Key points

Past & future SME performance:

SMEs play an important role in Denmark, accounting for 60.8% of value added and 64.1% of employment. In 2014–2018, the overall value added of SMEs and large firms increased by a similar rate (around 18%). SME growth rates in this period varied widely, from 3.6% in microenterprises, to 14.4% in small companies, and 37.3% in medium-sized businesses. Most recently, in 2017–2018, SME value added rose by 4.0%, and SME employment rose by 2.0%. In 2018–2020, SME value added is projected to grow by 10.6%, driven by medium-sized firms, where growth is likely to increase by 17.5%. SME employment is expected to rise by 5.1% in 2018–2020.

Implementing the Small Business Act for Europe (SBA):

In 2019, Denmark consolidated its very strong SBA profile. Denmark performs above the EU average in six SBA principles, with particularly good scores in ‘responsive administration’ and internationalisation. In internationalisation and in access to finance, Denmark is among the top three performers in the EU, although the relative cost of small loans (up to €1 million) compared to the cost of large loans is high. The country is in line with the EU average in entrepreneurship and environment, and slightly below the EU average for State aid & public procurement.

SME policy priorities:

Promoting entrepreneurship is a key priority for Denmark. The country has taken a variety of policy measures to promote entrepreneurship since 2008, such as making intergenerational business transfers easier or making self-employment an attractive career choice. Efforts to encourage private investment and to build a culture of stock ownership should continue. Although research and innovation activities benefit from high levels of investment, they remain concentrated in a few key players. Denmark should promote the uptake of innovation to make it geographically and sectorally widespread.

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 Share</td>
<td>Denmark</td>
</tr>
<tr>
<td>Micro</td>
<td>200,849</td>
<td>88.2% 93.0%</td>
<td>337,192</td>
</tr>
<tr>
<td>Small</td>
<td>21,977</td>
<td>9.6% 5.9%</td>
<td>416,928</td>
</tr>
<tr>
<td>Medium-sized</td>
<td>4,276</td>
<td>1.9% 0.9%</td>
<td>395,665</td>
</tr>
<tr>
<td>SMEs</td>
<td>227,102</td>
<td>99.7% 99.8%</td>
<td>1,149,785</td>
</tr>
<tr>
<td>Large</td>
<td>727</td>
<td>0.3% 0.2%</td>
<td>643,673</td>
</tr>
<tr>
<td>Total</td>
<td>227,829</td>
<td>100.0%</td>
<td>1,793,458</td>
</tr>
</tbody>
</table>

These are estimates for 2018 produced by DIW Econ, based on 2008-16 figures from the Structural Business Statistics Database (Eurostat). The data cover the ‘non-financial business economy’, which includes industry, construction, trade, and services (NACE Rev. 2 sections B to J, L, M and N), but not enterprises in agriculture, forestry and fisheries and the largely non-market service sectors such as education and health. The following size-class definitions are applied: micro firms (0-9 persons employed), small firms (10-49 persons employed), medium-sized firms (50-249 persons employed), and large firms (250+ persons employed). The advantage of using Eurostat data is that the statistics are harmonised and comparable across countries. The disadvantage is that for some countries the data may be different from those published by national authorities.

SMEs play an important role in Denmark, generating 60.8% of overall value added in the ‘non-financial business economy’, against the EU average of 56.4%. SMEs provide 64.1% of jobs, close to the EU average of 66.6%. Average SME productivity, calculated as value added per person employed, is around €79,200, substantially higher than the EU average of €44,600. SMEs in Denmark are relatively large, and employ 5.1 people on average, exceeding the EU average of 3.9 people.

In 2014-2018, the overall value added of SMEs and large firms increased by a similar rate (SMEs by 17.6%, and large firms by 17.8%). Within the SME category, growth rates varied depending on firm size. Growth in SME value added was driven by medium-sized firms, which saw an increase of 37.3%, whereas micro firms only achieved value added growth of 3.6%. Employment growth followed a similar pattern. Although overall SME employment increased by 9.2%, employment in medium-sized firms grew at a higher rate of 14.9%, against a rate of only 0.6% in micro firms. Most recently, in 2017-2018, SME value added rose by 4.0% and SME employment by 2.0%.
The wholesale and retail trade sector is the largest SME sector in Denmark, generating 21.4% of overall SME value added in 2018. In 2014-2018, the sector’s SME value added increased by 16.4%, whereas SME employment in the sector stagnated, with growth of 1.4%. In the same period, large firms performed better than SMEs, posting a 22.2% increase in value added and a 36.9% increase in employment. This performance can be explained by consolidation in the sector, which led to a drop in the overall number of businesses. Most of the firms that went out of business were smaller firms. In micro firms, employment decreased by 0.4% in 2016-2017 and by 0.5% in 2017-2018. Factors contributing to this decline in employment include a 10% increase in online trading in 2018, which particularly affected small shops; and continuing urbanisation, which reduced demand for local shops in rural areas.

