



EN

Enterprise and Industry

# 2014 SBA Fact Sheet

## GERMANY



### In a nutshell

The performance of German SMEs since 2008 has been exceptional. Compared to most other Member States, they expanded throughout the crisis. Between 2009 and 2013 alone more than 160 000 additional SMEs were set up. During the same period, the number of jobs created in SMEs increased by more than 1.5 million to more than 16.7 million in 2013. Forecasts see this trend continuing until 2015 at least, thanks to a very favourable overall business environment. This is reflected in Germany's SBA profile, with the country well above the EU average in many of the main SBA areas relevant to the EU. Skills, innovation and the environment are its strongest areas. It outperforms its EU peers in access to finance, state aid and public procurement and second chance. If there is any weakness, it is entrepreneurship. The level of entrepreneurial activity remains relatively low and the number of new start-ups is falling. This is partly the flip side of the country's overall economic success. Existing businesses can offer young, well qualified would-be entrepreneurs excellent employment conditions and career opportunities, making it risky and therefore less attractive to be self-employed. The low level of entrepreneurial and start-up activity is also a sign that Germany's population is ageing faster than that of many other Member States. Moreover, the overall very good conditions for businesses in Germany are marked by a certain dichotomy. It is particularly existing firms which benefit from them. When it comes to the conditions offered to start-ups, Germany is much less ahead in comparison to many of her EU-peers. This refers in particular to the access to finance but also to start-up procedures. While the current economic and labour market situation seems to lessen the need to actively expand the entrepreneurial base, improving current conditions for start-ups is the key to ensuring that the situation remains positive in the long term. However, this should not take away from the overall outstanding performance of German SMEs throughout the crisis and the very positive business environment.

### About the SBA Fact Sheets<sup>1</sup>

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 the Act called for improved monitoring. The SBA Fact Sheets are published annually and aim to improve understanding of recent trends and national policies affecting SMEs.

## 1. SMEs in Germany – basic figures

	Number of enterprises			Number of employees			Value added		
	Germany		EU-28	Germany		EU-28	Germany		EU-28
	Number	Proportion	Proportion	Number	Proportion	Proportion	Billion €	Proportion	Proportion
Micro	1 809 029	81.8%	92.4%	4 974 919	18.7%	29.1%	219	15.1%	21.6%
Small	336 111	15.2%	6.4%	6 300 111	23.6%	20.6%	275	18.9%	18.2%
Medium-sized	56 004	2.5%	1.0%	5 445 644	20.4%	17.2%	298	20.4%	18.3%
<b>SMEs</b>	<b>2 201 144</b>	<b>99.5%</b>	<b>99.8%</b>	<b>16 720 674</b>	<b>62.7%</b>	<b>66.9%</b>	<b>792</b>	<b>54.4%</b>	<b>58.1%</b>
Large	10 608	0.5%	0.2%	9 941 295	37.3%	33.1%	664	45.6%	41.9%
Total	<b>2 211 752</b>	<b>100.0%</b>	<b>100.0%</b>	<b>26 661 969</b>	<b>100.0%</b>	<b>100.0%</b>	<b>1 456</b>	<b>100.0%</b>	<b>100.0%</b>

*These are estimates for 2013 produced by DIW Econ, based on 2008–11 figures from the Structural Business Statistics Database (Eurostat). The data cover the '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 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.*

In Germany as in the rest of the EU, SMEs provided most jobs and generated the highest value added. However, there are also differences. The average company size in Germany is bigger than in the EU. This means that there are fewer microenterprises than in the rest of the EU. The employment share of German SMEs is about 4 percentage points below that of SMEs in the rest of the EU. Similarly, the employment share of microenterprises is only two thirds of what it is in the rest of the EU. The share of SMEs in value added is also about 4 % below the EU average.

Most German SMEs operate in the wholesale and retail trade sectors (27%). They account for more than a quarter of SME employment (26%) and for 23% of the value added SMEs generate. SMEs in the manufacturing sector generate almost as much value added (22%). This reflects the importance of manufacturing for the German economy in general and for its SMEs. Regarding the importance of the high-tech and medium-high-tech<sup>2</sup> industries for SMEs, Germany surpasses the EU average in terms of value added (8% against 6% in the EU). However, in terms of knowledge-intensive services, these sectors are not significantly more important for German SMEs compared to the EU average.

The overall economic situation for German SMEs in 2013 was quite good. Consequently, the KfW-ifo SME business climate indicator rose steadily throughout the year, reaching a new high in December. The economic situation of SMEs was even better in 2013 than in 2012.<sup>3</sup> As a result and due to an increase in nominal GDP of about 2.7%<sup>4</sup>, employment in SMEs and the value added they generated increased by 0.7% and 3.4% between 2012 and 2013. The importance of SMEs in the German business economy has also increased since 2008 as growth rates for value added from 2010 to 2013 surpassed those of large businesses. The number of

SMEs increased by 3.1% a year, while employment in SMEs and the value added they generated increased by 3.6% a year between 2008 and 2013. The differences in growth between large businesses and SMEs were due to the 2009 crisis, which hit larger businesses harder than SMEs because they export more than SMEs.

The driving forces can be found both domestically and abroad. First, domestic demand is very robust thanks to continually increasing consumer confidence.<sup>5</sup> As a result, things are looking up in the retail trade sector, dominated by SMEs, since December 2013. The performance of the construction industry, also dominated by SMEs, has also improved significantly.<sup>6</sup> As the recession in the euro area was coming to an end, exports to the European market were gradually gaining momentum.<sup>7</sup> The business outlook is improving in particular in the mechanical engineering sector, the electrical engineering sector and the automobile industry — the main pillars of German export success — and in their downstream supply industries.

Employment and value added increased in the construction sector more than they did in almost any other EU country. SME-generated value added increased by 26% between 2008 and 2013 and employment increased by 17%. This positive development was also the case for large enterprises. There are several reasons why this sector is performing so well compared to other construction sectors in Europe: in housing construction for example, a catching-up effect following previously restrained demand, especially in 2006 and 2010;<sup>8</sup> strong demand for energy efficiency measures in buildings; economic stimulus packages (2008–11);<sup>9</sup> simplified public procurement laws (reducing thresholds for construction works in no-bid contracts).<sup>10</sup> The currently low interest rates have also fuelled construction activity.<sup>11</sup>

The strength of Germany's manufacturing industries is well known, but some service sectors experienced strong growth in recent years too. For example, between 2009 and 2013 employment in the administrative activities sector increased by 17% in SMEs and by 28% in large enterprises. In the same period, value added by SMEs increased by 24% and by large enterprises by 35%. This was due to the positive overall economic situation, but administrative services also benefited from the development in manufacturing industries.<sup>12</sup> Internal demand, boosted by increasing consumer confidence, had a positive impact on leisure and tourism businesses.

In spite of the good economic situation, not only the number of liquidations, but also the number of start-ups has steadily declined in recent years.<sup>13</sup> For 2013, a decline in business start-ups to roughly 330 000 was estimated, the lowest number of start-ups since these statistics started being collected. Although it is estimated that liquidations will also decrease to 356 000, the net effect in 2013 is expected to be -26 000, the greatest decrease in the number of start-ups on record.<sup>14</sup>

One of the reasons for this is the 2012 overhaul of the funding scheme designed to offer people a way out of unemployment. As a result, the number of start-ups that received support dropped by 51 900 in the first half of 2012, a decrease of 81%.<sup>15</sup> In 2013, the number of start-ups this funding scheme supported increased again. Against the backdrop of the massive slump in 2012, the employment agency reinstated a less restrictive handling of the scheme in the second half of 2013.<sup>16</sup> However, the drop between 2012 and 2013 might also be influenced by the current favourable employment situation in Germany, giving less of an incentive than before to leave unemployment by starting a business.

