		EU	Luxembourg		EU
	Number	Share	Share	Number	Share	Share	Billion €	Share	Share
Micro	30,336	87.5%	93.0%	50,746	17.9%	29.7%	5.2	20.2%	20.8%
Small	3,507	10.1%	5.9%	70,236	24.7%	20.1%	5.4	20.9%	17.6%
Medium-sized	676	1.9%	0.9%	69,456	24.4%	16.8%	6.9	26.7%	18.0%
<b>SMEs</b>	<b>34,519</b>	<b>99.5%</b>	<b>99.8%</b>	<b>190,438</b>	<b>67.0%</b>	<b>66.6%</b>	<b>17.5</b>	<b>67.7%</b>	<b>56.4%</b>
Large	161	0.5%	0.2%	93,758	33.0%	33.4%	8.4	32.3%	43.6%
<b>Total</b>	<b>34,680</b>	<b>100.0%</b>	<b>100.0%</b>	<b>284,196</b>	<b>100.0%</b>	<b>100.0%</b>	<b>25.9</b>	<b>100.0%</b>	<b>100.0%</b>

*These are estimates for 2018 produced by DIW Econ, based on 2008-2016 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 in Luxembourg play an important role in the non-financial business economy, especially in terms of their contribution to total value added, which at 67.7% is substantially higher than the EU average of 56.4%. The SME contribution of 67.0% to employment is exactly in line with the EU average, however, indicating that SME productivity, measured as value added per person employed, is substantially higher in Luxembourg than in the EU as a whole. This figure of €92,100 is in fact more than double the EU average. SMEs in Luxembourg also employ more people, an average of 5.5 compared with the EU average of 3.9.

SMEs in Luxembourg's non-financial business economy have generated solid growth in recent years, with SME value added rising by 14.4% and employment by 11.8% in 2014-2018. During the same period, however, SME value added still lagged behind the strong rise of 32.4% generated by large firms and the increase of 20.7% in large firms' employment. Most recently, in 2017-2018, overall SME growth has been strong, with growth in value added of 8.7% and in employment of 3.3%.

SMEs in the *wholesale and retail trade* sector are particularly important in Luxembourg. In 2018, they generated 30.2% of total SME value added in the non-financial business economy, which is eight percentage points above the EU average. In recent years, SME growth in this sector has been solid. After a sharp drop of 14.3% in 2014-2015, SME value added climbed by 32.2% in 2015-2018, equivalent to a total increase of 13.3% in 2014-2018. SME employment also grew steadily in 2014-2018, rising by 8.3%. Growth in this sector has been supported by several government initiatives. In 2016, Luxembourg's Ministry of the Economy launched Pakt Pro Commerce, a strategy designed to boost and develop retailing<sup>2</sup> and also to encourage digitalisation of the sector. Additionally, in 2015, the Prime Ministers of Belgium, the Netherlands, and Luxembourg launched the 'action plan for jobs and growth', a joint initiative to improve the functioning of the Benelux internal market, with a particular focus on retail, e-commerce and the digital single market<sup>3</sup>.

Another important SME sector, for Luxembourg's labour market in particular, is *construction*. In 2018, SMEs in the sector generated one fifth of total SME employment. Furthermore, sector growth has been consistently strong for SMEs in recent years. In 2014-2018, SME value added and employment rose by 25.0% and 10.3%, respectively. A contributing factor was strong housing demand driven by demographic growth. Luxembourg's population grew by 9.5% in 2014-2018, driven in particular by a rise of 15.8% in foreign residents<sup>4</sup>. The resulting shortfall in housing supply has led to a steep rise in housing prices over recent years<sup>5</sup>, along with heavy demand for residential construction. Several measures have been implemented in recent years to boost construction and increase the housing supply. Under the Housing Pact agreement, for example, the Luxembourg government has provided targeted funding to local municipalities for new housing<sup>6</sup>. Infrastructure projects like LuxTram, Luxembourg City's new tramway, have also contributed to growth in the sector. LuxTram is considered one of the country's flagship infrastructure projects, with €345.8 million invested in the first phase, and further investment planned for subsequent phases<sup>7</sup>. Luxembourg also has a strong innovation profile, supported by construction-related clusters and initiatives

such as Neobuild, an innovation centre dedicated to research and development in sustainable construction<sup>8</sup>.

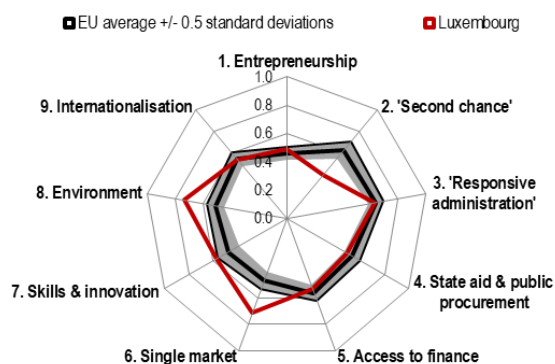
The steady increase in the number of registered firms is a clear reflection of the attractive business environment in Luxembourg. In 2018, the total number of registered businesses was 35,113, an increase of 4.1% on the previous year<sup>9</sup>. Bankruptcies, however, have fluctuated in recent years, increasing by 27.8% in 2018 to a total of 1,195 that year<sup>10</sup>.

As per the data collected by the European Startup Monitor 2019 project<sup>11</sup>, 70% of the startups in Luxembourg that responded to the online questionnaire were set up by one male founder or an all-male team of founders. 20% were set up by one female founder or an all-female team of founders. The remaining 10% were set up by at least one man and one woman. In terms of their stage of development, 20% are in the pre-seed or seed stage, 60% in the start-up stage and 20% in the growth stage. Regarding financial aspects, 80% are operating at a loss, expecting to break-even in less than 2 years, 10% currently break-even and 10% are profitable. 33% have a turnover between €1 and €500,000, 67% report having no turnover yet and the remaining 0% have a turnover of over €500,000. They have 12 employees on average, of which around 19% work on a part-time basis. On average they plan to hire 7.8 people within a year.

In 2016, 457 firms (10.0% of all firms in the business economy<sup>12</sup> with at least 10 employees) were high-growth firms<sup>13</sup>, slightly below the EU average of 10.7%. In 2018, SMEs in the specialised *knowledge-intensive services* and *high-tech manufacturing* sectors, both of which are usually R&D-intensive, contributed a share of 31.5% to SME value added in the manufacturing and services sectors. This share was slightly below the EU average of 33.0%.

The outlook for SMEs in Luxembourg is positive. In 2018-2020, SME value added is projected to rise by 8.6%, with SME employment growth expected to be more moderate, at 2.7% in the same period. This corresponds to approximately 5,100 new SME jobs by 2020.

## 2. SBA profile<sup>14</sup>



Luxembourg's SBA profile is in line with the EU average. The country performs above the EU average, as one of the top EU performers, in single market and environment. It also performs above the EU average in skills and innovation. Luxembourg is in line with the EU average for 5 of 10 SBA areas, namely entrepreneurship, 'responsive administration', State aid & public procurement, access to finance, and internationalisation. It is below the average in 'second chance', however, where it is one of the three worst performers in the EU.

