“Future of the German Mittelstand” Action Programme

New edition 2016
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I. The “Mittelstand” is the backbone of the German economy

With their unique blend of performance, success and social responsibility, the “Mittelstand” companies in Germany embody our approach to economic success. Known in Germany – and increasingly worldwide – as the “German Mittelstand”, our small and medium-sized enterprises (SMEs) are indispensable for growth, jobs and innovation in Germany. The family businesses in particular are representative of a business culture which brings together ownership, liability and management. These business people think in terms not of quarterly figures, but of generations. They derive their particular strength from long-term relations with their employees, suppliers and customers. Their traditionally strong regional ties and well-developed sense of commercial responsibility make them a pillar of our Social Market Economy.

More than 99% of our companies are categorised as “small or medium-sized”; more than 84% of all trainees receive their instruction there; SMEs provide nearly 60% of all jobs. 56% of our economic output is generated by the Mittelstand.

The German Mittelstand is diverse, innovative and internationally successful. Alongside the many small and medium-sized enterprises, the start-ups, skilled craft firms and self-employed persons, Germany particularly benefits from the larger “Mittelstand” companies. Many hidden champions from Germany work closely with their clients all round the world to develop highly specialised innovative products and solutions. The secret to their success is top quality products, a high depth of manufacturing, and concentration on core capabilities. The strong export performance of German SMEs results not only in higher sales abroad, but also in higher growth in Germany.

This new edition of the “Future of SMEs” Action Programme documents the evolution of our SME policy. We have made progress in many different areas. However, we regard the improvement of the business environment for the Mittelstand companies as an ongoing task, and are therefore advocating further measures.

Cutting red tape

The Act to Reduce Bureaucracy and the reform of procurement law undertaken in 2015 have stimulated relief for the Mittelstand totalling €1.4 billion. In order to create further scope for SMEs to act, we are aiming to further simplify the law: so that our tax law can meet the needs of a modern society and an efficient economy, and to help the companies obtain more liquidity for investment, we are particularly calling for an increase in the depreciation threshold for low-value assets and for a rise in the turnover threshold for the actual VAT payments.

Digitisation

The Plattform Industrie 4.0 is one of the largest networks of its kind – both at national and international level. It supports German companies, especially SMEs, as they manage the digital transformation towards Industrie 4.0. In the “Mittelstand 4.0 Centres of Excellence” funded by the Economic Affairs Ministry, companies can test their own technical developments and interfaces with products and clients before they invest in customised systems. At the same time, four agencies are keeping Mittelstand companies up-to-date with the latest technological developments in the fields of the cloud, processes, trade and communications. We are calling for the establishment of a Mittelstand Digital Investment Programme to stimulate investment by SMEs in IT projects.

In view of rapid technological progress and growing demand, the expansion of a nation-wide, high-performance network infrastructure with transmission rates of at least 50 megabits/second can only be an interim step.
For the future, the expansion of optical fibre networks must be rigorously continued in order to enable internet access with constantly high bandwidth in the range of a gigabit per second. The Guidelines for Broadband Funding and the planned effective expansion of high-speed digital networks show that Germany is already *en route* to become a gigabit society. In particular, it is necessary to ensure that gigabit connections are available nation-wide for companies. The Economic Affairs Ministry has published important ideas for this and other issues relating to digitisation in its 2025 Digital Strategy.

Since data are the key raw material of a digital economy, we want to further improve the preconditions for these data to be used securely in SMEs and for “data sovereignty” (the control over one’s own data) to be upheld.

### Financing start-ups and growth

In order to respond to the changed competitive conditions of the digital age with its disruptive innovations, the Economic Affairs Ministry is providing some €2 billion in public funding to strengthen the venture capital market. To this end, the established federal funding programmes have been expanded and topped up (e.g. EXIST, ERP/EIF fund of funds, European Angels Fund, INVEST) and new financing instruments set up (e.g. coparion, the co-investment fund totalling €225 million together with the KfW, and the ERP/EIF Growth Facility totalling €500 million together with the European Investment Fund).

In order to preserve jobs as companies are handed on to the next generation of entrepreneurs, we are continuing to call for the inheritance tax to be designed to be as SME-friendly and simple as possible.