Comparing the first three quarters of 2012 to those of 2013, the biggest increases in the number of start-ups were in manufacturing, with more than 8%, followed by construction with more than 5%.<sup>17</sup> This is in line with the overall favourable economic conditions in the

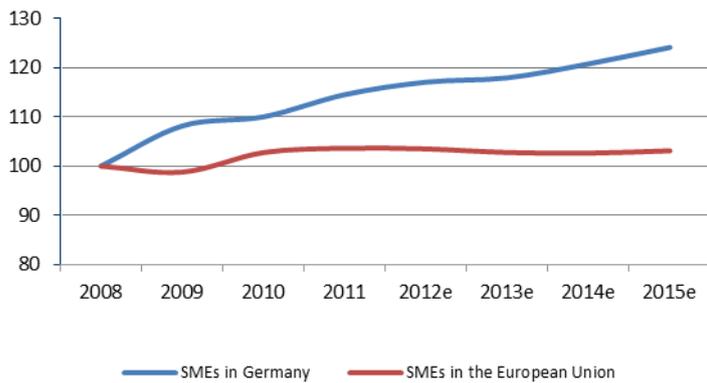
manufacturing industry in recent years. In this sector, unlike in the retail sector for example, businesses are usually started on the basis of new ideas or technological developments rather than out of pure necessity. The positive development in the construction sector is driven by the current good economic conditions, the low cost of capital, and the fact that Germany is a safe haven in the current crisis. However, the sector is the only one with a remarkable increase in business deregistration (4%) in the first three quarters of 2013 compared to 2012. The net effect in the sector is still positive however. The biggest drop in the number of start-ups was in the electricity and gas sector (-37%).<sup>18</sup> This is probably due to the uncertainties surrounding the renewable energy sector.<sup>19</sup>

The confidence of companies was on the rise at the beginning of 2014. Although this is the case for both large companies and SMEs, the growth in expectations is a little stronger for large companies.<sup>20</sup> The business climate is improving as worries about shortfall in demand continue to recede. As a result of better business prospects in the European market and the brighter international outlook, companies raised their export expectations to the highest level in two and a half years at the start of 2014.<sup>21</sup> Growing consumer confidence is boosting internal demand, which also reached a new high in February 2014. The reasons for this are Germany's positive economic outlook, growing income expectations and consumers' greater inclination to buy goods.<sup>22</sup> The construction industry is unusually optimistic for this time of year and consumer industries are expecting further considerable growth.<sup>23</sup> The federal government expects an annualised increase of 1.8% in real GDP in 2014.<sup>24</sup> Still, some businesses are wary of taking risks, such as those associated with some national policy areas, e.g. energy policy.<sup>25</sup>

## SME trends in Germany<sup>26</sup>

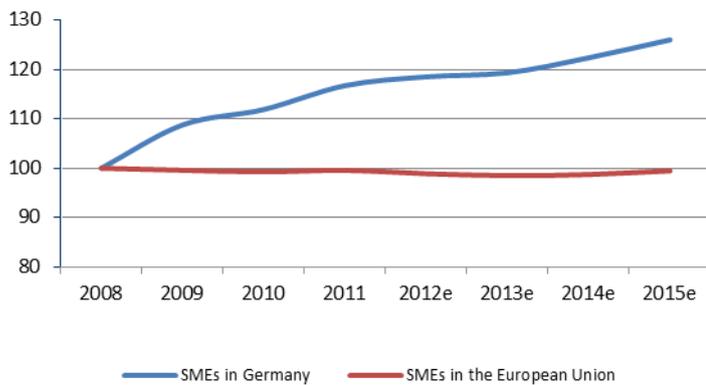
### Number of SMEs

(Index: 2008=100, estimates from 2012 onwards)



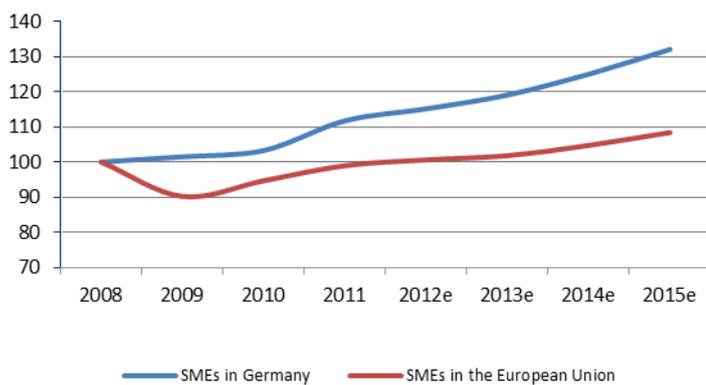
### Employment in SMEs

(Index: 2008=100, estimates from 2012 onwards)

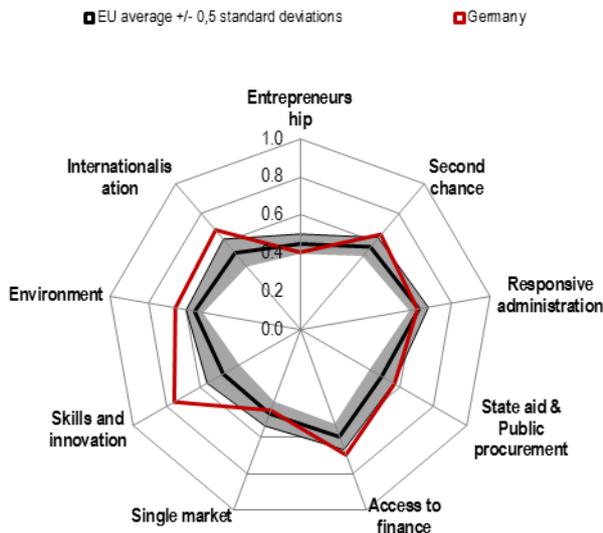


### Value added of SMEs

(Index: 2008=100, estimates from 2012 onwards)



## 2. Germany's SBA profile<sup>27</sup>



Germany's SBA profile remains one of the best performing among the Member States. Its performance is well above the EU average for five out of nine SBA areas. It is particularly strong in skills and innovation and the environment. It is in line with the EU average for entrepreneurship, responsive administration, the single market and internationalisation. Of these, its performance is traditionally the weakest in relative terms in entrepreneurship. The fact that even there its score is close to the EU average is testimony to the strength of its overall SBA profile.

Throughout the crisis (2008–13) Germany has improved its performance in many areas, particularly state aid and public procurement, responsive administration and internationalisation. Overall, the pace of progress was moderate. This, however, is a direct result of the already high performance levels in many areas.

In 2013, Germany continued to improve the policy environment for SMEs by implementing 20 measures addressing nine out of the 10 policy areas under the Small Business Act.

In line with the modest progress the SBA performance indicators reflect, Germany's overall progress in implementing the SBA in 2013 is considered steady but moderate, in line with previous reference periods. Most of the measures implemented are a continuation of previously implemented ones. Partly also because 2013 was a federal election year, only a limited number of new measures were introduced, relating to state aid and

public procurement, access to finance, the environment, entrepreneurship and responsive administration. The greatest progress was made in responsive administration and access to finance in the 2013/2014 reference period. The federal government proposed a law on facilitating e-government to alleviate the bureaucratic burden on companies. The measures regarding access to finance aimed at strengthening risk capital and mezzanine financing for innovative SMEs. Significant progress was made in internationalisation and innovation, with measures in support of highly skilled workers from abroad.