Since the SBA was introduced in 2008, Luxembourg has made significant improvements and is actively committed to supporting SMEs growth in the country. This has been mainly observable in the area of environment, where Luxembourg has

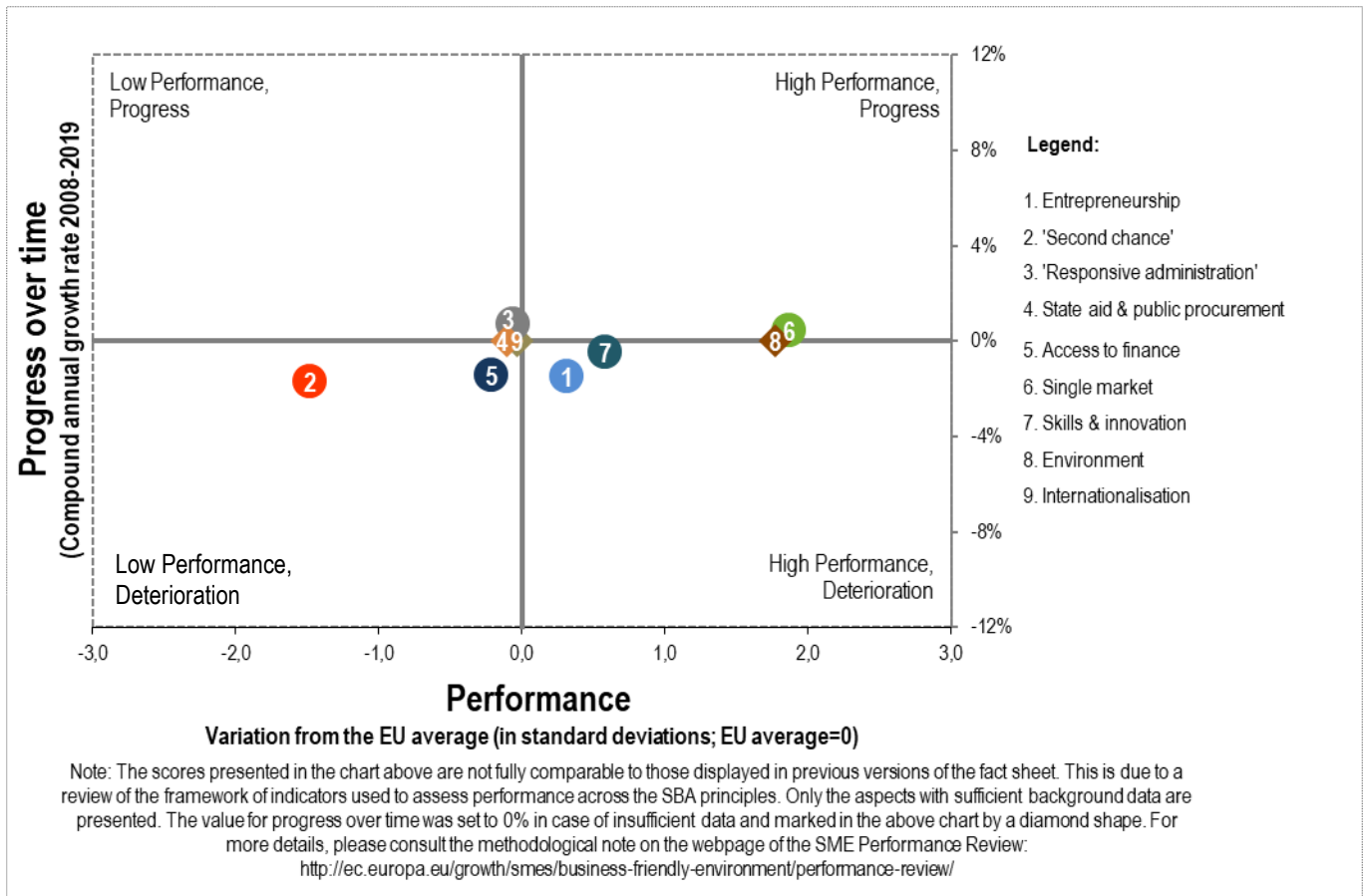
made significant efforts, showing a substantial upward trend since 2008. The government has also put emphasis on the SBA principles 'Think Small First', 'responsive administration', single market and internationalisation, where the country's performance has improved since 2008. However, a downward trend since 2008 is noticeable for the SBA principles entrepreneurship, 'second chance', State aid & public procurement, access to finance and skills & innovation.

In 2018 and the first quarter of 2019, which was the reference period for the policy measures in this year's fact sheet, Luxembourg announced or implemented 25 new policy measures addressing 9 of the 10 SBA principles, 'Think Small First' being the only principle with no new additional measure.

During the reference period, Luxembourg has paid significant attention to the access to finance principle. Numerous aid schemes supporting this have been introduced, mainly through the fourth SME action plan introduced in the country in October 2018. Significant programmes have also been implemented to support the modernisation and digitalisation of SMEs in Luxembourg, bringing the skills & innovation principle to the forefront.

While Luxembourg is performing well overall, the country's performance on one SBA principle continues to lag considerably, scoring significantly below the EU average. This is 'second chance', and during the reference period no significant measures were implemented to ensure that honest entrepreneurs who have faced bankruptcy can quickly get a second chance.

## SBA performance of Luxembourg: state of play and development from 2008 to 2019<sup>15</sup>



### 3. SBA principles<sup>16</sup>

#### 3.0 'Think Small First'

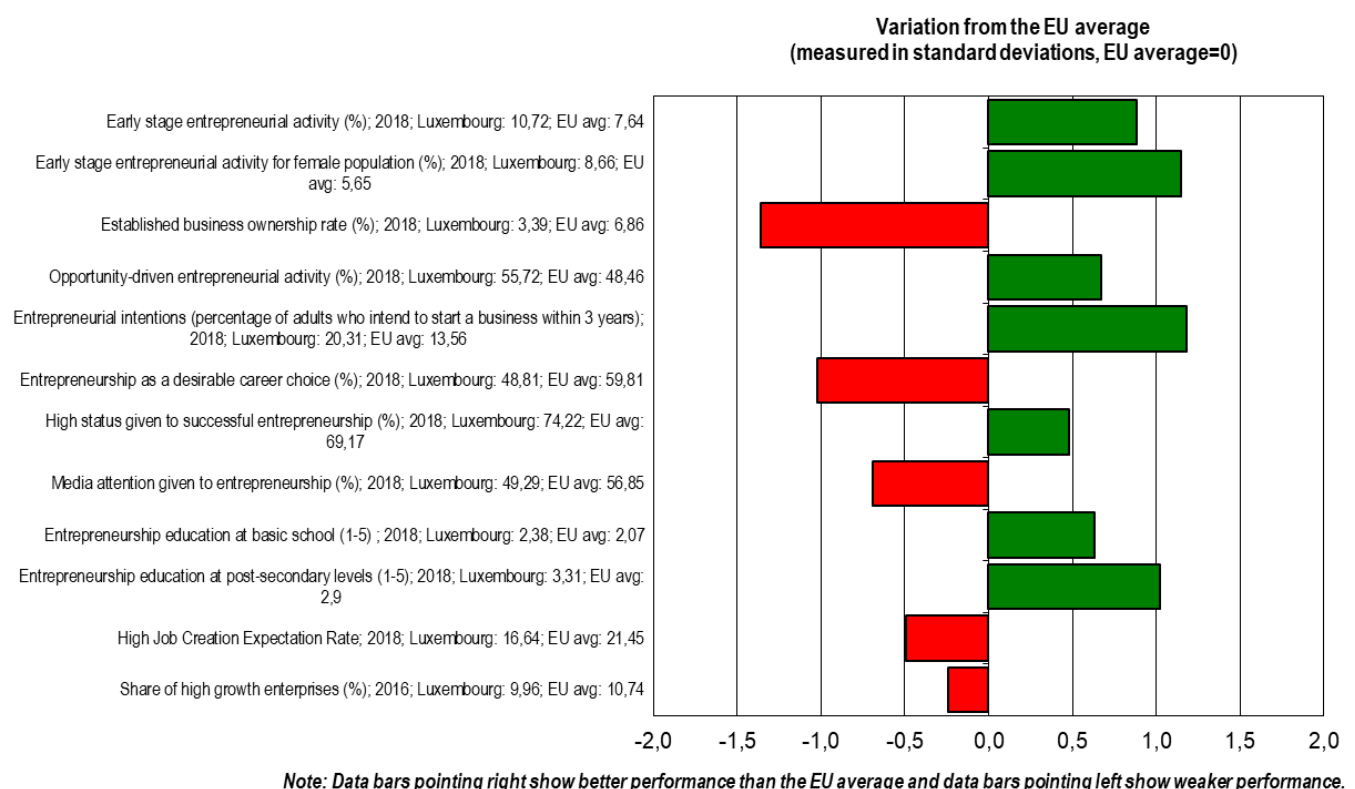
The 'Think Small First' principle is meant to be a guiding principle for all policy-and law-making activities. It requires policymakers to take SME interests into account at the early stages of the policy-making process. The principle also calls for newly designed legislation, administrative rules and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

Since 2008, Luxembourg has improved its performance in this SBA area. Through the integration of the 'Think Small First' principle into both legislative and administrative procedures, the country succeeded in reducing numerous burdens for SMEs. Examples such as the SME Test and the regulatory impact assessment are the main measures implemented to facilitate procedures for entrepreneurs. The government also attaches great importance to consulting SMEs about new legislative or administrative procedures. The SME envoy in Luxembourg is active and engaged, according to the majority of SME stakeholders.