### Securing a sufficient supply of skilled labour and integrating refugees

The Alliance for Initial and Further Training, which we have launched together with the Federal Employment Agency, the business community, the trade unions and the Länder, has set key measures in motion.

The Alliance is making key contributions towards boosting “dual” vocational training, particularly by means of intensive campaigning for in-company training places and the new support instrument called “assisted training”.

In order to tackle the key challenge facing society, i.e. to integrate refugees in training and employment, we have established training and integration services in the context of the new Integration Act, based on the principle of supporting and challenging the target audience. Irrespective of the age of the refugee and the outcome of his or her asylum process, the “3+2” rule creates legal certainty for refugees and companies offering training.

In order to further remove barriers and uncertainties relating to the employment of refugees, the Economic Affairs Ministry is funding up to 150 “refugee guides” based at the regional chambers and business organisations; for an initial three-year period, these will support SMEs with the integration of refugees via internships, training and employment, and will advise them on all practical issues.

In order to assist companies as they seek qualified professionals around the world and to provide information to professionals abroad who are interested in working in Germany, we will vigorously continue and develop the many information services offered by the Federal Government, the chambers and associations (e.g. the “Make it in Germany” website, the BQ Portal for information on foreign qualifications).

In view of the many global challenges, the Economic Affairs Ministry is engaged in a dialogue with its partners from business and science in a variety of other fields with a view to maintaining the competitiveness of the German Mittelstand.
II. Key challenges for the German Mittelstand

SMEs are particularly exposed to the impact of the megatrends of our time

All companies need to develop solutions and strategies to cope with globalisation and European integration, with demographic change and the growing skills shortages, with digitisation of our private lives and commercial activity, and with the energy transition heralding more renewable energy and higher energy efficiency. However, many SMEs face particularly great challenges due to their size or to their management and staff structure.

We need more entrepreneurs and entrepreneurship

If our successful economic model is to remain strong and dynamic, we need more entrepreneurs who develop new markets and thus create growth and lasting jobs. The idea of being an entrepreneur must become exciting again. There is a particularly large potential amongst women, since at present only one in three companies is founded by a woman.

The segment of innovative technology-oriented start-ups offers hope: its business models in major cities are causing the German start-up scene to attract international attention.

The handover of Mittelstand companies to the next generation is in full swing

The question of who will take over the reins of established companies is one of the key challenges. Many entrepreneurs encounter difficulties with finding a successor who will lead their business legacy to a successful future. The KfW estimates that approx. 580,000 SMEs employing more than 4 million people will need to be handed on to the next generation between 2013 and 2017. The demographic development is exacerbating the problem: more and more business people are reaching retirement age – but there are fewer and fewer potential successors. We are facing not only a skills shortage, but also a managerial shortage.

If the handover of businesses to the next generation is not to be made even more difficult due to liquidity problems relating to the inheritance tax, we will need an SME-friendly change to the rules which meets the stipulations of the Federal Constitutional Court. The focus must be on preserving jobs, maintaining the capacity to invest, and preserving the SME-based and family-based corporate structures in Germany.

Mittelstand companies need start-up and growth funding that can match that available in other countries

Start-ups which offer particularly great potential for innovation and growth need to be able to access enough venture capital in order to unleash their potential on the world’s markets. However, Germany has lagged well behind the Anglo-Saxon countries and Israel when it comes to venture capital. Relative to economic output, for example, the U.S. venture capital market is ten times the size of Germany’s, and the Israeli market is twenty times as large. The shortage of venture capital is putting the brakes on the growth of innovative companies in Germany.

Mittelstand companies are particularly affected by skills shortages

Firstly, Germany is generally facing tougher international competition to attract the best brains; secondly, SMEs compete with large companies to recruit skilled workers. If we are to be able to cover our skills needs in future, we need both: optimal activation of the domestic pool of skilled labour through practical vocational training, and more qualified professionals from abroad. The “dual” system of vocational training is to be made more attractive, and the public recognition it enjoys is to be strengthened further.