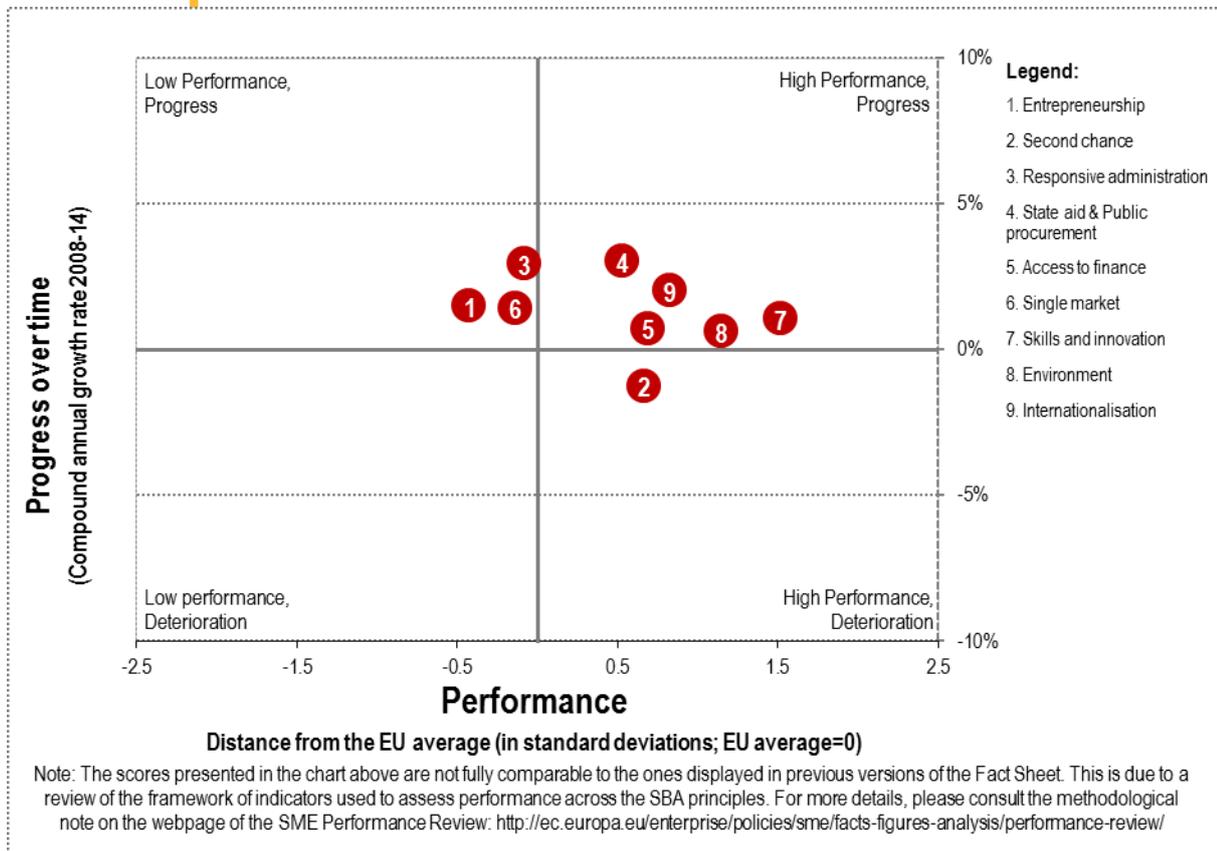
Most of the policy measures the government announced in 2013 were implemented. However, the planned reduction of the statutory period of retention to five years is long overdue. The fact that some of the information can be kept electronically may lessen the burden on businesses. However, many SMEs may still see the need to keep paper copies just to be sure. However, this example is an exception to a very good policy implementation record overall.

The government announced two measures for 2013/2014. A measure for the online registration of companies has already been passed and will enter into force in September 2014. The reduction of the retention period remains on the agenda. The new government will review the relevant strategies (the SME initiative, the qualified professionals initiative (skilled labour), the bureaucracy reduction strategy and the "Gründerland Deutschland" (Start-up's Country Germany).

The German Government does not have a specific strategy for implementing the SBA. However, the scope of its own SME policy agenda is comparable to that of the SBA. The national reform programme also touches on some SBA areas without referring explicitly to it.

Germany has an SME envoy, based in the Federal Ministry of Economic Affairs and Technology. While the introduction of an SME envoy is widely regarded as positive, some stakeholders feel that the envoy could be even more effective if the regular contacts and consultations were extended to also include more of the smaller SME associations. With the establishment of the "Young Digital Economy" Advisory Board the involvement of this sector of SMEs has been substantially improved.

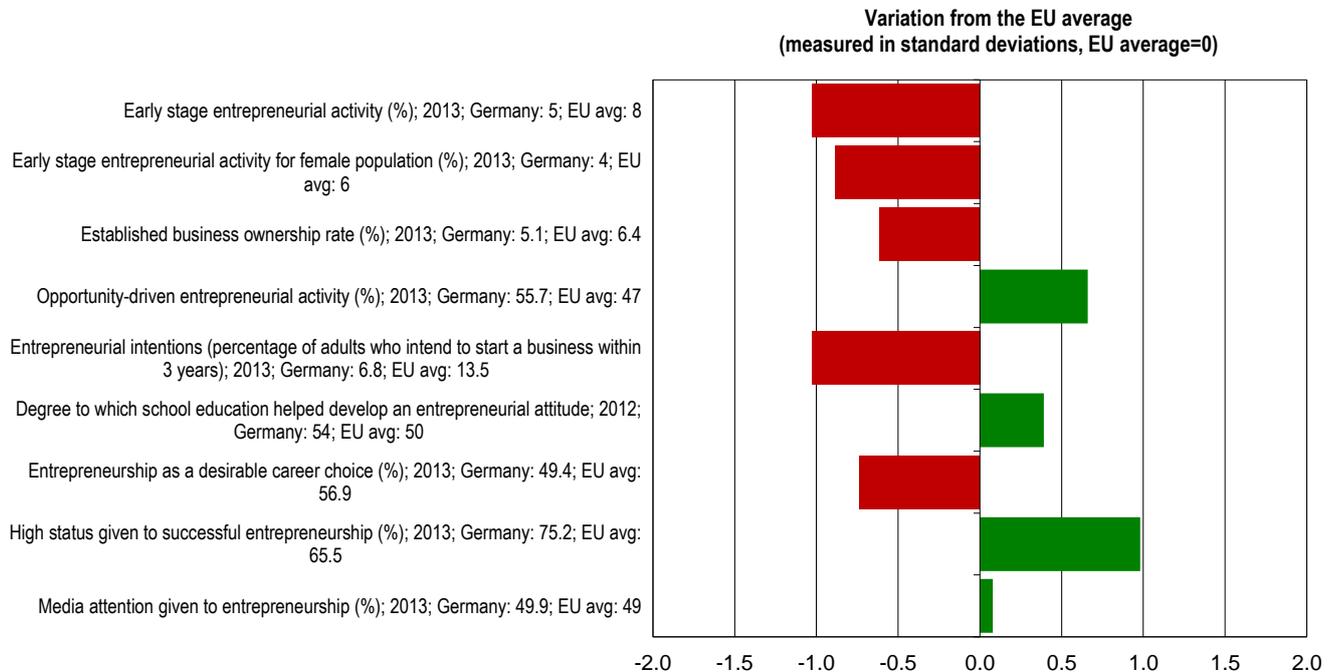
## Germany's SBA performance: status quo and development between 2008 and 2014<sup>28</sup>



### 'Think small first' principle

To successfully implement an SME policy, the 'think small first' principle must be rigorously applied. Germany has made impressive progress in this area, in particular since introducing the 'Normenkontrollrat (Regulatory review Committee)' in 2006 to ensure that legislation takes SME interests into account. It has put all the necessary elements of the 'think small first' principle in place: regular impact assessments that include SME tests if necessary and regular, formalised, early-stage consultations with business stakeholders. Registered investment advisor requirements apply slightly differently to legislative proposals from the different branches of government (federal government, federal parliament and chamber of the Länder), but overall a very rigid system is in place that generally ensures legislation is carefully reviewed from an SME perspective. Exceptions are still possible, though. The recent high-profile policy proposals as regards the introduction of a general minimum wage and the reduction of the pensionable age which the new coalition Government introduced were presented to the NKR at a relatively late stage and it is not clear to what extent its rather critical assessment will be actually taken on board. Although, these are high-profile incidences, in general the SME interests play a very prominent role not only in the public discussions of new legislation but also with the policy-making of administrations on all levels.