The Danish construction sector generated strong growth in 2012-2018. Value added increased by 50.6% and employment by 9.8%. This growth was largely driven by SMEs, with SME value added growing by 46.7% and SME employment by 9.6%. Activities that were low in value-added, such as painting and bricklaying, generated the smallest increases in employment. However, activities generating higher value added, such as specialised construction activities, generated greater increases in employment, and most of this increase in employment came from SMEs rather than large firms. As a result, the growth of medium-sized firms in the specialised construction activities sector was particularly high, with value added increasing by 86.4% and employment by 37.8% in 2012-2018.

In recent years, the number of new enterprises in Denmark has increased considerably. In 2018, there were 36,361 company registrations, almost double the figure for 2013. However, in 2017-2018, registrations grew only moderately, rising by 1.8%. In 2014, the government made it possible to set up so-called one-krone firms, which only required DKK 1 (€0.15) in start-up capital. This led to a 49.6% increase in newly established companies in 2014. Since a significant number of these enterprises were used for fraudulent purposes, the government abolished this form of enterprise at the beginning of 2019. There were 7,155 bankruptcies in 2018 (many of them one-krone firms), 12% more than in 2017.

Many Danish firms have successfully scaled up in recent years. The latest available data indicate that in 2016, 2,641 firms (10.8% of all firms in the ‘business economy’ with at least 10 employees) were high-growth firms. This proportion is very close to the EU average of 10.7%.

In 2018, SMEs in high-tech manufacturing and knowledge-intensive services, which are usually R&D-intensive, accounted for 30.2% of SME value added and 28.1% of SME employment in the manufacturing and services sectors in Denmark. This is slightly lower than the EU average of 33.0% for value added, and exceeds the EU average of 26.0% for employment.

In 2018-2020, SME value added is projected to grow by 10.6%, with most of this growth coming from medium-sized firms, in which value added is projected to increase by 17.5%. SME employment is expected to rise by 5.1% in 2018-2020, creating around 59,000 new SME jobs, mostly in medium-sized firms.

2. SBA profile

Denmark continues to display a very strong SBA profile. The country is the EU’s top performer in internationalisation, and its third-best performer in access to finance. Its performance is above the EU average in six SBA principles. Its scores are in line with the EU average in entrepreneurship, and environment. The country scores slightly below the EU average in State aid & public procurement.

Since 2008, there has been substantial progress in implementing the SBA in Denmark. Entrepreneurship and subsequent survival and growth in start-ups has been high on the political agenda in Denmark for many years. The Danish business-support system systematically takes into account stakeholder views through panels and commissions. This has proven successful in removing excessive legislation and in creating favourable conditions for businesses. Digitalisation plays a crucial role, both in enabling smooth interaction between entrepreneurs and government agencies, and in optimising business processes inside enterprises to ensure greater productivity.
In 2018 and the first quarter of 2019, which is the reference period for policy measures presented in this fact sheet, there was substantial progress in implementing the SBA. Denmark adopted 11 new measures that address 6 out of the 10 SBA policy areas.

The biggest change for Danish SME policy in 2018 was the re-organisation of Danish business-promotion efforts. The re-organisation aimed to reduce the number of entry points to public business-promotion services to make it easier for enterprises to access and navigate the system. The re-organisation should offer more clarity and efficiency, and will make it easier for entrepreneurs to obtain advice or information. Since June 2019, a new digital platform has made relevant information available to entrepreneurs and companies. The information available covers: business development; compliance; services and events across public authorities; and service providers. The platform is accessible 24 hours a day and 7 days a week.

The re-organisation means there are now two levels of business promotion: the national level made up of the Danish Executive Board for Business Development and Growth (Danmarks Erhvervsfremmebestyrelse), and the local level composed of six business hubs (Erhvervshuse).

The Danish Executive Board for Business Development and Growth is responsible for overall strategy, which is then implemented locally by the business hubs. The Board must ensure a consistent, demand-driven business-promotion effort anchored in local needs. Its budget is €47 million in addition to funds from the EU structural funds. The Board is also responsible for ensuring consistency between policies at national and local level by identifying sectors eligible for the innovation networks, which are discussed below. The six local business hubs link the local level to the national level. Each of them is a one-stop-shop for all businesses, providing all services in one place. The hubs bring together all specialised knowledge on business management, financing and business development. The hubs will also work as entry points to specialised services offered at national level, especially export promotion services.

In addition to the national and local level, municipalities remain the local reference point for companies in need of basic advice and local business-support services. Activities offered by municipalities should comply with the Decentralised Business Promotion Strategy (Strategi for decentral erhvervsfremme 2019[4]) to ensure consistency and avoid overlaps.

The new strategy for business promotion has six priorities for making Danish businesses more productive and dynamic. These priorities are set out in the bullet points below.

- The first priority is digitalisation and the use of new technologies, which are a major driver for productivity and growth. Small businesses should make the most of the opportunities offered by platform-based business models, ‘big data’, and the internet of things.

- The second priority is ensuring the availability of qualified labour and avoiding bottlenecks in local labour markets.

- The third priority relates to the green and circular economy, and seeks to minimise the environmental footprint of modern technologies.

- The fourth priority is innovation, which is crucial for growth and employment. Encouraging enterprises to work more closely with universities in clusters increases private investment in R&D. The future business-support framework supports 10-12 clusters.