Compared with large companies, Mittelstand companies are far more burdened by red tape

The burden of bureaucracy on medium-sized companies is roughly four times as great as that on large companies, and micro-enterprises actually suffer up to twelve times as much from red tape. The compliance costs of statutory and other rules borne by SMEs are also disproportionately great, since many such companies lack the staff to handle these tasks. The targeted reduction of bureaucracy and compliance costs, along with leaner administrative procedures, could give SMEs space to concentrate more on their core work and thus contribute even more towards creating training places and jobs, innovation and growth.
II. KEY CHALLENGES FOR THE GERMAN MITTELSTAND

Mittelstand companies must become aware of the opportunities and risks of digitisation

Mobile communications and internet use, cloud computing, the growing significance of social networks and Big Data are rapidly transforming our society and economy. Well over 90% of companies believe that their production and business processes are affected by digitisation, but recent studies also show that many SMEs are not yet sufficiently aware of the impact of digitisation on their company. For this reason, economic policymakers need to ensure that SMEs are made more aware of the opportunities like new business models and the optimisation of business processes, but also of risks like data protection and data security.

We need to enhance the capacities of Mittelstand companies to innovate

Future competitiveness depends on present ability to innovate. The declining ratio of innovators (the proportion of companies which have placed an innovation on the market in the last three years dropped from 47% in 2008 to 37% in 2014) should incentivise us to focus more on how we innovate. In particular, we need to support the interaction of SMEs in innovation networks and with research establishments. SMEs also need to pay greater attention to new forms of innovation like “open innovation” in cooperation with customers, suppliers and other external partners.

Even more Mittelstand companies need to grasp the opportunities of globalisation

The volume of world trade will almost quadruple by 2030. The international division of labour will also develop further. Against this background, even more SMEs need to regard globalisation as an opportunity. The Economic Affairs Ministry has instruments available to help SMEs as they venture onto foreign markets; we are continually improving these in dialogue with the business community, and we need to make them even better known to the companies. The reduction of tariff and non-tariff trade barriers also particularly benefits SMEs. For this reason, the Ministry is working to facilitate trade and to conclude bilateral and multilateral free-trade agreements.

We need a more Mittelstand-friendly business environment in Europe

The single European market has also become much more important for SMEs: more than 93% of exporting SMEs supply the European market. For this reason, we need a strong voice to stand up for the interests of SMEs in an SME-friendly internal market and to fight for the reduction of unjustified barriers. At the same time, we need an appropriate balance between the increasing integration of markets and the preservation of successful, well-functioning traditional structures such as self-governance by the business community and its central elements like dual vocational training, the requirement for companies in certain trades to be run by someone with a Master Craftsman’s certificate, the system of chambers, and the system of social partnership.

Mittelstand companies in structurally weak regions need special assistance

In structurally weak regions, small SMEs in particular frequently suffer from disadvantages due to the limited availability of skills and the lack of local business services. The companies also tend to be further away from customers and major sales markets. Where fewer new businesses are being founded, as is particularly the case in the eastern part of Germany, there is the risk that the business community there will melt away in the medium to long term. For this reason, we are looking into region-specific approaches on issues like financing, innovation, access to networks and the promotion of value chains.

Mittelstand companies should make more use of the opportunities deriving from the energy transition

Germany’s energy transition offers major opportunities to small SMEs in particular to expand into new markets like energy services or improving the energy performance of buildings – thus creating local jobs, e.g. in the construction and skilled crafts sectors. SMEs need to be made even more aware of these opportunities and furnished with the information and the access to finance they need. The use of innovative energy efficiency and conservation technologies also cuts the energy costs of many SMEs.
### III. SME Action Programme – 10 fields of action

To ensure that the German Mittelstand can remain healthy, strong and innovative in the face of the challenges sketched out above, the Economic Affairs Ministry, which is responsible in the Federal Government for SME policy, is implementing measures in ten fields. Our 2016 SME policy aims to

- promote the spirit of entrepreneurship,
- strengthen the financing of start-ups and growth,
- tackle the skills shortage,
- press ahead with better regulation and cutting red tape,
- utilise and shape digitisation,
- strengthen innovative capacities,
- support SMEs as they globalise,
- actively shape European SME policy,
- strengthen SMEs in structurally weak regions, and
- support the development of new fields of business deriving from the energy transition.

#### Point 1 – Promoting the spirit of entrepreneurship

A lively start-up scene keeps our economy going, makes for competitive companies and creates viable jobs. Start-ups and company hand-overs are of immense importance for the German economy. Young, agile companies are innovative and will be tomorrow’s Mittelstand.