# Entrepreneurship



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

For Germany, the SBA principle of ‘Entrepreneurship’ reveals the weakest performance of all SBA areas. The overall area average puts Germany in line with the EU average. However, for many indicators it lags behind many of the other Member States, sometimes by a wide margin. This is the case for all indicators measuring the general level of entrepreneurial and start-up activity, such as early stage entrepreneurial activity, early stage entrepreneurial activity for the female population and the established business ownership rate (see also section one for the negative net business demography figures that reflect this). Over three quarters of the German population think that successful entrepreneurs are held in high regard (compared to less than two thirds for the EU). Despite this and despite the many successful SMEs that are role models for aspiring entrepreneurs and the generally favourable entrepreneurial conditions, the level of entrepreneurial activity is relatively low. A number of factors do explain this however.

- In general, Germans are less keen on being self-employed than other Europeans.
- Very good labour market conditions have cemented this attitude. Existing companies that offer brilliant career opportunities are

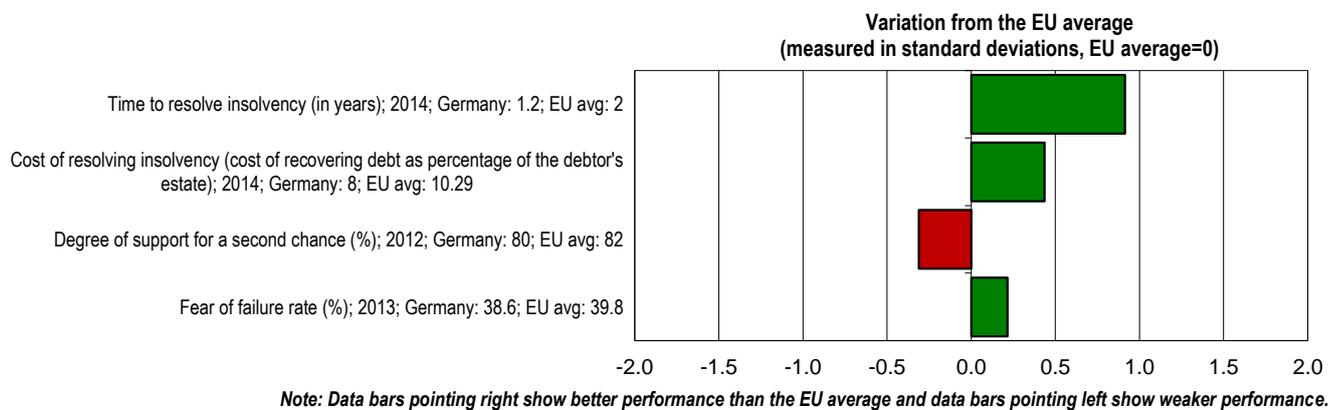
always looking for more staff, especially highly skilled people. This further depletes the number of potential entrepreneurs.

- There are ever fewer young people in Germany — the very people who are likely to start a business.
- The increased risk awareness of potential entrepreneurs further exacerbates the situation. As the very high proportion of opportunity-driven entrepreneurs (almost 57% versus 47% for the EU) suggests, would-be entrepreneurs take longer to plan their business before starting up. While this is definitely a good thing, in particular for the sustainability of the business, the flip side is a much lower level of overall entrepreneurial activity.
- Instead of the former broad-based, hands-off approach, the focus of policy support measures has recently shifted to fewer, more promising, often high-tech business ventures. The recent changes to the funding scheme for starters (“Gründungszuschuss”) are a case in point.

Apart from the changes made to the funding scheme to help unemployed people find a job, no other significant policy measure has been identified in this area. It remains to be seen whether shifting the policy focus is the right thing to do given current demographic trends affecting businesses. Given the

decline in the number of young people, it seems advisable to harness the start-up potential of population groups such as women, immigrants and senior citizens, since these groups are relatively under-represented in terms of entrepreneurial activity.

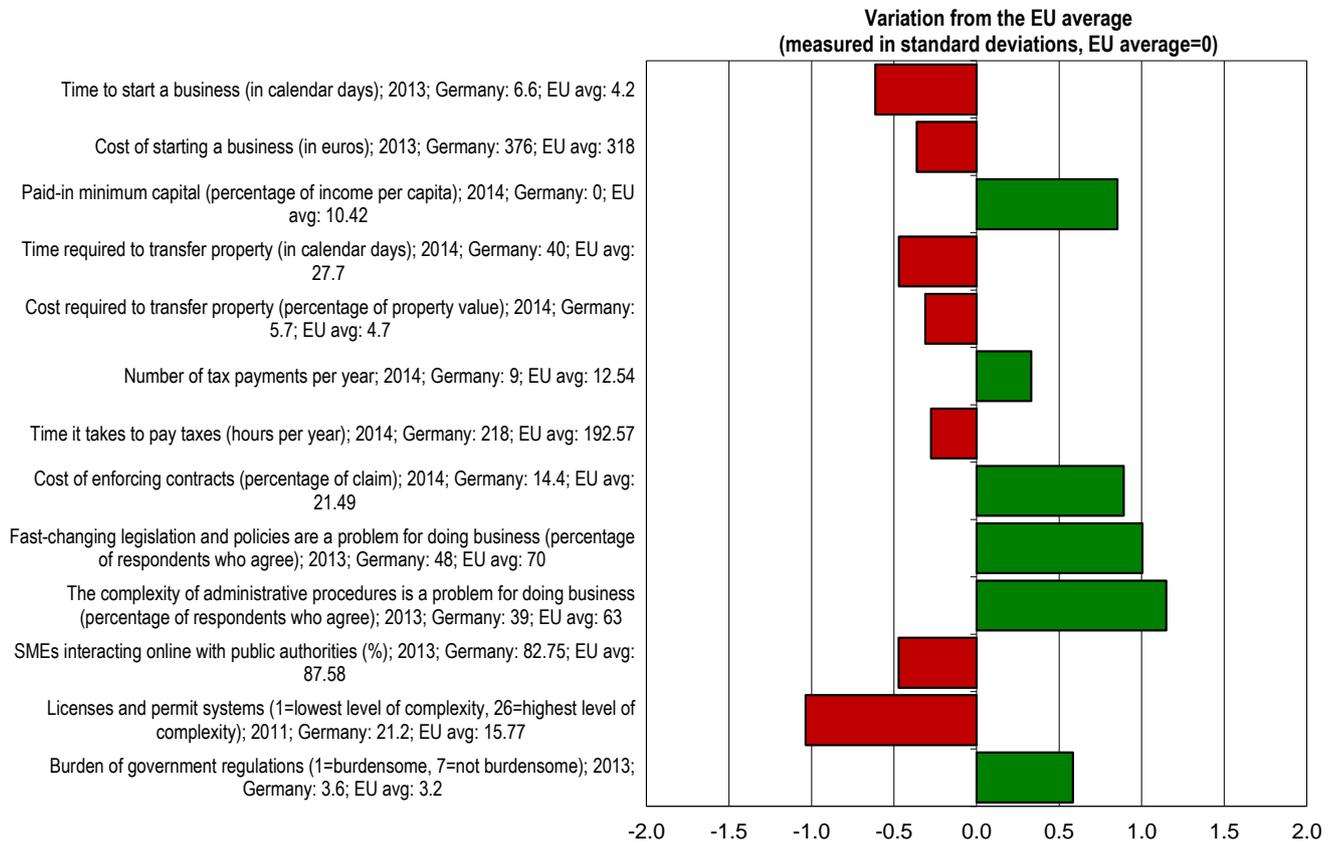
## Second chance



Policy conditions in Germany for entrepreneurs who have failed in business before continue to be more favourable than in the rest of the EU. It takes only about half as long as in the rest of the EU (1.2 versus 2 years) to resolve insolvency. The only, but very important, factor working against second chance entrepreneurs is their relatively low level of support (80%), which is slightly lower than in the rest of the

EU (82%). Combined with the relatively low levels of entrepreneurial activity, this meant that progress in this area was moderate. The Federal Ministry of Justice and Consumer Protection has implemented a measure modifying the Insolvency Regulation. It aims to reduce the discharge time from six to three years, freeing debtors of their remaining debt more quickly and enabling them to risk starting a new business.