- The fifth priority is to promote entrepreneurship and strengthen growth ambitions. This strategy aims to: (i) encourage Danes to set up their own businesses; (ii) create the conditions in which these businesses will have a better chance of surviving; and (iii) encourage start-ups to grow.

- The sixth priority is to increase exports and make them more profitable by taking advantage of the opportunities offered by international trade.

During the reference period, good policy progress was made in ‘responsive administration’ and skills & innovation, but little progress was made in ‘second chance’. In addition to measures implementing the Small Business Act, Denmark also implemented a large number of measures proposed in the SME action programme[5], with significant progress achieved particularly in better regulation and in skills and training.
SBA performance of Denmark: state of play and development from 2008 to 2019

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

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:
3. **SBA principles**

### 3.0 ‘Think Small First’

The ‘think small first’ principle is a guiding principle for all policy- and law-making activities. It requires policymakers to take SMEs’ 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, Denmark has made significant progress in implementing the ‘think small first’ principle. The re-organisation of Danish business-promotion efforts has led to continued streamlining of the policy support offered to SMEs and to microenterprises in particular. Before the re-organisation, the business hubs targeted a smaller group of growth enterprises, while non-growth companies primarily received support from the municipalities. Since the re-organisation, the business services offered by the business hubs are available to all enterprises. The hubs are one-stop-shops where entrepreneurs can get guidance on general business management as well as advice on specific subjects such as innovation and internationalisation.

The Business Forum for Simplified Business Legislation (Virksomhedsforum for enklere regler) includes members from the SME community, and plays an important role in creating favourable conditions for small entrepreneurs in Denmark. The forum highlights areas where SMEs experience unnecessary and burdensome legislation. A few years ago, the government introduced a ‘burden stop’ principle, which seeks to ensure that no enterprise experiences increased administrative burden without a compelling reason. Examples of a compelling reason could be measures agreed with the SME community, national security, health, or the implementation of EU legislation.

Since 2012, the Business Forum has sent 803 suggestions (59 in 2018) to the government, of which 600 (75%) have been fully or partly implemented.

The government is sticking to its objective of reducing administrative burden by €533 million between 2015 and 2020. From 2015 to 2018, the net burden relief amounted to €202 million for Danish enterprises. Future relief of administrative burden will be achieved through simplified legislation and digitalisation of administrative procedures (e-governance).

E-government solutions have been a top priority for all governments over the past 15 years, and they are generally well developed in Denmark. In recent years, e-governance has matured in general, and become better suited to the needs of small and micro-enterprises by applying the ‘think small first’ principle. SME stakeholders are especially happy with flexible rules for micro-enterprises that do not have the financial means to invest in expensive financial accounting software. Furthermore, the government will soon make new accounting software freely available for SMEs, as laid out in the new Decentralised Business Promotion Strategy.

The flipside of digitalisation is vulnerability to cyber-attacks, especially in micro and small enterprises, which do not have the means or computer literacy to take the necessary precautions. SME stakeholders are encouraging the Danish authorities to provide tools for SMEs to increase their digital safety.

The Entrepreneur Panel (Iværksætterpanel) highlights the need for better support for people seeking to bring innovative ideas from the research sector to market. At present, well-educated professionals in Denmark are not typically encouraged to pursue a career as an entrepreneur. The Entrepreneur Panel advocates giving economic incentives to entrepreneurs, and raising the social status of entrepreneurs by promoting charismatic entrepreneurs as role models.

During the reference period, there were no new measures introduced in this area.
3.1 Entrepreneurship

The latest available data place Denmark's performance in line with the EU average. There were no updates available for the indicators in this area at the time of drafting, except for the proportion of high-growth enterprises. This proportion increased from 9.2% in 2014 to 10.8% in 2016, slightly above the EU average. A new indicator was also introduced: the high job-creation expectation rate. Denmark performed at 19.1% for this new indicator, below the EU average of 21.5% in 2014.

Since 2008, there has been substantial policy progress in the area of entrepreneurship. Interviews with stakeholders suggest that it is now easy to set up a company in Denmark. Promoting entrepreneurship has consistently been a political priority for Danish governments. Progress was made mostly thanks to cooperation and dialogue between industry and the various regulatory authorities.

In the school year 2017–2018, 26% of all students ranging from primary school to university received training or education in entrepreneurship. This was partly supported by the Fund for Entrepreneurship (Fonden for Entreprenørskab) – the national knowledge centre for development of entrepreneurship in education. The fund’s mission is to integrate innovation and entrepreneurship into education, and to embed entrepreneurship education in educational institutions. The aim is to ensure that more students at all levels of education receive training in entrepreneurship as part of their education. The fund seeks to achieve these goals by: (i) giving advice to schools and teachers on how to incorporate entrepreneurship in education; (ii) funding specific innovative education measures; and (iii) providing micro-scholarships to student start-ups.