At the same time, we are seeing a decline in the rate at which new businesses are being set up in Germany. In 2015, the number of start-ups fell for the fifth year in succession, to just under 300,000. However, it is encouraging to see that the number of start-ups in the ICT sector has stabilised at 6,700.

There is a particularly large potential amongst women, since at present only one in three companies is founded by a woman; in the case of highly innovative and high-growth start-ups, the figure is a mere 10%.

Alongside the problem of new companies, the question of who will take over the reins of established companies is also a key challenge. This is particularly true of the eastern part of Germany, since the post-reunification generation of entrepreneurs is now reaching retirement age. The demographic development is already making it more and more difficult to find successors.

Also, an SME-friendly reform of inheritance tax will be crucial for successful handovers to the next generation. The focus must be on preserving jobs and investments.

#### Measures

- Our “New Age for Entrepreneurship” initiative aims to provide a further stimulus to ensure that start-ups, entrepreneurs and company hand-overs enjoy a good business environment in Germany. In particular, the aim is to use modern, innovative formats to raise public awareness and to make the measures more efficient.

- In the nationwide “WOMEN entrepreneur” network, with nearly 180 female entrepreneurs on board, the Economic Affairs Ministry is aiming to boost the spirit of entrepreneurship amongst girls and young women. Since the end of 2014, experienced female entrepreneurs have held more than 250 events encouraging others to set up in business.

- The “EXIST” funding to encourage high-tech spin-offs from academia has been substantially expanded. The start-up grants have been increased by 25% from €2,000 to €2,500 a month; under the EXIST research transfer programme, the amount available for investment grants has more than tripled – from €70,000 to up to €250,000.
In order to improve the sustainability of the entrepreneurship activities and to boost the number of science spin-offs, a new incentive is to be introduced into the EXIST programme this year. Further to this, the EXIST programme is being opened up more to foreign start-up teams which set up in business in Germany (“EXIST Start-up Germany”). A corresponding pilot project with Israel was launched in the summer of 2015; in early 2016, Minister Gabriel welcomed the first start-up teams from Israel to Germany.

- In order to make it easier for young companies, start-ups, people with a migrant background and creative self-employed persons to access credit, the €80 million Micro-credit Fund was re-oriented in May 2015. In order to strengthen the capital base of small and micro-enterprises and to improve their credit-worthiness, the €85 million Micro-mezzanine Fund was set up.

- The German Accelerator Life Sciences (GALS) was opened in Boston in October 2015 to give even more young German start-ups the chance to gain experience on the U.S. market and to build networks. In addition to the German Accelerator (based in Palo Alto and New York), which is focused on ICT, energy and cleantech, there is now a specific, tailored service for young German life science firms in Boston.

- In future, we want to network more young start-ups with established companies, e.g. following the pattern used at the High-tech Start-up Fund’s High-tech Partnering Conference.

- Entrepreneurs with a migrant background are increasingly forming part of Germany’s diverse start-up scene. People with foreign roots found roughly one-fifth of new companies. There are successful entrepreneurs, men and women, with an immigration background in nearly all sectors today. Against the background of the current refugee situation in particular, these entrepreneurs provide role models showing how integration can work in Germany and how people can build up a new life. In the summer of 2015, Economic Affairs Minister Sigmar Gabriel launched a dialogue with the international start-up scene; it is continuing this year. The aim is to talk to the founders of foreign origin about how to improve the environment for start-ups and to remove barriers. Also, we offer information and advisory services for foreign entrepreneurs in other languages (including English, French, Turkish, Russian, Italian and Arabic).

- The revised version of the www.nexxt-change.org matchmaking site, offered by the Economic Affairs Ministry together with the KfW, helps to bring company owners into contact with potential successors. nexxt-change.org will in future be addressing new target groups (e.g. students, university staff). There are plans to provide examples of best-practice for the matching of those wishing to pass on and those wishing to take on companies. Further to this, the funding products of the KfW are available to SMEs to help fund company take-overs.