## Responsive administration



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

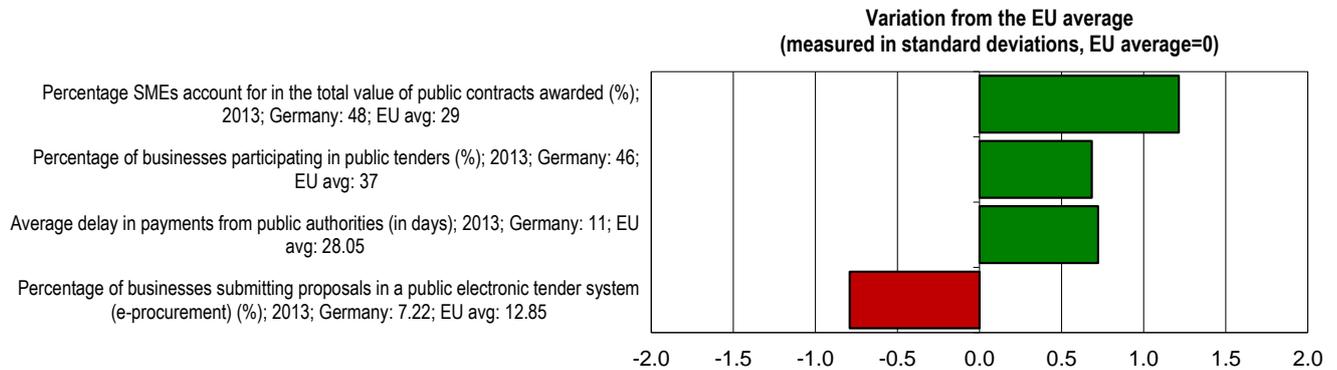
Traditionally, Germany tends to perform in line with the EU average in this area. Overall administrative conditions tend to be more SME-friendly than in the rest of the EU. As a result, much fewer business owners report problems related to too frequent changes in legislation (48 % versus 70 % in the EU), the complexity of procedures in general (39 % versus 63 %) and the cost of enforcing contracts. Germany's performance is also above the EU average in terms of paid-in minimum capital (effectively non-existent). There are problems in other administrative areas however. The licensing and permit system is more complicated than in the EU in general. Start-up and property-related conditions also need to catch up with the EU average in terms of cost and time. Start-up conditions actually worsened slightly between 2012 and 2013. Fewer SMEs in Germany than in the rest of the EU interact electronically with public authorities (83 % versus 88 %). The situation is less clear-cut with regard to taxes. While German SMEs have to pay fewer taxes a year than their EU counterparts, they

nonetheless spent almost 18 % more time paying them (192.5 hours versus 210 hours).

Many measures were taken in 2013 and the first quarter of 2014. They include the following.

- The federal government proposed a law on facilitating e-government to reduce the bureaucratic burden on companies by improving the conditions for digital communication between companies and public administrative bodies.
- The Young Digital Economy Advisory Board was set up in January 2013. It advises the government on current issues relating to the information and communication industry, particularly on the development and potential of the young digital economy, on new digital technologies and on how to provide start-ups with a better environment in which to grow.

## State aid and public procurement



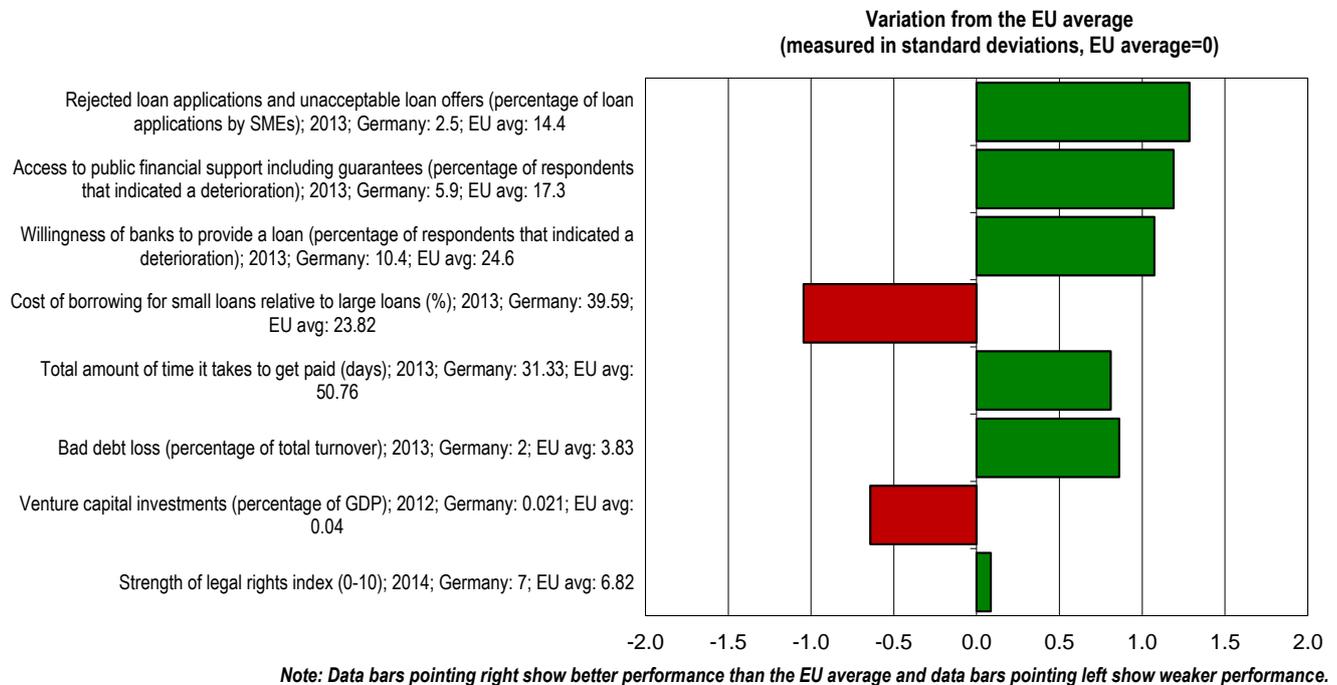
*Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.*

Compared to last year, Germany's relative overall performance improved, rising above the EU average in this area. Overall, the chances for SMEs to tap into the public procurement market are much better than elsewhere in the EU. German SMEs participate more in public tenders (46% versus 37% for the rest of the EU), obtain more of the contracts awarded (46% versus 37%) and receive payment from public authorities for these contracts much faster than their EU counterparts (11 days versus 28 days). Only in the

use of electronic means of bidding in public tenders does Germany lag behind the EU average (7% versus almost 13%).

Against this background, policy progress was moderate, with only one major new policy measure adopted in 2013 and the first quarter of 2014. The Federal Ministry of Economics and Energy developed a tool for public procurement authorities to divide public contracts into lots to make it easy for SMEs to access tenders.

## Access to finance



In general, it is easier for German SMEs to access finance than it is for most of their EU counterparts. Germany's position above the EU average in this area reflects this. For some indicators there is quite a big difference from the EU average. This is especially the case for loan-based financing. The proportion of rejected loan applications is only a sixth of the EU average (2.5 % versus 14.4 %). This ratio has not only dropped further from an already low 4 % last year. Germany now outperforms all other Member States for this indicator. Compared to almost a quarter of SMEs in the rest of the EU, over the past 12 months only 10% of German SMEs complained that banks were less willing than before to give them loans. Compared to over 17% in the EU, only about 6% of German SMEs reported that it was more difficult for them to obtain public support, through guarantees for example. With regard to loan-based financing, only the relative higher interest mark-ups German SMEs face put them at a disadvantage compared to their EU counterparts. Cash flow indicators, e.g. in the form of payment intervals and bad debt losses, also put German SMEs in a more favourable position on average than SMEs in the rest of the EU. For example, a German SME only has to wait 31 days to get paid, while the EU average is almost four working weeks longer. In terms of start-up financing (e.g.