There is still room for improvement, however. In 2018, numerous new measures were implemented in Luxembourg, such as two new public holidays and the extension of paternity leave from 2 to 10 days. These new measures focus on protecting employees rather than flexibility for the employer, and could be hard to implement for SMEs who have few employees. The country still also lacks 'common commencement dates' for all new laws, amendments and procedures that impact SMEs. In addition, results of impact assessments do not necessarily lead to reviews of existing legislation.

During the reference period, no significant measures were adopted to implement the 'Think Small First' principle. The fifth SME action plan, announced in the beginning of 2019, will complete the fourth action plan adopted in October 2018. An increased degree of consultation of SMEs is expected and desired ahead of this new SME action plan.

#### 3.1 Entrepreneurship



Luxembourg is in line with the EU average on the entrepreneurship principle. However, entrepreneurship remains one of the weakest areas for Luxembourg, and has been on a downward trend since 2008. While entrepreneurial intentions increased from 11% in 2017 to 20.3% in 2018, and the score for high status given to successful entrepreneurship increased from 70% to 74.2% over the same period, the established business ownership rate remains at a low level, with 3.5% in 2018 one of the lowest scores in the EU. Only 49% of the population indicate entrepreneurship as a desirable career choice, the second lowest score among EU Member States. However, the overall performance of the country has improved for this SBA area since last year's SBA Fact Sheet.

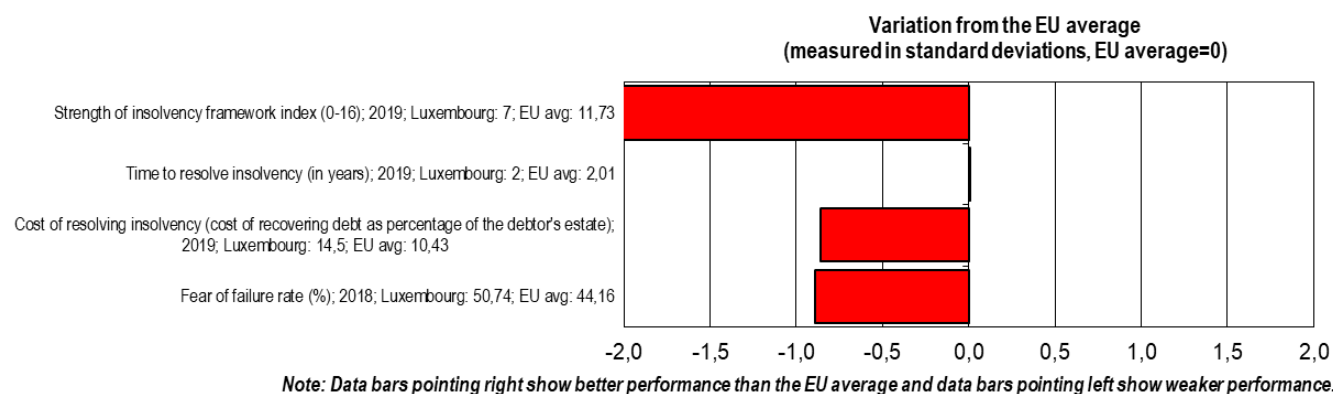
The Luxembourg government is particularly active in this SBA area and numerous policy measures have been put in place in recent years to develop and strengthen an entrepreneurial culture in the country. Since 2008, the government has developed programmes to help women, jobseekers and young people establish their own businesses. Entrepreneurial schools were created in Luxembourg in 2018 and entrepreneurship education has been introduced at all levels of the nation's schools. In addition, the association of young entrepreneurs (*Jonk Entrepreneuren Luxembourg Asbl*) is involved in educational programmes for primary, secondary and tertiary

levels to raise young people's awareness of entrepreneurship. The association recently achieved a new record, with 11,500 young participants in the start-up environment<sup>17</sup>.

The entrepreneurial spirit advocated in the country goes together with the highly favourable environment for the creation of start-ups. Numerous programmes and initiatives stimulating the creation of new companies and offering guidance and training to start-ups and scale-ups have been launched in recent years. These include NYUOKO, the House of Biohealth, 'Gzéro1', the Luxembourg House of Financial Technology and the more recent opening of the Luxembourg City Incubator and of the House of Start-ups. The University of Luxembourg has also launched its Accelerator programme, providing training and infrastructure to young companies in their early stages. A mentoring scheme is also part of the programme to help and advise founders.

During the reference period, one new measure was implemented in Luxembourg to facilitate company transfers and promote entrepreneurship. The House of Entrepreneurship launched the *Businesstransfer.lu* website, a platform which matches individuals and businesses willing to buy or sell a company. It provides support to help SMEs in the process of restarting or closing down a company.

## 3.2 'Second chance'



'Second chance' refers to ensuring that honest entrepreneurs who have gone bankrupt get a second chance quickly. Luxembourg continues to perform below the EU average in this SBA principle, and is in fact one of the three worst performers of the EU Member States. As in previous years, 'second chance' remains one of the weakest areas for Luxembourg. Moreover, while some support is provided to allow for a second chance, the fear of failure rate in Luxembourg is one of the highest in the EU. Since 2008, the overall score for this area is falling, indicating a need for the country to address this area as a top priority.

Since the SBA was introduced in 2008, few improvements have been made in Luxembourg to provide a real second chance to companies. The draft legislation to curb bankruptcy growth and enable honest entrepreneurs to have a second chance, already presented in the two previous fact sheets, has been in the

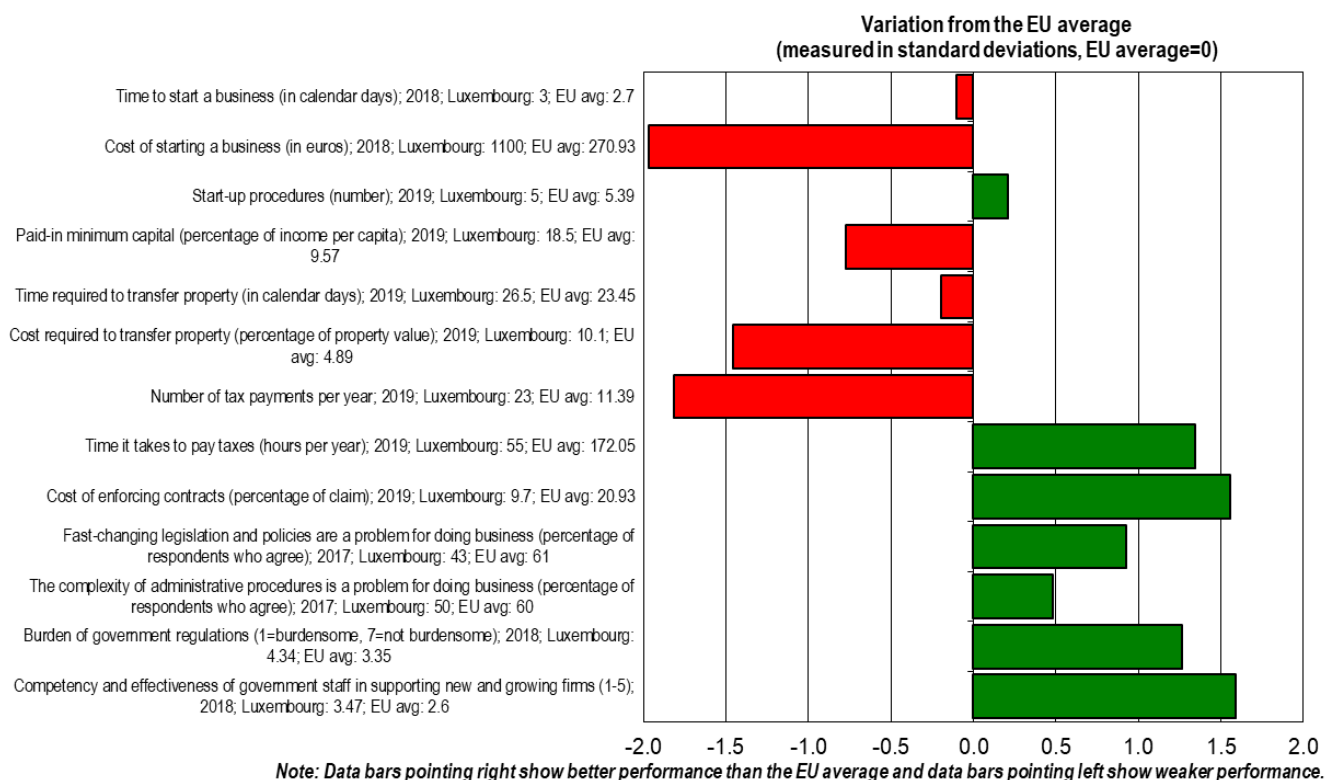
pipeline for 2 years now. The law should also introduce preventive measures and enable the identification of companies in difficulties earlier in the process.