It is easy to start up a business in Denmark because administrative barriers are low. However, the survival rate for newly created companies is lower than in other EU countries. Some stakeholders suggest this is a sign of a fiercely competitive market, where businesses are easy to start, but many quickly close because they are not competitive. Other stakeholders suggest that it is a sign that entrepreneurs need more training on running a company. Pairing new entrepreneurs with seasoned entrepreneurs to transfer knowledge and experience is another way to increase survival rates. Favourable conditions in employment contracts and general risk aversion mean that young people are not encouraged to start their own business. The Entrepreneur Panel mentions in its recommendations that entrepreneurship is not always considered an attractive career path. It suggests that role models for entrepreneurship should receive more publicity to help address this shortcoming.

One new measure to increase entrepreneurship was introduced during the reference period. In March 2019, capital requirements for private limited companies were lowered from DKK 50,000 (£6,700) to DKK 40,000 (£5,400) to make it easier to establish a new company. This development was related to the parallel
abolition of the so-called one-krone firms. The one-krone firms were abolished because they owed more in taxes and fees than other types of business, such as sole proprietorships. In addition, one-krone firms received more penalties from the tax administration than private limited companies, and in particular sole proprietorships. Finally, the most frequent way in which entrepreneurial companies were dissolved was through either compulsory dissolution or bankruptcy. Stakeholders in the SME sector regret that the one-krone firms were abolished, and suggest that the scheme should instead be better managed through additional controls.
3.2 ‘Second chance’

“Second chance” refers to ensuring that honest entrepreneurs who have gone bankrupt get a second chance quickly. Denmark performs above the EU average in this area, despite showing a deteriorating trend since 2008. Most indicators in this area are positive. The performance of the country on these indicators has remained unchanged since last year’s fact sheet. The fear-of-failure indicator rate of 41% has not been updated since 2014.

Since 2008, there have been few policy measures in this area in Denmark. There is an early warning system in place to help companies in distress, run by the business hubs. The primary aim of the early warning framework is to help entrepreneurs out of financial difficulties or to assist the smooth closure of part — or all — of a company incurring the least possible debt. This assistance can be given through the court system or outside it.

The early warning scheme in Denmark is built on the three following pillars.

1. The business hubs’ consultants provide free, impartial and confidential advice to SMEs in financial distress.

2. A network of more than 100 volunteers with business backgrounds provides advice and coaching to individual enterprises and their management over a longer period until the business is back on track.

3. A network of 20 insolvency lawyers offer legal advice on how to get through the difficulties in the best possible way. The legal team also helps in cases where insolvency is the only viable option.

All services offered through the early warming framework are free of charge, impartial and confidential.

It can take a long time for insolvent businesses to be wound up with the tax and business registry authorities. SME stakeholders would like to see reforms to speed up these processes.

In 2018 and the first quarter of 2019, no new measures were introduced.
3.3 ‘Responsive administration’

‘Responsive administration’ refers to public administration being responsive to the needs of SMEs. Denmark performs above the EU average in this area, showing minor improvements since 2008. There were only minor changes in indicators in the area of ‘responsive administration’ in the reference period. The time it takes to pay taxes increased by 2 hours in 2019 compared to the previous year, but this time remains below the EU average. Between 2018 and 2019, the paid-in minimum capital for SMEs as a percentage of income per capita decreased from 13.5% to 13.2%.

Since 2008, there has been substantial policy progress in this area. The principle of ‘responsive administration’ is implemented through a number of advisory bodies that channel information on business needs from SMEs or business organisations to the authorities.

The Entrepreneur Panel24 consists of entrepreneurs, investors and experts. It gives information to the government on the challenges and barriers that entrepreneurs and high-growth enterprises face. It also gives advice on the best ways to address these issues. In addition, the panel suggests improvements to the framework for entrepreneurship in the areas of financing, financial regulation, education and scaling-up25. In 2018, the Entrepreneur Panel made recommendations on how to enable Danish SMEs to stay and grow in Denmark, and to attract talent from abroad. It also recommended to the government that it put in place more favourable conditions for investment schemes and tax rules26.

The Business Forum for Simplified Business Legislation (Virksomhedsforum for enklere regler) identifies areas where enterprises experience unnecessary and costly legislation. Any enterprise may submit suggestions to it about possible reductions in administrative burden or about potential reductions in the cost of compliance with legislation. Suggestions from the Business Forum for Simplified Business Legislation follow the principle of ‘follow or explain’, meaning that the government should follow the forum’s advice on reducing burdens or explain why this could not be done.

The Implementation Council (Implementeringsrådet) was established in 2015 to oversee the transposition of EU legislation into Danish law, with specific attention to minimising additional expense for Danish enterprises.

In 2018 and the first quarter of 2019, three new measures were introduced in this area. These new measures are outlined in the bullet points below.

- The first measure is the re-organisation of the business promotion system, which started in 2018. Since this re-organisation, business-promotion is carried out at two levels, a national and a decentralised level, rather than at three levels as before. The Danish Executive Board
Second measure – The second measure is the creation of the aforementioned six business hubs, which will act as a one-stop shop for enterprises and entrepreneurs. The business hubs will provide business services and advice on business development.