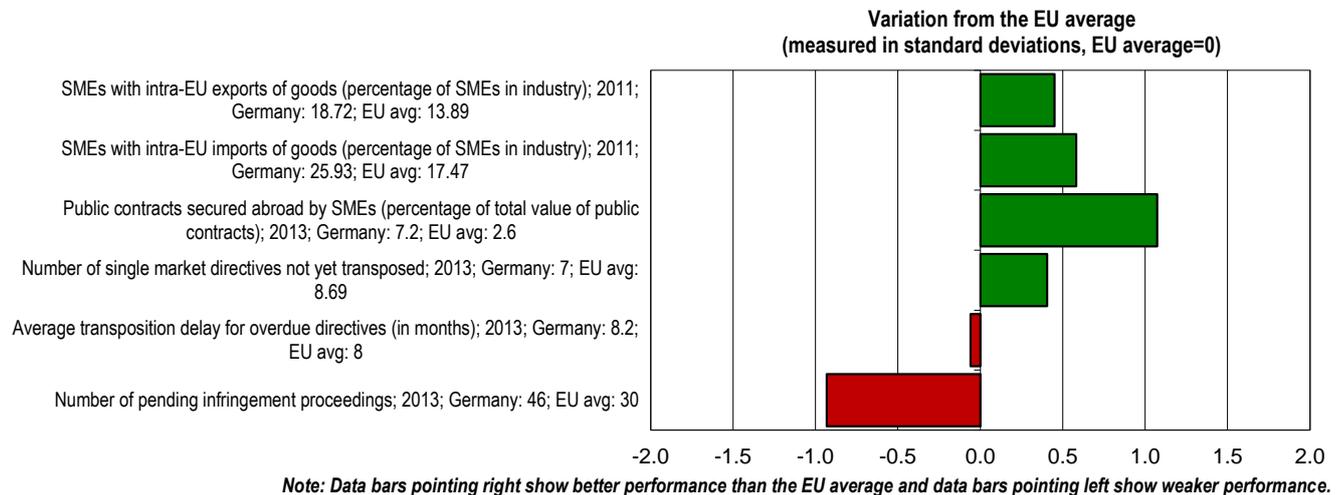
venture capital funding) though,, Germany is not ahead within the EU. Unlike established businesses, start-ups appear to have to deal with a business environment that is at least as difficult as elsewhere in the EU. The exception is IT-based start-ups. These are mostly located in Berlin, where access to first-round funding seems to have improved in recent years (although the availability of capital for later stages of business development has apparently not increased at a similar pace). In fact, Germany lags behind the EU average for venture capital investments.

Moderate policy progress was made in this area in 2013 and the first quarter of 2014, with few new measures implemented.

- In autumn 2013 the micro mezzanine fund Germany was set up to help viable SMEs access micro mezzanine finance, providing silent investments up to EUR 50 000.

- An investment grant for business angels ("INVEST") has been introduced to make the access to venture capital easier for innovative SMEs and to motivate new and already active business angels to invest.

## Single market

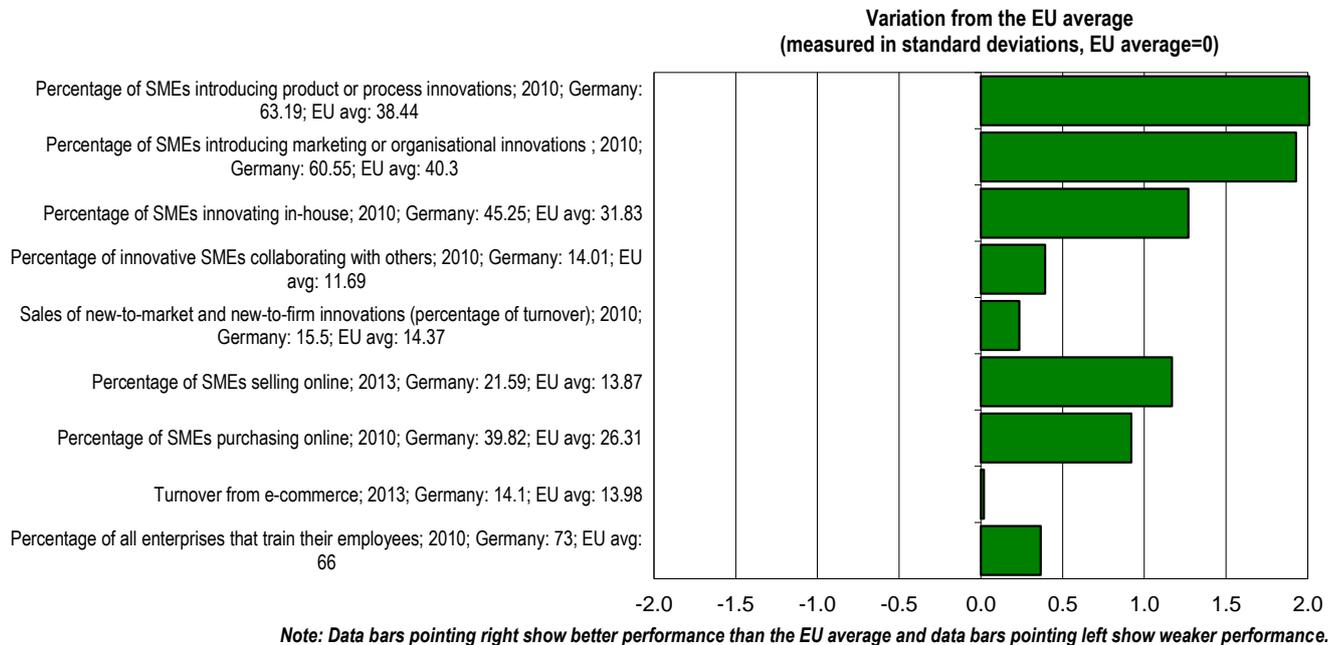


Germany's overall single market score is in line with the EU average. However, SMEs are much more active than their EU counterparts. Almost one in five German SMEs in the manufacturing sector directly exports to other Member States (compared to less than 14% on average in the EU as a whole). More than one in four manufacturing SMEs import directly (18% for the EU). The proportion of German SMEs that have won public contracts in other Member States is almost three times the EU average (7.2%

versus 2.6%). Policy can still improve. Germany has not implemented single market legislation as quickly as other Member States and is subject to a number of infringement procedures. However, there are relatively few single market directives it has not yet implemented at all.

Policy progress in 2013 and the first quarter of 2014 was limited, with only a few sector-specific measures implemented.

## Skills and innovation



Germany is way ahead of the EU average in skills and innovation. On ‘SMEs introducing product or process innovations’, ‘SMEs introducing marketing and organisational innovations’ and ‘SMEs innovating in-house’ it comes out on top of all EU-28 Member States. Compared to that of its EU counterparts, Germany’s profile shows no weakness. The excellent performance of its SMEs in this area is the result of carefully designed innovation-friendly policies in recent years.

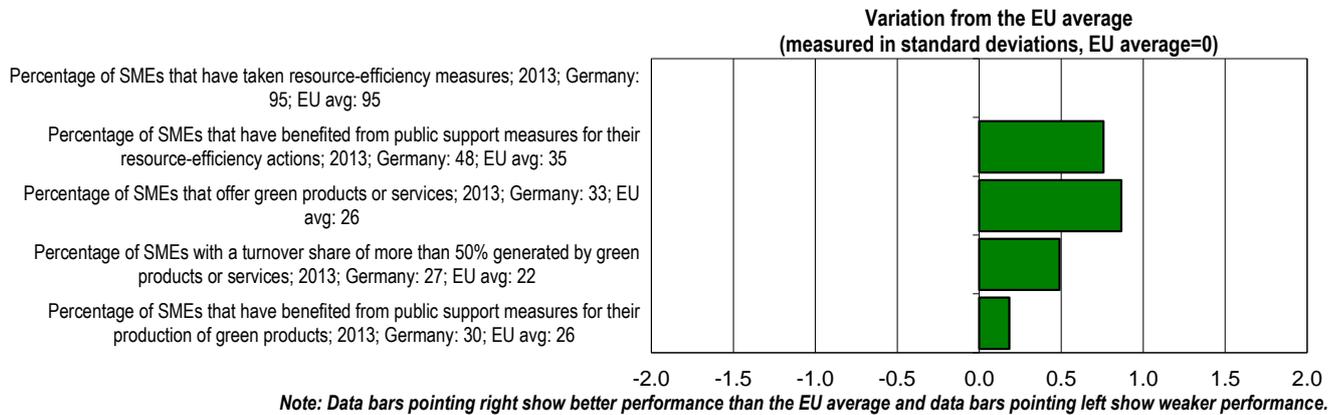
Against the background of robust policy support, progress in this area was modest, with only a few measures implemented in 2013 and the first quarter of 2014.