During the reference period, a reform of the right of establishment was introduced in the country. The new law aims to reduce the administrative burden on entrepreneurs, and also empowers the Ministry of Economy to assess the honesty of an entrepreneur, in the process of allowing – or not – the entrepreneur to establish a new business.

One of the main priorities of the fifth action plan for SMEs, announced in February 2019, will be the need to provide honest entrepreneurs with a second chance. Although Luxembourg is taking steps in the direction of promoting second chance, there is still significant room for improvement in this area.



### 3.3 'Responsive administration'



'Responsive administration' refers to public administration being responsive to the needs of SMEs. Luxembourg is in line with the EU average for this SBA principle. Since 2008, the country has made limited progress in this area. The problems in this domain are limited to a small number of procedures: Luxembourg is the third worst performer in the number of tax payments per year, for instance. However, efforts have been made recently to mitigate the problems in some of those areas. For instance, the available statistics still have Luxembourg as the second worst performer among all EU Member States on the cost of starting a business. With the passing of the SARL-S (simplified limited liability company) law in 2017 this is expected to improve<sup>18</sup>. One aspect of this law was to reduce the cost of starting a business, among others things reducing the minimum capital requirement to €1. In other aspects, Luxembourg's performance is well ahead of the rest of the EU.

Luxembourg is the best performer in the cost of enforcing contracts (9.7%) as well as in the competency and effectiveness of government staff supporting new and growing firms. Luxembourg is also the second best performer in the time it takes to pay taxes (55 hours per year). The country has also made significant progress in the competency and effectiveness of government staff in supporting new and growing firms, increasing from 2.13 in 2017 to 3.5 in 2018 (on a scale from 1 to 5).

Luxembourg has made substantial improvements in this SBA area since 2008. It continually works to reduce the administrative burden for SMEs and to support them from the early stages of creation to more advanced stages. Initiatives implemented in previous years, such as the law on 'social impact companies', are still widely used, and platforms such as the House of entrepreneurship are continuously growing, supporting an increasing number of entrepreneurs.

Over the current reference period, Luxembourg implemented two significant measures.

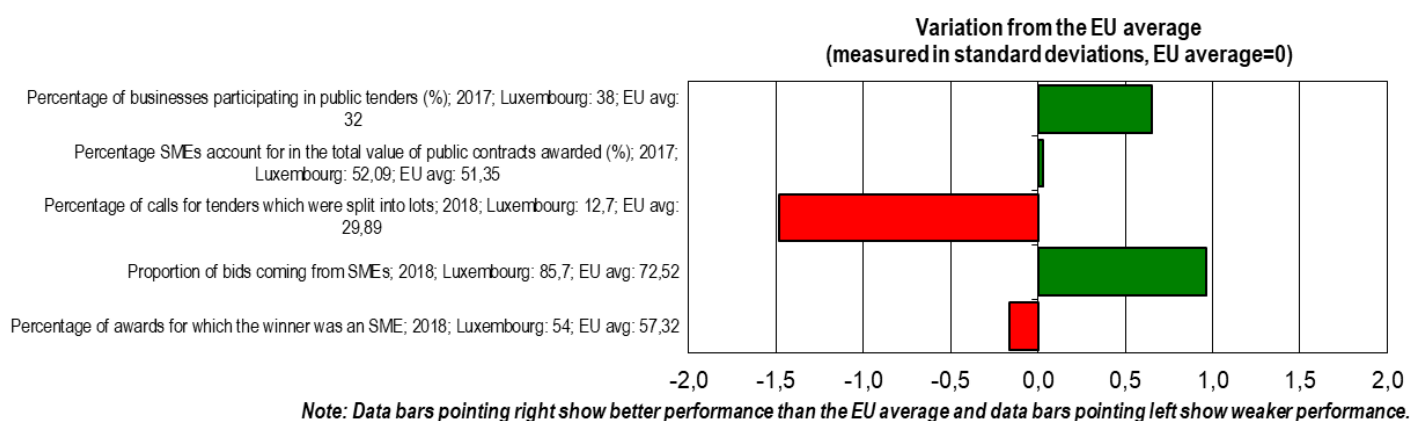
- In September 2018, the Minister of Economy, along with the Chamber of Commerce and the Luxembourg Trade Confederation, launched the 'cadastre of commerce'. This initiative aims to provide a complete overview of the commercial landscape in Luxembourg. This new database, which will be kept up to date, is expected to help identify new trends and allow informed business and policy decisions.
- The 'law on financial beneficiaries' implements a European directive. The measure, enforced in January 2019, helps fight money laundering and terrorism



financing by identifying the ultimate beneficiary of a

transaction.

### 3.4 State aid & public procurement



Important methodological changes have been introduced for this principle in this year's fact sheet. Three new indicators from the Tenders Electronic Daily (TED) database have been added and refer to procurement above EU thresholds:

- percentage of awards for which the winner was an SME;
- proportion of bids by SMEs;
- percentage of calls for tender which were split into lots.

In addition, the indicator on e-procurement has been removed. Therefore, the overall performance in this area cannot be compared to last year's