Third measure – The third measure, which was introduced in November 2018, is the New Business Cases portal (https://nyeforretningssommer.de/), which was created to give entrepreneurs a single entry point to the Danish public authorities. An entrepreneur who has a new business concept but is not sure whether it complies with all existing legislation may ask their questions in a single place via a website form. The Danish Business Authority will coordinate the collection of answers and will make sure that all relevant authorities are consulted in the process. The entrepreneur receives a single consolidated answer that includes input from all relevant public authorities. An increase in queries on the portal is expected in the future, following the emergence of new business models based on trends such as platform sharing, peer-to-peer initiatives, and the circular economy. In addition, the implementation of the new Decentralised Business Promotion Strategy as well as recommendations from the Entrepreneur Panel are expected to promote further development of this portal.

More recently, and after the reference period ended, a fourth measure was implemented. Since June 2019, a new digital platform has made relevant information available to entrepreneurs and companies. The information available covers: business development; compliance; services and events across public authorities; and service providers. The platform is accessible 24 hours a day and 7 days a week.

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.

Denmark performs slightly below the EU average in this area, dropping from above-average performance last year. This change mainly reflects an adjustment in methodology, as three new indicators were added in this area since the previous reference period. In two of these new indicators, Denmark shows below-average performance.

In spite of this, since 2008 Denmark has made strong progress in State aid & public procurement.

The proportion of businesses participating in public tenders is above the EU average (39% in 2017, no update this year), and higher than the level recorded in 2013 (23%). The average delay in payments from public authorities decreased from 4 days in 2017 to 2 days in 2018. However, the percentage share of the total value of public contracts secured by SMEs decreased from 36% in 2013 to 29.3% in 2017 (this percentage covers SMEs directly participating or acting as a leader of a consortium only, it does not include participation as consortium partners or...
subcontractors). On the three new indicators, Denmark ranks third-worst when it comes to the proportion of bids coming from SMEs. Furthermore, the proportion of contracts awarded to SMEs (44% in 2018) is also below the EU average. On the proportion of calls for tender divided into lots, Denmark was at 24.1% in 2018, which is in line with the EU average.

Since 2008, moderate policy progress has been achieved in State aid & public procurement, partly reflecting the entry into force of several pieces of EU law in this area, including Directive 2014/24/EU. In recent years, fair and equal access to public procurement has been high on the political agenda. SME stakeholders have expressed concerns that publicly owned enterprises crowd out SMEs in public tenders. A political agreement on fair and equal competition was concluded in April 2018, setting up a commission on fair and equal competition. One of the commission’s tasks is to look into ways to make public tenders fairer for SMEs.

The commission concluded that public bodies should only compete on private markets if all of the following three conditions are met.

1. A prior market analysis has established the absence of a well-functioning private market that can take care of the task.
2. If there is room for public bodies to bid on public tenders, the price should be set at market price and in accordance with OECD guidelines.
3. Public bodies are obliged to keep separate financial accounts for public activities on private markets, with full transparency of turnover and costs related to market activities. This helps to improve clarity about public money financing private market activities.

Measures designed to protect SMEs from late payment are missing. Making public tenders more accessible for SMEs, e.g. by more frequent division of contracts into lots, is a high priority among SME stakeholders.

In 2018 and the first quarter of 2019, no new measures were introduced besides the recommendations mentioned above.

3.5 Access to finance

Denmark performs above the EU average in access to finance, and is the EU’s third-best performer. The country has continuously improved its performance since 2008. However, the results shown by individual indicators are mixed in this area. The relative difference between the cost of small loans and the cost of large loans was the biggest in the EU. The difference increased between 2017 and 2018. In practice, mortgage collateral is usually required from small and medium-sized companies to receive a bank loan. Many start-ups do not have real estate to mortgage (which drives the cost of financing up)\(^28\). The banks are now less
willing to provide a loan than a year before, which is likely due to a recent money laundering scandal affecting the Danish financial sector. At the same time, the proportion of rejected loan applications or unacceptable loan offers improved, decreasing from 11.1% to 6.7% between 2017 and 2018, but remaining above the EU average. The availability of venture capital investments (as a percentage of GDP) decreased from 0.11% in 2016 to 0.09% in 2017. Despite that, Denmark ranks as the second-best performer in the EU for the availability of venture capital investments.

Since 2008, there has been substantial progress in this area. Following the launch of the recent Decentralised Business Promotion Strategy, the distribution of financial support and subsidies has been simplified.

The Danish Growth Fund (Vækstfonden) is the single entry point for loans and equity funding from the Danish state and EU funds (the COSME programme and the European Fund for Strategic Investments). The fund provides loans and equity, together with private investors and business angels, in four ways: (i) start-up loans for entrepreneurs; (ii) business angel matching loans; (iii) early engagement in venture-suitable enterprises; and (iv) early financing before proven record of accomplishment. There are also funds for slightly more mature firms that are no longer in the initial start-up phase, but are seeking to scale up their activities. In this area, the fund-of-funds schemes Danish Growth Capital (Dansk Vækstkapital) I and II, in which the Danish Growth Fund invests alongside pension funds, has been among the central initiatives in recent years. The aim of Danish Growth Capital is to improve access to risk capital for entrepreneurs, SMEs and companies in the scale-up phase by creating a fund-of-funds that invests in small-cap, mid-cap, venture and mezzanine funds. Danish Growth Capital II reached €400 million in a final fundraising in 2017, and will finish its investment period by the end of 2019.