**Point 2 – Strengthening the financing of start-ups and growth, securing access to corporate finance**

Small and medium-sized enterprises in Germany need access to sound finance. This is a key precondition for the companies to be able to invest and innovate, and thus for the long-term competitiveness of the German Mittelstand. Bank loans will continue to be by far the most important external financing instrument for SMEs. It is therefore particularly important for them to have a sufficient supply of credit at appropriate conditions. Here, SMEs benefit from the tried-and-trusted three-pillar system of private banks, public-law banks and cooperative banks. In addition, there are the traditional services provided by the KfW SME Bank and the guarantee banks.

The situation of loan-based SME financing is very good at present in Germany. Almost 85% of the companies in trade and industry surveyed by ifo say that they do not feel that banks are being restrictive in the provision of credit. However, it is important to continue to monitor the effects of financial market regulation on Mittelstand companies.
The Economic Affairs Ministry aims to ensure that SMEs are not placed at a disadvantage compared with large companies, and that the risk assessment of loans to SMEs is appropriate.

For young, innovative companies, the availability of venture capital is essential. This is an area in which Germany lags well behind other countries. Relative to economic output, for example, the U.S. venture capital market is almost five times the size of Germany’s. The lack of venture capital in Germany creates a risk that young, innovative firms will be unable to grow or will relocate out of Germany.

Since the collapse of the Neuer Markt stock exchange in 2003 and the economic and financial crisis in 2008/2009, there have only been very few IPOs of young, innovative firms in Germany. In 2015, there were 15 IPOs in Germany, compared with 112 on the London stock exchange and 288 in the U.S. in 2014. However, the possibility for venture capital to be able to exit via the stock exchange is crucial.

### Measures

- In order to respond to the changed competitive conditions of the digital age with its disruptive innovations, the Economic Affairs Ministry is providing a total of some €2 billion to strengthen the venture capital market. The following measures offer tailored finance to companies.

  - The launch of a new ERP/EIF growth facility of €500 million will cover the needs of fast-growing, capital-intensive companies sized between €30 and 40 million. This segment of companies has been finding it difficult to obtain finance in Germany. The facility, which was set up together with the European Investment Fund, has been available to investors since March 2016.

  - coparion, a fund launched in mid-March 2016 with a volume of €225 million, supports young technology companies with an above-average growth potential. The focus is on innovative products and services in all sectors.

  - The ERP/EIF Fund of Funds was increased from €1 billion to €1.7 billion in September 2015, helping to meet the needs of high-growth companies for venture capital in future. This includes the funding for the European Angels Fund (EAF), which was boosted from €130 million to €285 million in September 2015. The EAF will make further funding available to boost the investment capabilities of business angels, and will provide incentives to invest in young, innovative companies.

  - With its ERP Venture Capital Fund Investments, the KfW returned to the venture capital market in spring 2015 as an anchor investor for funds. It has a budget for €400 million for this and invests in selected venture capital funds in Germany and Europe which invest in young, growth-oriented, technology companies.

- The “INVEST venture capital grant” provides incentives for business angels to invest in young, innovative companies. The exemption of the grant from taxes on earnings introduced in 2015 has made this instrument even more attractive. This year, INVEST is being substantially expanded, e.g. via the doubling of the eligible investment sum to €500,000, the broadening of the category of eligible applicants, and the reimbursement of taxes on capital gains.

- We want to ensure that tax loss carryforwards are not lost when high-growth companies are refinanced or if strategic investors buy shares.

- The third High-Tech Start-Up Fund is to be launched in 2017. The concept of the public-private partnership (Economic Affairs Ministry, KfW, industrial companies) has proved its worth, and should therefore be retained.
The demographic changes mean that the working-age population will decline by 10.5 million in Germany by 2035. Skills shortages in certain occupations, and particularly in the STEM (science, technology, engineering, and maths) fields, could impair the ability of our economy and society to innovate, compete and grow. The shortfall is not only of graduates, but also and particularly of people with skills in non-academic areas. There are also shortages of skilled workers in the field of industrial services and in the health and long-term care sector.

Even though the situation on the training market stabilised in 2015, with the conclusion of around 503,200 new training contracts, supply and demand do not always match up sufficiently in some regions and sectors. In September 2015, 20,700 applicants were registered at the Federal Employment Agency as being without a training place. At the same time, some 41,000 training places, or 10% more than the year before, remained unfilled.

The immigration to Germany of more than a million people seeking protection, most of them young, will change the situation on the labour and training markets in the medium term.