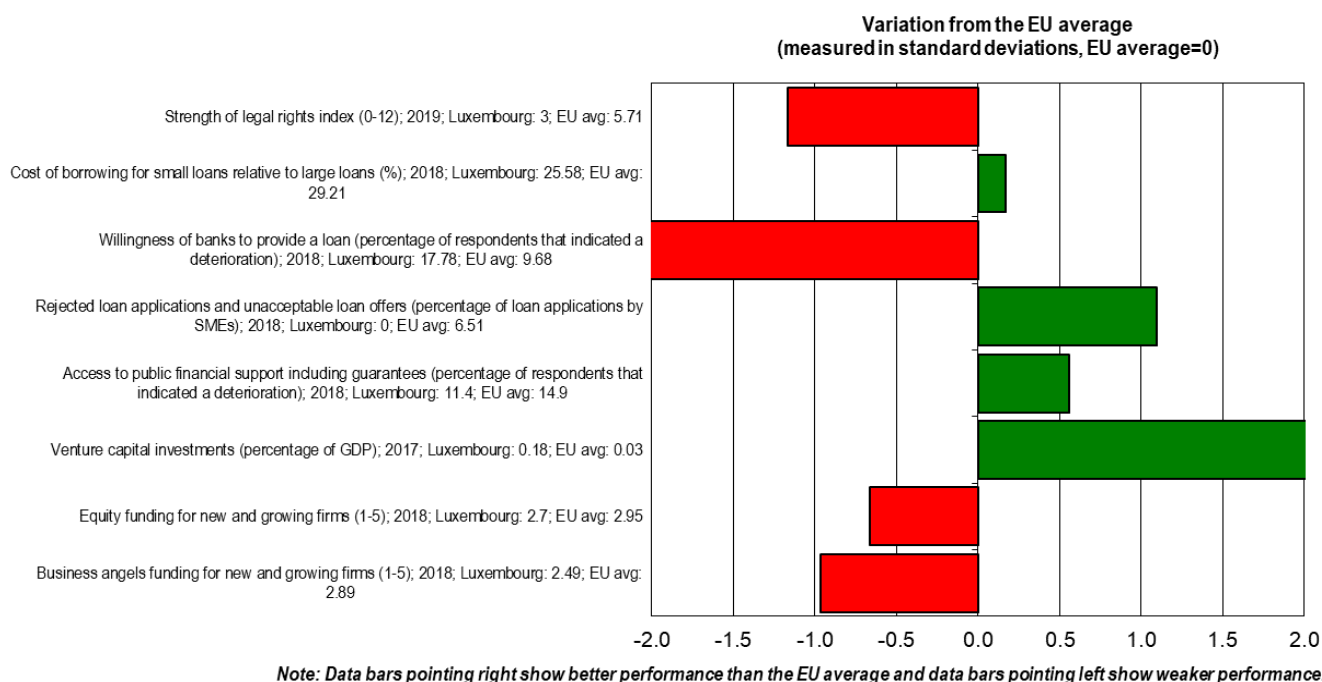
Luxembourg is in line with the EU average for this SBA principle. Three new indicators have been added to this year's fact sheet for the State aid & public procurement principle: the percentage of awards for which the winner was an SME, the proportion of bids coming from SMEs and the percentage of calls for tenders which were split into lots. Luxembourg performs significantly below the EU average in the proportion of calls for tenders which

were split into lots, the country being the sixth worst performer in the EU in 2018. In addition, even if the proportion of bids coming from SMEs is significantly higher in Luxembourg than the EU average, the percentage of the total value of public contracts awarded to SMEs fell markedly to 52.1% from last year's 57%. Finally, Luxembourg is in line with the EU average in the share of awards where the winner was an SME (54% against the EU average of 58%).

Luxembourg has made considerable efforts in this area since the SBA was introduced in 2008. The government e-portal allows SMEs to easily access to State aid & public procurement. SMEs also benefit from protective measures regarding late payments.

During the reference period, Luxembourg's national innovation agency Luxinnovation introduced the 'Fit4Horizon2020' programme. This is an initiative aiming to support companies applying for a grant from Horizon 2020, the biggest EU research and innovation programme. The support has two main types: financial support and assistance from a consultant in drafting the application. Companies are also offered an assessment of the project proposal by a national expert before final submission.

## 3.5 Access to finance



Luxembourg continues to perform in line with the EU average in access to finance, despite a slight decline since 2008. It significantly improved its scores (i) for venture capital investments as a percentage of GDP, becoming the top performer in the EU, (ii) for the cost of borrowing for small loans, and (iii) in rejected loan application for SMEs. Nevertheless, the country is the third weakest performer in the willingness of banks to provide loans. This low score is particularly noticeable because it has worsened in recent years, with the 2017 figure of 12.4% of respondents indicating a deterioration in the willingness of banks to provide loans rising to 17.8% in 2018.

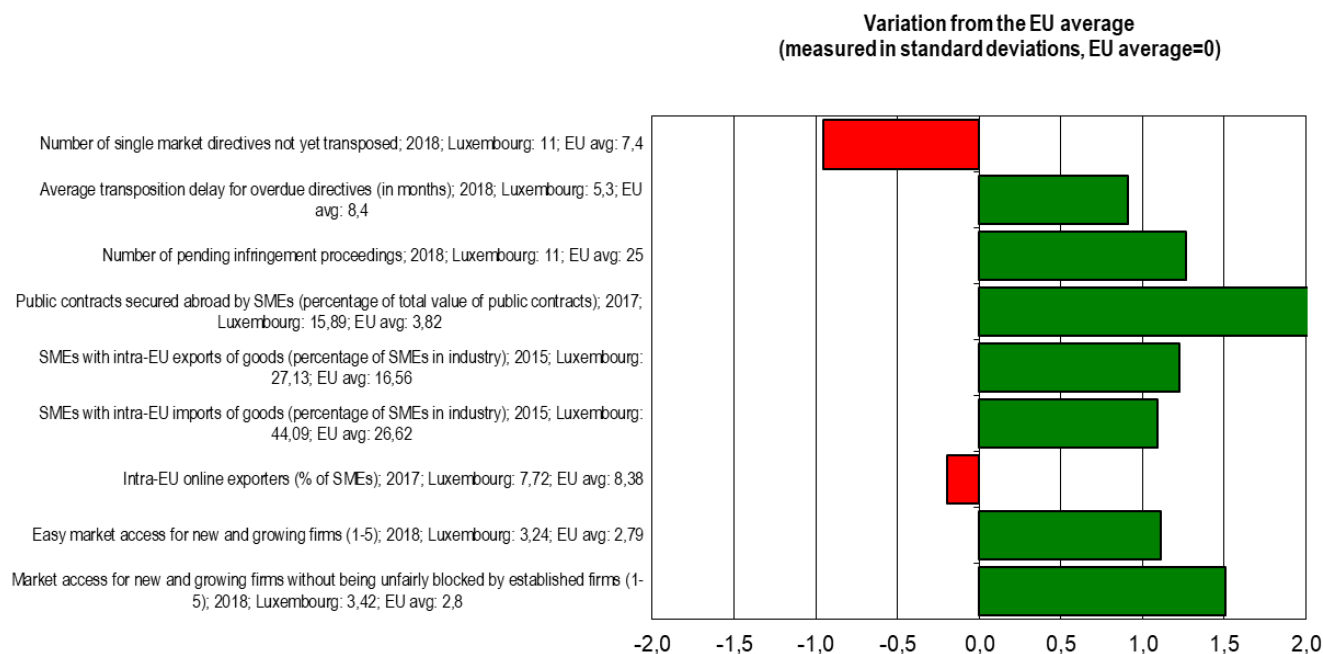
A large number of policies have been put in place in recent years in this SBA area. Luxembourg is focusing its efforts on the creation of various ways for SMEs to access finance. Venture capital funds and business angel funds have been introduced since 2008, and are gaining more and more importance in the country. For instance, the Luxembourg Business Angel Network invested €5.5 million in 2018, up from €3.5 million the year before<sup>19</sup>. Other funds specifically dedicated to people starting a business have also been set up, contributing to the favourable financial environment for entrepreneurs. SMEs can also access loans with guarantees provided by other companies. Financial aid schemes have also been provided by the government since 2017 for innovation, research and development. This initiative implements specific programmes targeting SME needs in research, development and innovation.

During the reference period, three significant measures were introduced in the country to boost access to finance. These new advances also reflect the national strategy to promote the

development of an entrepreneurial spirit in the country, and the considerable support provided for SME development. The measures target businesses in their early stages, and growing SMEs needing investment support.

- Five measures have been introduced as part of the 4th SME action plan, adopted in October 2018. These measures include aid to young businesses (to support them in their growth phase), an aid scheme to remedy the damage caused by natural disasters, aid for risk financing and two types of financial aid for SMEs with investment projects.
- The Innovfin programme is implemented through state savings banks which have secured guarantees for loans worth €40 million. The banks BCEE and Spuerkeess announced in October 2018 that they were joining the programme. The measure provides guarantees and counterguarantees on debt financing in order to improve access to loan financing for innovative SMEs.
- In January 2019, the Luxembourg government adopted tax relief of 1% for SMEs to help them cope with the increase in the minimum wage. According to the feedback from SME stakeholders, however, this measure will have a limited impact for SMEs as they often have restricted benefits.