Innovation Fund Denmark (Innovationsfonden) is the single entry point for public subsidies from the Danish state.

The tax law was changed to improve access to capital and talent for start-ups, and to foster a culture where citizens invest in equity. One change was in the Investor Tax Deduction (Investofradrag\(^29\)), thanks to which individuals get tax deductions of up to €54,000 for investing in small, unlisted companies. Another change is called the Improved Scheme for Employee Stock Options (Forbedret ordning for medarbejderaktier\(^29\)). This allows newly formed small businesses to offer up to 50% of an employee’s salary as stock options, which are taxed as stocks not as income (tax on stocks is lower than tax on income). Small enterprises are also exempt from the requirement of offering stock options to 80% of employees, which other companies must do if they offer stock options. A third change was the introduction of the Share Savings Account (Aktiesparekonto). This allows lower taxation on income up to €7,000 from investments in registered shares and investment certificates, held in a special account. Returns on investments held in this special account are taxed at a yearly rate of 17% instead of the regular 27% or 42% for investments held outside the account.

The Danish Growth Fund and the European Investment Fund (EIF) have joined forces to create the European Angel Fund Denmark (EAF DK). Business angels are bringing more than €50 million into the fund, and this amount is doubled by contributions from the Growth Fund and the EIF, bringing the total amount available to more than €100 million. Besides providing early-stage capital, the business angels bring knowledge and a network of contacts, both of which are vital for entrepreneurs to survive past the critical start-up period and grow.

The Growth Fund and the EIF have signed a counter-guarantee agreement for Danish SMEs making €40 million available to creative industries under the EU’s Creative Europe programme (following the recommendations from the Creative Industry Cluster Vækstteam for kreative erhverv).

In 2018 and the first quarter of 2019, there were two new measures in this area, which are outlined in the bullet points below.

- The InnoFounder programme was created. This programme targets both entrepreneurs with substantial business and/or research experience (InnoFounder Experienced), and graduates from universities with no experience (InnoFounder Graduate) who would like to pursue an innovative business idea. The person can receive a grant of €4,000 per month for 12 months plus a lump sum of €15,000 to develop their idea. The programme was introduced in January 2019.

- The InnoExplorer programme was created. This programme is aimed at researchers to help them bring to market relatively mature research or technologies developed at universities, hospitals and other tertiary education. Under this programme, Innovation Fund Denmark can financially support researchers’ salaries, relevant services, materials, and overhead in universities, hospitals and other tertiary education institutions (for between €70,000 and €200,000 for up to a year). This programme was introduced in January 2019.
3.6 Single market

Denmark performs above the EU average in the area of single market, having made progress in its performance since 2008. Despite this progress, the country lost its position in the top three best-performing countries compared to last year’s fact sheet.

Transposition of EU laws was less effective in 2018 than in 2017, with 7 directives not transposed in 2018 (compared to 5 not transposed in 2017). The number of pending infringement proceedings increased from 14 in 2017 to 18 in 2018, but remained below the EU average. The average transposition delay for overdue directives increased from 7.2 months to 9.1 months between 2017 and 2018.

Since 2008, Denmark has made substantial progress in its integration with the single market. Danish enterprises have a history of exporting goods and services, and the authorities have supported this through several schemes. The Export Credit Agency (Eksportkreditrådet) has played a major role in facilitating the delivery of export credit guarantees, which are important for ensuring that SMEs are paid when they export goods and services, particularly to higher-risk countries.

Each local business hub hosts in-house representatives from the Danish Trade Council. The Trade Council is in charge of supporting the internationalisation of Danish businesses and promoting exports at national level. Part of the advice given by the Council is on how to export through e-commerce. These activities are carried out under the SME:Digital scheme, which aims at digitalising SMEs. The Trade Council also offers services such as analyses of local markets abroad or matchmaking with potential strategic partners — including major online marketplaces.

The Danish Business Authority (Erhvervsstyrelsen) provides businesses, citizens and authorities with information on the rules of free movement of goods and services. The Danish Business Authority also addresses matters related to the product contact point, the SOLVIT network, and standardisation regulations. The European SOLVIT network provides assistance when SMEs face difficulties in dealing with public authorities in another EU country.

In 2018 and the first quarter of 2019, no new measures were introduced in this area.
3.7 Skills & innovation

Denmark performs above the EU average in this area, and has made improvements since 2008. Out of all indicators for this SBA principle, only one shows below-average performance. The shares of SMEs selling and purchasing online have been increasing, making Denmark the best EU performer for these indicators. Similarly, turnover from e-commerce also increased between 2017 and 2018. On skills-related indicators, Denmark performs well, and has now recovered all of the decline in these indicators that it experienced between 2016 and 2017. The percentage of enterprises employing ICT specialists improved from 22.8% to 26.1% between 2017 and 2018. Similarly, the percentage of companies that train their employees in ICT improved from 25.1% to 26.7% over the same period. Sales of new-to-market and new-to-firm innovations remain a challenge for Denmark, as does the proportion of SMEs innovating in-house. For both of these indicators Denmark scores below the EU average.