The Competence Centre for Securing Skilled Labour was set up in 2011 to raise SMEs’ awareness with

regard to securing skilled labour. It gives them information, advice and examples of other SMEs’ good practice. It also organises workshops in which SMEs can participate.

In 2013, the federal government set up a web-based assessment portal for recognising foreign professional qualifications. It is intended to make the assessment/acknowledgement procedures for foreign professional qualifications more transparent and make procedures easier to follow for skilled foreign workers.

## Environment



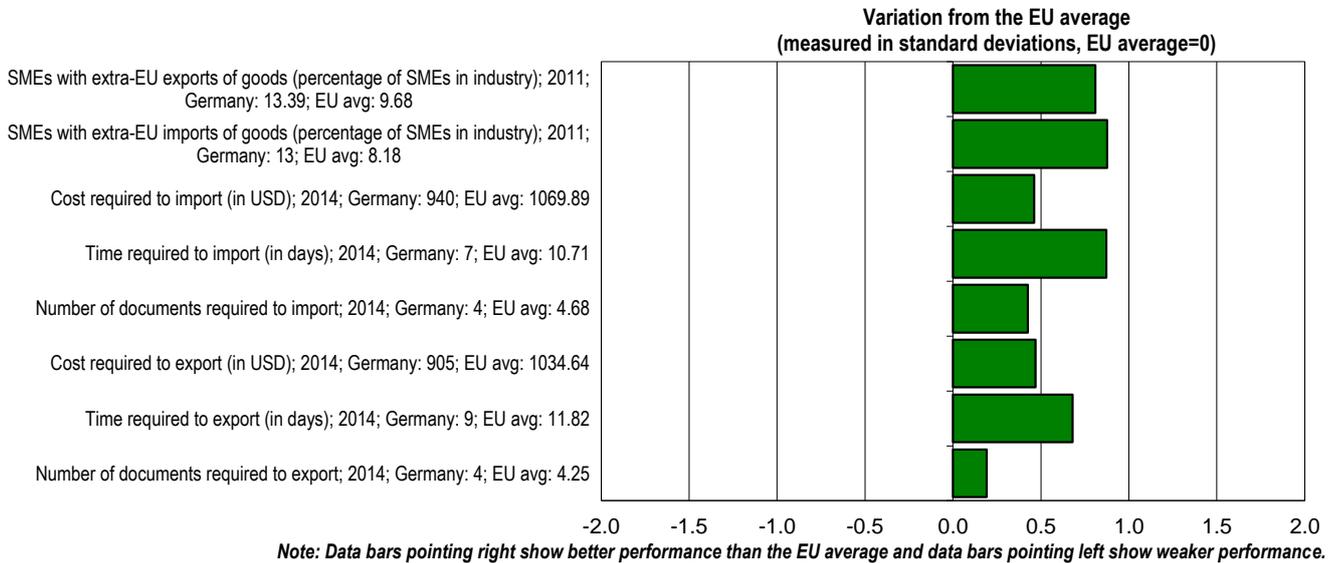
Germany continues to perform at or above the EU average in this area. The proportion of SMEs offering environmentally friendly products is considerably higher in Germany than in the rest of the EU (33% versus 26%). This also applies to SMEs that specialise in such products and have built their business model around them (as the fact that they generate more than half of their turnover shows). That is impressive, given Germany used to lag behind the EU average on this account. This seems to be partly as a result of policy support. More SMEs in Germany than in the EU on average say that they have received public support for making 'green' products. Many more German SMEs than in the rest of the EU have obtained some form of public support for implementing measures to become more resource-efficient (48% versus 35%), but the same proportion of SMEs as the EU average have actually taken such measures. Given more than nine out of 10 SMEs took

such measures in the EU, it is difficult for German SMEs to stand out as they do in terms of 'green' products.

Only two significant policy measures were implemented in 2013 and the first quarter of 2014.

- The SME initiative for energy transition was implemented in January 2013. It helps German SMEs implement the energy transition as part of the economy-wide project to change over to renewable energy sources.
- Financial support arrangements for investments in highly efficient horizontal technologies were changed in 2013. SMEs can now get financial support for projects aimed at lowering their energy consumption.

## Internationalisation



German SMEs are renowned for internationalisation. The statistics confirm this. Eurostat figures for manufacturing trade might even underestimate the international exposure of German SMEs. It is supported by a very favourable trading environment with relatively low costs and few administrative formalities and delays. Germany's overall score for this area is nonetheless in line with the EU average. This is because for most trading environment indicators, its advantages in relation to the EU average are relatively minor. As in the case of innovation, for many years now Germany has had a highly sophisticated set of trade support measures in place. This has left little room for introducing groundbreaking new measures. Many new measures introduced in recent years focused on targeted support for specific sub-sectors. In recent years therefore existing measures have mainly been fine-tuned and modified. This was also the case for 2013 and the first quarter of 2014 (e.g. the Hermes guarantee schemes and schemes for the participation of young innovative enterprises in international fairs).

### 3. Good practice

Below is an example of an interesting policy practice from Germany to show what governments can do to support SMEs:

#### Investment Grant for Business Angels (“INVEST”)

If a business angel invests in a young and innovative SME, a public investment grant of 20% of the investment reduces the risk. The business angel must invest a minimum of EUR 10 000, the grant is allowed for a maximum investment of EUR 250 000 per year. The minimum retention period is three years. The application procedure is fast and simple.

The aim of the measure is to make it easier for innovative SMEs to obtain venture capital by motivating new and already active business angels to invest in Germany. This will increase the availability of venture capital.

The measure is considered innovative because it supports business angels directly. SMEs benefit from the measure indirectly, because the applicability of the investment grant and the reduction of the risk are arguments in favour of the investment decision.

The Ministry adopted the regulation relating to the measure in April 2013 and the scheme has been open for applications since 15 May 2013. About 1100 applications from start-ups and 850 applications from business angels were received between May 2013 and August 2014.

#### References:

[http://www.bafa.de/bafa/de/wirtschaftsfoerderung/investitionszuschuss\\_wagniskapital/rechtsgrundlagen/richtlinie.pdf](http://www.bafa.de/bafa/de/wirtschaftsfoerderung/investitionszuschuss_wagniskapital/rechtsgrundlagen/richtlinie.pdf)

<http://www.bmwi.de/Dateien/BMWi/PDF/Monatsbericht/Auszuege/08-2013-wagniskapital,property=pdf,bereich=bmwi2012,sprache=de,rwb=true.pdf>

### Important remarks

The Small Business Act (SBA) Fact Sheets are produced by DG Enterprise and Industry as part of the SME Performance Review (SPR), which is its main vehicle for economic analysis of SME issues. They combine the latest available statistical and policy information for the 28 EU Member States and nine non-EU countries which also contribute to the EU’s Competitiveness and Innovation Framework Programme (CIP). Produced annually, the Fact Sheets 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 States’ policies but should be regarded as an additional source of information designed to improve evidence-based policy-making. For example, the Fact Sheets cite only those policy measures deemed relevant by local SME policy experts. They do not, and cannot, reflect all measures taken by the government over the reference period. More policy information can be found on a database accessible from the SPR website. Please also see the end notes overleaf.