## 3.6 Single market



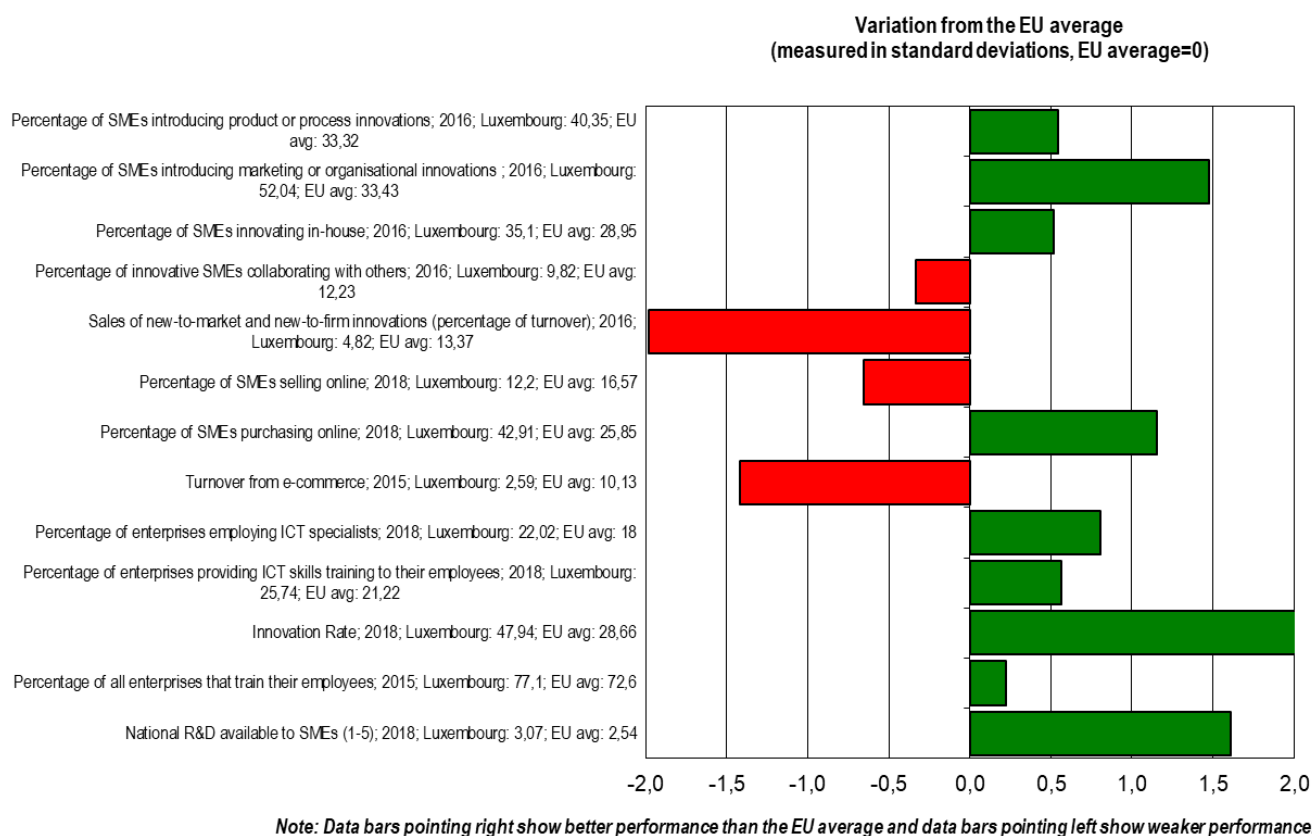
**Note:** Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

Luxembourg continues to perform well above the EU average in single market, being the second-placed performer in the EU, and the country's performance has held steady in this area since 2008. However, there were noteworthy developments in specific areas. The average transposition delay for overdue directives was significantly reduced from 11.3 months in 2017 to 5.3 months in 2018. Luxembourg performs better than the EU average in most indicators, particularly in the number of public contracts secured abroad by SMEs, where Luxembourg ranks second best. It is also a top performer (second in the EU) in market access for new and growing firms without unfair blockages, and the proportion of intra –EU importing SMEs. In addition, the country is the third top performer in the EU in easy market access for new and growing firms. Overall, there have been some significant improvements in this SBA area for Luxembourg. However, there is still room for improvement in the number of single market directives not yet transposed and in intra-EU online exports for SMEs.

Luxembourg's performance on single market has been steady since 2008. The government has introduced several measures over the years and has adopted the required EU laws. Initiatives target SMEs and their positioning in the single market and help entrepreneurs to register their innovations through patents or trademarks. The Enterprise Europe Network contact point in Luxembourg also helps SMEs to innovate and to grow on a more international scale.

During the reference period, Luxembourg has introduced one measure under this SBA principle. As part of the fourth SME action plan adopted in October 2018, the Luxembourg Ministry of the Economy launched an aid scheme offering SMEs the possibility to register for financial aid for first-time participation in a national trade fair. The initiative has the objective of encouraging SMEs to take part in national trade fairs, allowing them to cover the costs of renting, setting up and managing their stand.

## 3.7 Skills & innovation



Luxembourg is above the EU average for this SBA principle, although there has been no significant improvement in most indicators since 2008. Luxembourg is the top EU performer in rate of innovation (a new indicator introduced in this year's fact sheet; 47.9% in 2018 against the EU average of 28.7%) and in the proportion of SMEs introducing marketing or organisational innovations (52% in Luxembourg against the EU average of 34.9%). In addition, the country is the second best performer in national R&D available to SMEs. Breaking a longer-running trend, substantial progress was made in 2017-2018 in the percentage of SMEs selling online (from 7.8% to 12.2%, although this indicator is still below the EU average) and purchasing online (from 35.3% to 42.9%). Similarly, the percentage of SMEs introducing product or process innovations increased from 37% in 2014 to 40.4% in 2016. However, the turnover from e-commerce remains low in the country, with Luxembourg the second worst performer in the EU (2.6% in Luxembourg compared to 10.1% in the EU). Finally, the country's performance is critically low in sales of new-to-market and new-to-firm innovations, as the second weakest in the EU in 2016 (4.8% of turnover in Luxembourg against the EU average of 13.4%). Overall, the generally positive performance leaves room

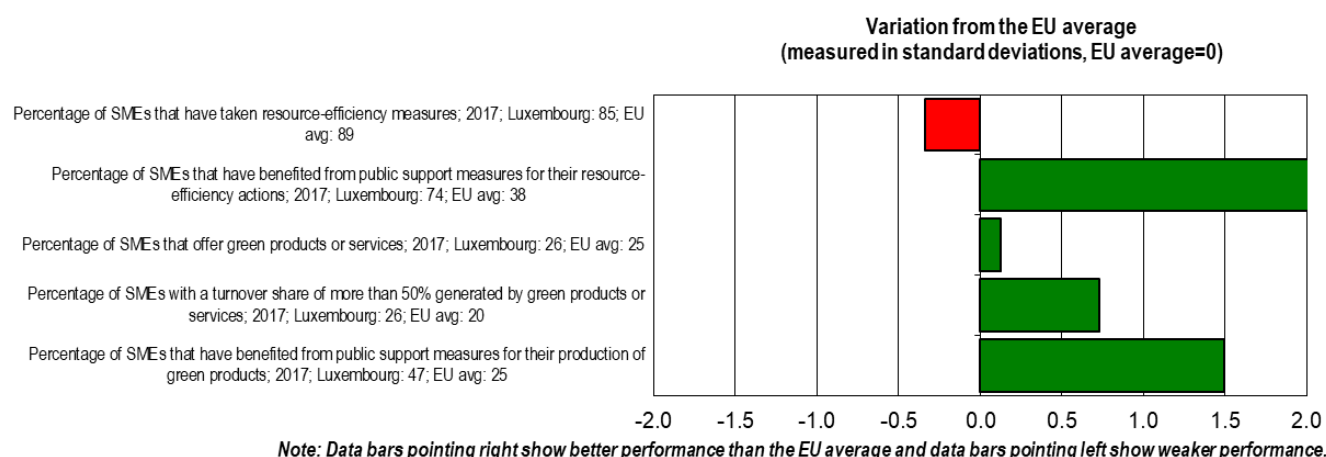
for further improvement in the digitalisation of SMEs and their innovative capacities.