Since 2008, there have been many policy measures introduced in this area. The Innovation Fund Denmark provides financial support for strategic research in advanced technology and innovation. The fund invests in projects boosting economic growth and employment through innovation and international collaboration.

National Innovation Networks (Innovationsnetværk Danmark) help companies find new partners among world-class scientists, other companies, and experts in Denmark or abroad. The networks strengthen collaboration between public universities and private companies on research and innovation and on knowledge transfer. They also strengthen innovation and research in companies, and promote knowledge-based growth in business and industry. There are currently 17 innovation networks operating in areas where Denmark has significant research and business strengths (e.g. the Innovation Network for Smart Energy, the Innovation Network for Bio- and Life Science, and Danish Healthtech). The government finances up to half of each network’s activities with grants to a total of €25.3 million (DKK 190 million). The networks must obtain the other half of the funding from private companies, regional funds, etc.

More than 16,500 enterprises participate in these networks, and two thirds of these are SMEs with fewer than 50 employees.

Ensuring qualified and skilled labour for the future is a priority area in the new Decentralised Business Promotion Strategy. Potential bottlenecks exist for many categories of skilled worker,
but in particular for science, technology, engineering and mathematics (STEM) professionals. The government’s Technology Pact (Teknologipagten) brings together businesses, education institutions and the public sector to attract young people to STEM and choose STEM sectors for their future careers.

In 2018 and the first quarter of 2019, three new measures were introduced in this area. They are outlined in the bullet points below.

- SME:Digital was introduced in September 2018. It is a comprehensive SME scheme to help improve the digital skills of small and medium-sized enterprises and support Danish e-commerce. SME:Digital provides a single access point for SMEs to apply for individual advisory services that promote the use of new digital technologies and e-commerce in SMEs.

- The government also created the SME:Board to manage the SME:Digital scheme. SME:Board is an advisory board established to help SMEs digitalise manual and paper-based procedures in production processes and administration. SME:Board was established in November 2018 and is also tasked with providing ideas and advice to the minister on how SMEs can digitalise their work procedures and how to improve the use of e-commerce among SMEs.

- The Industrial Researcher programme (Erfreverfsforsker), set up in January 2019, invests in industrial PhD and postdoctoral research projects. The participant of the programme is employed in a private company and enrolled at — or collaborates with — a public-sector research organisation. The participant works on the same project at both places. Innovation Fund Denmark invests in projects from all research fields provided the research project is of high quality and is commercially relevant to the company.

### 3.8 Environment

Denmark performs in line with the EU average, showing mixed results for individual indicators in the area. The country has shown continuous improvement since 2008. The indicators have not been updated since last year. The percentage of SMEs that have taken resource-efficiency measures fell from 93% to 83% between 2015 and 2017. 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 in this area. The environment has been high on the political agenda for many years. Strict environmental regulation, which Denmark put in place before other countries, has given Danish SMEs a head start in environmental topics over companies from abroad. However, initiatives related to environmental issues are often integrated into sector policies, which may make it difficult to estimate the impact of these initiatives.

The new Decentralised Business Promotion Strategy explicitly mentions the circular economy as one of six priority areas where Danish enterprises can be more productive and dynamic. In the future, the ability to make better and smarter use of natural resources will become of increasing importance for a firm’s competitive position. The circular economy also opens up new business opportunities, such as for exporting technologies that: (i) help optimise the use of resources; or (ii) monitor performance towards reaching the Sustainable Development Goals in the developing world.

In 2018 and the first quarter of 2019, one new measure was introduced as part of the Strategy on Circular Economy. The measure promotes the development of circular business models.
in SMEs. So far, a lack of knowledge and resources has prevented many SMEs from incorporating the circular economy into their core business and strategic management. A dedicated programme will offer 50% co-financing for:

- consultancy from private experts about where and how an SME may develop, implement, or upscale circular business models; and
- co-financing the procurement of supporting machinery and equipment.

### 3.9 Internationalisation

Denmark is the best EU performer in internationalisation. Most indicators (all from 2017) have not been updated since last year’s fact sheet. Denmark performs above the EU average in almost all indicators except for:

1. the involvement of the trade community; and
2. the formalities in terms of procedures.

The two updated indicators show mixed performance. The proportion of SMEs with extra-EU exports of goods decreased from 22.4% in 2015 to 21.9% in 2016, but this remained the best score among all the EU-28 Member States. Over the same period, the proportion of SMEs with extra-EU imports of goods went up from 25.9% to 26.4%.

Since 2008, Denmark has made substantial policy progress in internationalisation. The Trade Council (Eksportrådet) runs several schemes for SMEs through the local business hubs and Danish embassies. Some services are free of charge, especially when SMEs are just starting out in exporting and expanding business activities into new markets, whereas others are paid.

Export ‘sparring’ (Eksportsparring) is a fully subsidised export programme targeting small and medium-sized companies with no or limited experience with exports. The programme has two tracks set out below.

- The first track involves export ‘sparring’ sessions with a Trade Council adviser from a regional business hub, which prepare the company to take on export markets by reviewing internal and external factors. At the end, the company will outline an export plan.
- The second track involves 15 hours of free export counselling with a trade adviser from the Trade Council. The 15 hours will mainly include basic market information to strengthen the company’s ability to choose a market. Participation is free, and a company can receive up to two 15-hour sessions of counselling on two different markets.