It offers both opportunities and challenges in terms of the future supply of skilled workers. Even if full use is made of the entire domestic pool of skilled labour, qualified professionals from abroad will be needed. Germany is still competing with the rest of the world here to attract the best brains. Last year, net immigration (including refugees) into Germany was very high. However, there is still no reliable information about the refugees’ skills. Many of them lack academic or vocational qualifications which meet German standards. But since the majority of the refugees are of an age to receive training, there is potential here too. The refugees should therefore be trained and integrated as quickly as possible.

Foreign professionals and German companies are still insufficiently aware of the new German immigration rules and the related opening up of the labour market (EU Blue Card for graduates, positive list of occupations with skills shortages, Western Balkans rule). Potential migrants are to be shown legal ways to immigrate.
III. SME ACTION PROGRAMME – 10 FIELDS OF ACTION

Also, there are a lot of people in Germany who have a foreign vocational qualification, and SMEs have so far made too little use of their skills. This potential must be tapped, as also must the group of foreign students graduating from German universities and colleges.

Measures

- The Federal Government, the Federal Employment Agency, commerce, the trade unions and the Länder entered into the 2015 – 2018 Alliance for Initial and Further Training at the end of 2014. The shared aim of this Alliance is to strengthen vocational training and to promote the equal value of vocational and academic education. The Alliance for Initial and Further Training set key measures in motion in its first year. In particular, the intensive campaigning for "dual" vocational training and the reporting of more training places in companies to the Federal Employment Agency, the new Assisted Training support instrument, the expansion of support to people receiving training, and a comprehensive post-placement concept represent specific contributions from the Alliance for Initial and Further Training to strengthen the dual training system. Also, the partners in the Alliance for Initial and Further Training responded quickly to the arrival of refugees, and particularly of young people: In its declaration “Working together to create opportunities for refugees” of September 2015, the Alliance identified key ways to integrate refugees into the world of work and paved the way for specific measures (e.g. via the expansion and further broadening of integration courses and work-related German-language classes, and a comprehensive information and advisory service for companies and refugees). The partners in the Alliance for Initial and Further Training intend to continue to actively tackle the challenges on the training market. They are currently coordinating specific steps for refugees and for people already on the labour market.

- The programme “Support for small and medium-sized enterprises with finding the right people for training places and with integrating foreign skilled workers” has been expanded to include further advisory elements: some 170 consultants part-funded by the Economic Affairs Ministry are not only helping SMEs as they recruit young trainees from Germany, but are also raising their awareness of the need for a culture of welcome and assisting them as they integrate foreign trainees and foreign skilled workers. At the beginning of 2016, another approx. 140 recruitment advisors were added; these serve as central contacts for companies regarding the integration of refugees into internships, training and work.

- We want to make the younger generation ready for the challenges of the world of work. We are therefore continuing to work with the social partners to keep adapting the training regulations to the rapid advances in technology and particularly to the demands deriving from digitisation. Where necessary, we will introduce new training courses, combine previously separate ones, and abolish obsolete ones. Here, key roles are played by the issues of media literacy, broadband technology and high-speed networks, which are important in the context of digitisation, and by the field of energy and resource efficiency. A preliminary study of the four dual IT occupations is currently underway to find out what skills are needed in the IT sector for the industry to remain competitive.

- The rising level of digitisation in companies (e.g. use of new technologies, increasing project work and thus increase in the need for team skills, situation-appropriate communications and more independent work) is also resulting in a growing significance of social skills in the world of work. Teaching social skills as part of vocational training makes a major contribution towards boosting the quality of training and thus boosts subsequent employment opportunities. Better social skills also help to prevent contracts being terminated prematurely and thus help companies to retain skills resources. We will be launching a support programme for this in the second half of 2016.
• The www.make-it-in-germany.com website of the Economic Affairs Ministry provides qualified professionals and foreign students interested in working in Germany with information about living and working in this country, and helps companies to recruit professionals from abroad. 90% of the more than 9.6 million visitors to this site already come from abroad. The site is being developed further to meet the needs of its target audience. A special emphasis is placed on information about legal migration.