Luxembourg has been performing well in this area from a policy perspective, having introduced a large range of measures since 2008. The country actively supports the development of skills and innovation through the launch of programmes implemented by Luxinnovation (Fit4Digital, Fit4Innovation, Fit4Start, Fit4Growth, Fit4Circularity, Fit4Horizon2020). These endeavours are the fruit of the country's national strategy to create a general entrepreneurial spirit and a favourable environment for start-ups, growth and scale-ups. A handbook assembling all the aid schemes supporting research, development and innovation has also been developed for SMEs, to help them to navigate between the different initiatives and better identify which one is the best suited to their needs. Overall, Luxembourg is making great policy efforts in this area. The second key focus area of the fifth SME action plan announced in February 2019 will be the digitalisation of SMEs, reflecting the deep investment of the country in this SBA area.

During the reference period, six significant measures were implemented in this SBA area.

- Go Digital, launched in January 2018 by the Chamber of Commerce, is a programme to support the digital transformation of start-ups and SMEs. The initiative aims to raise companies' awareness of their digitalisation needs, and to inform and advise entrepreneurs about the digital possibilities that exist for their SMEs specifically.
- The competence centre '*Digitalt Handwerk*', launched in January 2018 by the Craftsman's Federation, created a methodological and conceptual framework to facilitate, accelerate and accompany the implementation of craft enterprises' digital transition. Specialised consultants provide advice to companies on how to digitalise their processes. Twenty companies are currently participating in the programme.
- *E-Job (E-Handwerk)* has been promoting the digitalisation of handicrafts since January 2018. The programme raises companies' awareness of the challenges of digitalisation and allows them to meet specialists. It also encourages them to be proactive and supports them in their digital transformation journey.
- The 'One-Stop Shop to prevent', created by the House of Entrepreneurship in January 2018, offers support to enterprises in difficulty (not in bankruptcy) to identify potential areas of improvement and to help business managers from both a preventive and a remedial standpoint. The support is provided through training courses and personalised advice provided by experts.
- Letzshop.lu, launched by the Ministry of Economy in September 2018, is a website which is a retail window for Luxembourg retailers, and represents access to digitalisation. The LetzShop website has been up and running since September 2018, enabling customers to buy items sold in Luxembourg shops online.
- Aid for consultancy services, part of the SME action plan adopted in October 2018. The Ministry of Economy and the Ministry of Finance can grant financial aid to SMEs for consultancy services provided by external consultants for one-off projects.

## 3.8 Environment



Luxembourg continues to perform above the EU average in this SBA principle, ranking as the second best performer among all EU Member States. However, although 74% of SMEs have benefited from public support measures for their resource-efficiency actions, the percentage of SMEs that has taken such measures in Luxembourg is in line with the EU average, showing that there is still room for improvement. In addition, the percentage of SMEs that offer green products or services has dropped in recent years, from 48% in 2015 to 26% in 2017. On

a positive note, three of the five indicators continue to exceed the EU average.

Luxembourg is making significant policy improvements in this SBA principle. Since 2008, it has introduced significant measures emphasising the importance of Luxembourg's sustaining and increasing eco-efficient and sustainable businesses. An example is the introduction in June 2018 of the Wood Cluster, which aims to bring together the private and public players in the wood industry. The initiative focuses on recovering wood, a sustainable

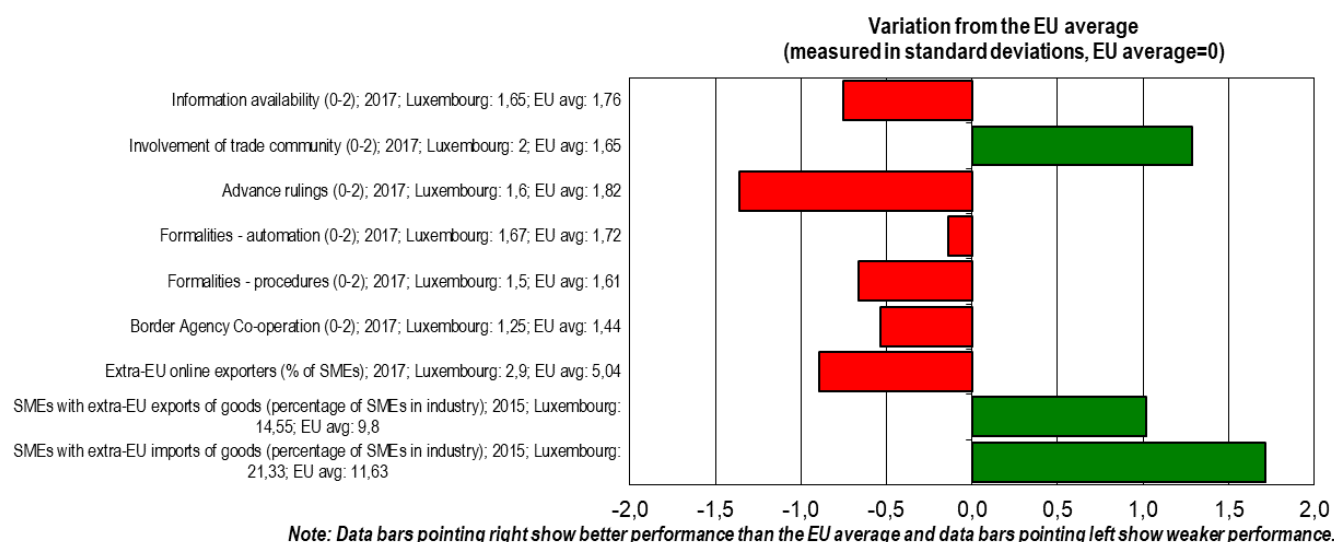
material, and is part of Luxembourg's strategy to prepare the national market for the 'Third Industrial Revolution' (launched in 2016).

The new environmental protection law adopted in 2018 also emphasises the importance of this area for the country. No incentives for SMEs are yet in place in Luxembourg, however, to encourage them to get certified by the EU eco-management and audit scheme (EMAS). Numerous SMEs have already been monitored by the energy agency, however, making the need for EMAS certification less pressing

Considerable progress has been made in this area, and the 'Third industrial Revolution' long-term strategy, which supports sustainable and interrelated economies, is a high priority for the government

During the current reference period, Luxinnovation implemented 'Fit4Circularity'. The programme has been designed to facilitate and accelerate the transition of companies to the circular economy.

### 3.9 Internationalisation



Luxembourg continues to perform in line with the EU average. Progress has been achieved since 2015, as reflected by the sizeable proportion of SMEs importing and exporting goods outside the EU. The high involvement of the trade community (scoring 2 on a scale 0-2) enabled a score of 21.3% of SMEs importing goods, against 19.3% in 2013. Indeed, Luxembourg is the second best performer in the EU in extra-EU imports of goods by SMEs. More information has been made available to SMEs (improving from 1 in 2015 to 1.6 in 2017). In spite of all the improvements, more needs to be done, especially in advance rulings, in extra-EU online exports and in procedural formalities.

Luxembourg has been very active in this SBA area since 2008. Two of the main initiatives supporting SME internationalisation, implemented since the introduction of the SBA, are the Luxembourg Export Credit Agency and the Europe Enterprise Network (created in 2008). The Luxembourg Export Credit Agency proposes financial incentives for SMEs to enable them to promote services and products abroad, and acts as export credit assurance. The Europe Enterprise Network fosters SME internationalisation. Luxembourg has also set up 'Investcare Luxembourg', a service developed for companies interested in establishing themselves in Luxembourg. The initiative aims to convince entrepreneurs that Luxembourg offers numerous

opportunities and to help them resolve issues related to relocation abroad.