Strategic Business Alliances is a scheme where the Trade Council’s advisors create a number of strategic alliances in their respective export markets, after which they find relevant companies and link them to the alliances. In this way, the Strategic Business Alliance creates economies of scale for a company’s exports, which thus have an advantage over the exports of its competitors. In international contexts, there is often a need to be able to present holistic solutions rather than individual products, which is where strategic alliances have an advantage. Small and medium-sized enterprises’ international export potential is stronger thanks to entering into major strategic projects. Large companies can also benefit from the fact that their products are marketed together with the small and medium-sized companies’ specialised products.
Through the VITUS programme, the Trade Council offers export advice: a tailor-made one-year course with an export adviser who has in-depth knowledge of the relevant export market. The goal is to help a business develop a marketing strategy and the right tools to receive orders from the selected market within a year.

The GROW programme proposes 50-200 hours of counselling to promote internationalisation through market analysis and matching partners on the local market.

In addition to the export-oriented programmes, Denmark also provides innovation services to Danish businesses and research institutions. This is provided through Innovation Centre Denmark, which is a partnership between the Trade Council and the Ministry of Higher Education and Science. Innovation Centre Denmark has its headquarters in Copenhagen, with eight centres located in Silicon Valley, Boston, Munich, Shanghai, Seoul, New Delhi, Tel Aviv and São Paulo tapping into the most innovative trade ecosystems in the world. The services offered by the centres vary depending on the specific needs of the institution or company. The service may involve: (i) scouting for new trends and technologies within a selected priority area; (ii) setting up partnerships with local partners; (iii) product development; or (iv) other case-specific services.

SCALEit is a special programme provided by the centres. It is targeted at tech start-ups, and prepares entrepreneurs to scale up their idea abroad, making full use of the networks offered by the Innovation Centres.

The Trade Council also offers an incubator scheme, where SMEs can get a physical address, an office and office facilities. This is a cost-efficient way for SMEs to be visible on a new market.

In 2018 and the first quarter of 2019, no new measures were introduced.
4. Interesting initiative

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

Navigating the bureaucratic jungle: [www.nyeforretningsmodeller.dk](http://www.nyeforretningsmodeller.dk)

The new business-promotion strategy for Denmark emphasises new business models such as big data, the peer-to-peer economy, the circular economy and e-commerce. However, because these technologies are so new, it can be difficult for entrepreneurs to know whether their new ideas for businesses in these areas comply with existing legislation. In addition, with new technologies frequently bringing together a number of disciplines, it may be unclear which authority to turn to for interpretation and guidance.

To prevent entrepreneurs with new and innovative ideas being hindered by legal uncertainty, the government has set up the portal: [www.nyeforretningsmodeller.dk](http://www.nyeforretningsmodeller.dk). The name of the portal means ‘new business models’. It is a one-stop shop to all relevant authorities, which allows businesses to clarify legal uncertainty. Entrepreneurs can submit their questions on the website by filling out an online form. They will receive an answer covering all relevant public authorities and agencies. The Danish Business Authority runs the portal and is responsible for providing an answer, which is consolidated across different line ministries.

The areas covered by the portal are:

- data and new technology;
- peer-to-peer business;
- circular-economy business;
- e-commerce;

These areas are expected to show substantial growth in the coming years. However, competition to be first on the market is also expected to be fierce, and it is important that entrepreneurs do not lose time due to legal uncertainty.

Companies can subsequently ask for a direct contact with the appropriate case-handlers in public administration to receive legally binding answers.

References:

[https://nyeforretningsmodeller.dk/](https://nyeforretningsmodeller.dk/)

[https://cirkvirk.dk/](https://cirkvirk.dk/)
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
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/](http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/)


[https://www.retsinformation.dk/forms/R0710.aspx?id=174205#id47c66a08-9986-4f70-9e8d-45b8d2f3a404](https://www.retsinformation.dk/forms/R0710.aspx?id=174205#id47c66a08-9986-4f70-9e8d-45b8d2f3a404), accessed on 5.5.2019.


11 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.

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

13 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.


16. 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/smies/business-friendly-environment/performace-review/

17. 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.


27. As regards the indicator “SMEs’ share in the total value of public contracts awarded” there is an anomaly which refers to the calculation of the EU average of this indicator. At the time of assembling the database for the SBA country fact sheets 2019, the source data for this indicator did not yet contain a value for the EU average, which necessitated the estimation of this very average. It was only after the deadline for finalisation of the database for the 2019 SBA fact sheets that the value for the EU average was added to the original source data. This was too late to reflect in the fact sheets. Since the estimated value for EU-average is different from the eventual actual value this may affect in individual cases the representation of a country’s performance vis-à-vis the EU average. Denmark is one of the few countries where this is the case. In this case, the use of the estimated value for the EU-average makes Denmark’s performance look worse than if it were benchmarked against the final value of the EU-average. This needs to be taken into account when assessing Denmark’s performance as regards this specific indicator.