### For more information

SME Performance Review:

[http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/index\\_en.htm](http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/index_en.htm)

Small Business Act:

[http://ec.europa.eu/enterprise/policies/sme/small-business-act/index\\_en.htm](http://ec.europa.eu/enterprise/policies/sme/small-business-act/index_en.htm)

The European Small Business Portal:

[http://ec.europa.eu/small-business/index\\_en.htm](http://ec.europa.eu/small-business/index_en.htm)

[Entr-SPR@ec.europa.eu](mailto:Entr-SPR@ec.europa.eu)

<sup>1</sup> The 2014 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>2</sup> The high-tech and medium-high-tech manufacturing industry is defined according to the Eurostat definition for 2-digit sectors and NACE Rev. 2. It contains the sectors C21 and C26 (high-tech) and the sectors C20, C27, C28, C29 and C30 (medium-high-tech). For the definition see [http://epp.eurostat.ec.europa.eu/cache/ITY\\_SDDS/Annexes/htec\\_esms\\_an3.pdf](http://epp.eurostat.ec.europa.eu/cache/ITY_SDDS/Annexes/htec_esms_an3.pdf).

<sup>3</sup> KfW-ifo-Mittelstandsbarometer Dezember 2013: Mittelstand geht mit Zuversicht ins neue Jahr ("KfW SME survey December 2013: Small and Medium-sized businesses enter new year with confidence")  
[https://www.kfw.de/PDF/Download-Center/Konzernthemen/Research/PDF-Dokumente-KfW-ifo-Mittelstandsbarometer/2013/KfW-ifo-Mittelstandsbarometer\\_2013-12.pdf](https://www.kfw.de/PDF/Download-Center/Konzernthemen/Research/PDF-Dokumente-KfW-ifo-Mittelstandsbarometer/2013/KfW-ifo-Mittelstandsbarometer_2013-12.pdf).

<sup>4</sup> Calculation based on nominal GDP data from the Commission's annual macro-economic database (AMECO).  
[http://ec.europa.eu/economy\\_finance/ameco/user/serie/SelectSerie.cfm](http://ec.europa.eu/economy_finance/ameco/user/serie/SelectSerie.cfm).

<sup>5</sup> Statista: <http://de.statista.com/statistik/daten/studie/2425/umfrage/gfk-konsumklima-index/>

<sup>6</sup> DIHK, 'The economy shifts up a gear' <http://www.dihk.de/themenfelder/standortpolitik/konjunktur-und-wachstum/umfragen-und-prognosen/archiv-der-dihk-konjunkturumfragen>.

<sup>7</sup> DIHK, 'The Economic Situation and Expectations for 2014 — Fall 2013'  
<http://www.dihk.de/themenfelder/standortpolitik/konjunktur-und-wachstum/umfragen-und-prognosen/archiv-der-dihk-konjunkturumfragen>.

<sup>8</sup> ZDB (2014), p. 6.

<sup>9</sup> Gesetz für Stabilität und Beschäftigung ("Stability and employment law"):  
<http://www.bmwi.de/BMWi/Redaktion/PDF/Gesetz/gesetz-fuer-stabilitaet-und-beschaeftigung,property=pdf,bereich=bmwi2012,sprache=de,rwb=true.pdf>.

<sup>10</sup> [http://www.bmvi.de/DE/BauenUndWohnen/Bauwesen/Baufauftragsvergabe/VergabeUndVertragsordnungFuerBauleistungenVOB/vergabe-und-vertragsordnung-fuer-bauleistungen-vob\\_node.html](http://www.bmvi.de/DE/BauenUndWohnen/Bauwesen/Baufauftragsvergabe/VergabeUndVertragsordnungFuerBauleistungenVOB/vergabe-und-vertragsordnung-fuer-bauleistungen-vob_node.html).

<sup>11</sup> ZDB (2014), 'ANALYSE & PROGNOSE, Bauwirtschaftlicher Bericht 2013/2014', p. 6.

<sup>12</sup> Remark by country expert.

<sup>13</sup> IfM Bonn, <http://www.ifm-bonn.org/statistiken/gruendungen-und-unternehmensschliessungen>.

<sup>14</sup> Ibid.

<sup>15</sup> Ibid.

<sup>16</sup> Bundesagentur für Arbeit, Monatsbericht, January 2014.

<sup>17</sup> Referring to 'Neugründungen', a subset of all registered businesses that genuinely are newly created businesses.  
<https://www.destatis.de/DE/ZahlenFakten/GesamtwirtschaftUmwelt/UnternehmenHandwerk/Gewerbemeldungen/Methodisches.html>.

<sup>18</sup> Statistisches Bundesamt: <https://www.destatis.de/DE/ZahlenFakten/GesamtwirtschaftUmwelt/UnternehmenHandwerk/Gewerbemeldungen/Gewerbemeldungen.html>.

<sup>19</sup> DIHK, <https://www.destatis.de/DE/Publikationen/Thematisch/UnternehmenHandwerk/AlteAusgaben/GewerbeanzeigenAlt.html>.

<sup>20</sup> KfW, 'KfW-ifo-Mittelstandsbarometer: Januar 2014', [https://www.kfw.de/PDF/Download-Center/Konzernthemen/Research/PDF-Dokumente-KfW-ifo-Mittelstandsbarometer/2014/KfW-ifo-Mittelstandsbarometer\\_2014-01.pdf](https://www.kfw.de/PDF/Download-Center/Konzernthemen/Research/PDF-Dokumente-KfW-ifo-Mittelstandsbarometer/2014/KfW-ifo-Mittelstandsbarometer_2014-01.pdf).

<sup>21</sup> DIHK, 'DIHK-Economic Survey', February 2014: <http://www.dihk.de/themenfelder/standortpolitik/konjunktur-und-wachstum/umfragen-und-prognosen/archiv-der-dihk-konjunkturumfragen>.

<sup>22</sup> GfK, 'Konsumklima leicht verbessert'

[http://www.gfk.com/de/Documents/Pressemitteilungen/2014/20140226\\_GfK-Konsumklima-Februar-2014\\_dfin.pdf](http://www.gfk.com/de/Documents/Pressemitteilungen/2014/20140226_GfK-Konsumklima-Februar-2014_dfin.pdf).

<sup>23</sup> DIHK, 'DIHK Economic Survey', February 2014: <http://www.dihk.de/themenfelder/standortpolitik/konjunktur-und-wachstum/umfragen-und-prognosen/archiv-der-dihk-konjunkturumfragen>.

<sup>24</sup> BMWi, Jahreswirtschaftsbericht 2014: <http://www.bmwi.de/DE/Mediathek/publikationen.did=624768.html>.

<sup>25</sup> DIHK, 'DIHK Economic Survey', February 2014: <http://www.dihk.de/themenfelder/standortpolitik/konjunktur-und-wachstum/umfragen-und-prognosen/archiv-der-dihk-konjunkturumfragen>.

<sup>26</sup> The three graphs below present the trend over time for the variables. They consist of index values for 2008 to 2015, with the base year 2008 set at a value of 100. As from 2012, the graphs show estimates of the development over time, produced by DIW Econ on the basis of 2008–11 figures from the Structural Business Statistics Database (Eurostat). The data cover the '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 the financial sector, 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/enterprise/policies/sme/facts-figures-analysis/performance-review/index\\_en.htm](http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/index_en.htm).

<sup>27</sup> The policy measures presented in this SBA Fact Sheet represent only a selection of the measures taken by the government in 2013 and the first quarter of 2014. The selection was made by the national SME policy expert contracted by CARSA Spain (DG Enterprise's lead contractor for the 2014 Fact Sheets). The experts were asked to select only those measures that, in their view, were the most important, i.e. were expected to have the highest impact in the SBA area in question. The complete range of measures that 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 Enterprise website.

<sup>28</sup> The quadrant chart combines two sets of information: first, it shows current performance based on data for the latest available years. This information is plotted along the x-axis measured in standard deviations of the simple, non-weighted arithmetical average for the EU-28. The vertical corridor marked by the dotted lines defines the EU average. Secondly, it reveals progress over time, i.e. the average annual growth rates for 2008–14. The growth rates 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 rest of the EU at a given point in time, but also about the extent of progress made in 2008–14.