Luxembourg also works continuously to improve the image of national SMEs and increase their visibility abroad. The 'Luxembourg nation branding strategy' (introduced in 2017), and the economic missions assisted and organised by the Chamber of Commerce, are examples of initiatives supporting that goal. Luxembourg SMEs are often small, which might be an additional difficulty for them when they wish to develop an international presence. The Chamber of Commerce therefore sets up workshops for SMEs to raise awareness about internationalisation opportunities and to help them expand to relevant markets. Recently, while all markets are being considered as potential markets by the Chamber of Commerce, one specific focus has been sub-Saharan Africa, a region with a largely untapped potential for Luxembourg SMEs.

During the reference period, one measure was implemented to support the internationalisation of Luxembourg SMEs. Part of the fourth SME action plan adopted in October 2018, it consists of financial aid to support SMEs in the costs incurred when they take part in cooperation projects on a European scale.



## 4. Interesting initiative

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

### Fourth SME Action Plan

In October 2018, the Luxembourg government adopted the fourth action plan for SMEs. All the aid measures adopted are based on the law of 9 August 2018 on aid schemes for SMEs. Representing a total financial aid of €89 million dedicated to SMEs, the programme supports SME development and investment. The initiative adapted existing measures but also implemented new ones.

The following existing measures were revised and included in the fourth action plan for SMEs:

- aid for first-time participation in a trade fair;
- investment aid (including financial aid for investment projects and financial aid for miscellaneous investments, including investments in tangible assets such as modernisation of equipment/machinery);
- aid for consultancy services for SMEs.

The following measures have just been introduced through the action plan:

- aid for young businesses;
- aid schemes to remedy damage caused by natural disasters;
- aid to finance risks;
- cooperation cost aid.

References:

<https://guichet.public.lu/en/entreprises/financement-aides/regime-pme.html>

<http://luxembourg.public.lu/en/actualites/2018/07/05-PME/index.html>

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

Small Business Act:

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

Entrepreneurship and SMEs:

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

## Endnotes

<sup>1</sup> The two graphs below present the trend over time for the variables. They consist of index values for the years since 2008, with the base year 2008 set at a value of 100. As from 2017, the graphs show estimates of the development over time, produced by DIW Econ on the basis of 2008-2016 figures from Eurostat's Structural Business Statistics Database. The data cover the 'non-financial business economy', which includes industry, construction, trade and services (NACE Rev. 2 sections B to J, L, M and N). They do not cover enterprises in agriculture, forestry and fisheries or largely non-market service sectors such as education and health. A detailed methodology can be consulted at: <http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/>

<sup>2</sup> <https://luxtimes.lu/archives/6971-a-pact-to-boost-luxembourg-s-retail-sector>, last accessed: 28.5.2019.

<sup>3</sup> Benelux Retail 2025, available at: <http://www.benelux.int/nl/publicaties/publicaties-overzicht/benelux-detailhandel-2025>, last accessed 28.5.2019.

<sup>4</sup> Statec, Population by sex and nationality on 1st January (x 1 000) 1981, 1991, 2001 – 2019, available at: [https://statistiques.public.lu/stat/TableViewer/tableView.aspx?ReportId=12853&IF\\_Language=eng&MainTheme=2&FldrName=1](https://statistiques.public.lu/stat/TableViewer/tableView.aspx?ReportId=12853&IF_Language=eng&MainTheme=2&FldrName=1), last accessed 28.05.2019.

<sup>5</sup> Statec, Acquisition prices for apartments 2007-2018, available at: [www.statistiques.public.lu/stat/TableViewer/document.aspx?ReportId=13440&IF\\_Language=eng&MainTheme=4&FldrName=4](http://www.statistiques.public.lu/stat/TableViewer/document.aspx?ReportId=13440&IF_Language=eng&MainTheme=4&FldrName=4), last accessed 28.05.2019.

<sup>6</sup> <https://chronicle.lu/category/at-home/eur379m-invested-in-housing-pact>, last accessed 28.5.2019.

<sup>7</sup> <http://delano.lu/d/detail/news/eu214-million-lux-tram-extension/158901>; last accessed 28.05.2019.

<sup>8</sup> Luxembourg Portal for Innovation and Research operated by Luxinnovation (National Agency for Innovation and Research) on behalf of the Ministry of the Economy; available at: <http://www.innovation.public.lu/en/cooperer/trouver-partenaires/entreprises/n/neobuild-s-a/index.html>, last accessed 28.5.2019.

<sup>9</sup> Statec, Répertoire des Entreprises Luxembourgeoises, available at: <https://statistiques.public.lu/fr/publications/series/repertoire-entreprises/2018/repertoire-2018/index.html>, last accessed 27.5.2019.

<sup>10</sup> Creditreform, Bankruptcies 2018, available at: [https://www.creditreform.lu/fileadmin/user\\_upload/CR-International/local\\_documents/lu/Konkurse/Konkurse\\_2018/2018\\_Bankruptcies\\_31.12.2018.pdf](https://www.creditreform.lu/fileadmin/user_upload/CR-International/local_documents/lu/Konkurse/Konkurse_2018/2018_Bankruptcies_31.12.2018.pdf), last accessed 27.5.2019.

<sup>11</sup> [www.europeanstartupmonitor2019.eu](http://www.europeanstartupmonitor2019.eu)

<sup>12</sup> Due to data availability, the data on high-growth firms refers to the 'business economy' only, which covers sections B-N including section K (financial activities, except activities of holding companies). The 'non-financial business economy' excludes section K.

<sup>13</sup> In line with Commission implementing regulation (EU) No 439/2014, high-growth enterprises are defined as firms with at least 10 employees in the beginning of their growth and average annualised growth in number of employees greater than 10% per annum, over a 3-year period. The share of high-growth enterprises is the number of high-growth enterprises divided by the number of active enterprises with at least 10 employees. Source of the data on high-growth enterprises is Eurostat ([http://ec.europa.eu/eurostat/web/products-datasets/-/bd\\_9pm\\_r2](http://ec.europa.eu/eurostat/web/products-datasets/-/bd_9pm_r2), last accessed 15.4.2019).

<sup>14</sup> The 2019 SBA fact sheets benefited substantially from input from the European Commission's Joint Research Centre (JRC) in Ispra, Italy. The JRC made major improvements to the methodological approach, statistical work on the dataset and the visual presentation of the data.

<sup>15</sup> The quadrant chart combines two sets of information. Firstly, it shows current performance based on data for the latest available years. This information is plotted along the X-axis measured in standard deviations of the simple, non-weighted arithmetical average for the EU. Secondly, it shows progress over time, i.e. the average annual growth rates from 2008 to 2019. 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 2019. All SBA principles, with the exception of the 'think small first' principle for which there is not enough statistical data available, are calculated as composite indicators following the OECD/JRC Handbook guide. A detailed methodology can be consulted at: <http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/>

<sup>16</sup> The policy measures presented in this SBA fact sheet are only a selection of the measures the government took in 2018 and the first quarter of 2019. The national SME policy expert that PwC (DG GROW's lead contractor for the 2019 SBA fact sheets) contracted made the selection. The experts were asked to select only the measures they considered the most important, i.e. the ones expected to have the highest impact in the SBA area in question. The complete range of measures the experts compiled in producing this year's fact sheets will be published alongside the fact sheets in the form of a policy database on the DG GROW website.

<sup>17</sup> Jonk Entrepreneuren, 'Réception annuelle : une année réussie pour notre ABSL !', <https://jonk-entrepreneuren.lu/2019/03/reception-annuelle-une-annee-reussie-pour-notre-asbl/>, last accessed 23.5.2019

<sup>18</sup> The new law seems to have been very successful, since more than 1,000 firms have opted for this new firm type since 2017.

<sup>19</sup> Chronicle.lu, €5.5 million Invested by Luxembourg Business Angels in 2018, <https://chronicle.lu/category/business-networking/28448-eur5-5m-invested-by-luxembourg-business-angels-in-2018>, last accessed 5.6.2019