• The “Living and Working in Germany” hotline is a central source of information for migrants and those wishing to migrate, and offers comprehensive telephone support in German and English about immigration, integration, finding work and the recognition of foreign qualifications. The hotline is operated together with the Federal Office for Migration and Refugees and the Federal Employment Agency, involving interministerial coordination between the Economic Affairs Ministry, the Research Ministry and the Federal Employment Agency, and is linked to the “Make it in Germany” website and the Federal Employment Agency’s Virtual Welcome Center.

• The new “Study and Work” initiative seeks out innovative ideas of regional networks of higher education institutions, companies, chambers, employment agencies and other social partners, with a view to improving the integration of foreign graduates at German higher education institutions into the regional labour market. “Study and Work” is being co-funded by the Stifterverband für die Deutsche Wissenschaft (Donors’ Association for the Promotion of Science and Humanities in Germany).

• To help people with foreign qualifications to become better integrated into the labour market, the Economic Affairs Ministry is providing the BQ Portal online information and work platform to assist the chambers as they recognise foreign training and vocational qualifications. Since mid-2015, the portal has been supplemented to include country and occupational profiles from the countries of origin of refugees. New information material has been developed in order to support the chambers with their work. User workshops on the vocational training systems of the countries of origin of the refugees round off the service for the competent bodies. A new section entitled “Refugees – assessing and recognising vocational qualifications” with summaries for different countries gives companies an initial overview of the various countries of origin of the refugees. The BQ Portal was honoured with the “European Public Sector Award” of the European Institute of Public Administration in November 2015.

• The “Vocational Training without Frontiers” programme aims to raise awareness of occupational mobility for companies and trainees during the training courses. Mobility advisors are to give them high-quality advice and help them organise periods of training abroad. The mobility rate amongst trainees is to be further improved.

Point 4 – Pressing ahead with better regulation and cutting red tape

The state provides the policy environment for commerce and society through its laws, ordinances and administrative decisions. An efficient administration and modern, effective regulation are important prerequisites for a competitive and market-based economic system.

In 2015, the compliance costs for business were cut by approx. €1.4 billion. The main drivers were the Act to Reduce Bureaucracy and the modernisation of procurement law. The Bureaucracy Cost Index, which reflects the development of reporting costs for commerce, fell in 2015 to below its initial 2012 level for the first time.

At least half of the statutory requirements in Germany are induced by European legislation. The European smart regulation agenda is therefore very important. Impact assessment and evaluation are central elements of better regulation, at both national and European level.
Measures

- On 1 January 2015, the “one in, one out” rule was introduced to permanently restrict the rise in compliance costs. New regulatory burdens now have to be offset by equivalent regulatory relief elsewhere within a year. This has already reduced the current compliance costs for business by €958 million since the instrument was introduced.

- The Act to Reduce Bureaucracy entered into force on 1 January 2016 and reduces accounting, recording and statistical reporting requirements.

- The various measures of the omnibus act will significantly reduce the burden on SMEs by approx. €745 million a year, and this will particularly help start-ups and growth-phase companies.

- In many cases, small and medium-sized enterprises are particularly affected by new rules. We have therefore strengthened the SME test (part of regulatory impact assessment). Since 1 January 2016, the SME Test Guidelines must be applied to all draft laws and ordinances of the Federal Government. In this way, we are raising awareness of the specific compliance costs for small and medium-sized enterprises, and particularly of less burdensome alternatives. The intention is to avoid bureaucratic burdens on SMEs as much as possible.

- The modernisation of procurement law in April 2016 is making the procurement procedures in Germany more efficient, simpler and more flexible. This makes it easier for SMEs to gain access to public contracts. For example, requirements imposed on SMEs must not be greater than are objectively required, e.g. in terms of their economic capacities: newcomers must also have a genuine chance of winning public contracts; if the company is required to have a minimum annual turnover, this must not normally be higher than twice the estimated value of the contract. Furthermore, it remains the case that contracts must normally be broken down into lots. This is because small and medium-sized enterprises cannot cope with high contract volumes.

- The Federal Statistical Office has surveyed private individuals and companies about their satisfaction with the services provided by public administration in 22 specific situations (including the founding of a company). Overall, the work of the public administration was given good marks. We want to use this to develop further simplifications and improvements.

- The Federal Government is bringing together its measures to reduce bureaucracy in a new programme of work which is to be adopted in the near future. The focus is on eGovernment, the results of the survey by the Federal Statistical Office, and other measures to reduce the burden on business. We are also advocating simplifications of laws, e.g. in the form of changes to tax legislation.

- The Points of Single Contact, which have existed since 2010, will be expanded to become an efficient network of physical contacts and online portals in order to facilitate start-ups and give SMEs simple, business-friendly, digital access to the administration on all matters. The relevant authorities are to become more networked and act as service providers. People starting out in business are to be able to undertake registrations in one go, and to receive all the information they need from a single source (point of single contact 2.0).

- The use of e-invoicing will cut companies’ administrative costs by several billion euros a year. Via the local chambers, we are making the potential savings from e-invoicing using the “ZUGFeRD” standard and the related possibilities for electronic archiving known across the country; we are also advocating the use of this standard at EU level.
The European Regulation on electronic identification and trust services for electronic transactions in the internal market (eIDAS Regulation) will harmonise the rules for trusted online services (e.g. digital signature, seal, website authentication) as of 1 July 2016. In order to implement the Regulation, the Economic Affairs Ministry will roll out a Trusted Services Act to replace the existing Digital Signature Act. This will make it possible to use qualified electronic signatures more easily and more frequently. It lays the foundations for seamless and cross-border communication between authorities and companies. If this is to happen, businesses must offer practical and secure end-user products. With a view to simplifying processes, the Economic Affairs Ministry will also call for a widespread use of the new electronic seal in transactions between businesses and with the administration.

Point 5 – Utilising and shaping digitisation

Mobile communications and mobile internet use, cloud computing, the growing significance of social networks and Big Data are rapidly transforming our society and economy. However, SMEs in particular need to be made more aware of the opportunities deriving from digitisation.

Beyond this, internet-based services, manufacturing processes and products are increasingly changing the way business is done: virtual networks and temporary companies are emerging. The pressures to be efficient and the need to be connected are growing at a fast pace. Smart products and services are being combined, producing entirely new value chains. SMEs have strengths in this field, because they have traditionally been flexible and innovative. However, the market’s standards are being established now, or will be in the near future. We want to assist the development of new platforms via which SMEs can network and set standards.

High-performance broadband networks are the foundation and driver of digitisation and are therefore indispensable for Germany’s digital future. SMEs are reliant on high-performance networks, not just in urban areas, but also in rural areas. The Federal Government is providing a total of €2.1 billion up to 2018 for the nation-wide roll-out of broadband at 50 Mbit/s (download); on top of this there is approx. €665 million from the Länder, the money coming from their share of the Digital Dividend II.

In view of the pace of technological progress and the general rise in demand, it will be necessary to continue the roll-out of optical fibre networks beyond 2018. There is a need to enable internet access with bandwidth in the range of a gigabit per second. In its 2025 Digital Strategy, the Economic Affairs Ministry presents specific measures for broadband roll-out (e.g. investment fund for gigabit networks in rural areas, “Gigabit networks round table”) and many other measures to permit the development of a digital Germany.

However, a full digital transformation will chiefly require substantial investment by the private sector. The Federal Government will provide targeted incentives for small and medium-sized enterprises to invest in the digital transformation by launching an “SME Digitisation Campaign” (SME Digital Investment Programme). In the context of the new funding initiative entitled “Mittelstand 4.0 – Digital Production and Work Processes”, small and medium-sized enterprises and crafts businesses will be helped with digitisation and networking and the application of Industrie 4.0.

The skills needed by the workforce are changing rapidly in the field of digitisation in particular. Many employees’ IT skills are not up-to-date. Even so, only roughly one in five SMEs in Germany provided IT training courses for its staff last year.
Measures

The Economic Affairs Ministry has set up the "Innovative Digitisation of Commerce" platform together with companies, associations, trade unions and the scientific community in the context of the IT summit process. The platform is tasked with identifying innovation-friendly policies for the digital economy and with taking joint action to speed up solutions. At the last National IT Summit, the platform launched a campaign to raise awareness amongst SMEs of the opportunities offered by digitisation. The relevant associations have been holding events since the beginning of 2016, both on a regional basis and organised to meet the needs of specific groups. In addition to this, the platform has looked into the challenges and opportunities of digitisation for the particularly affected sectors of trade, skilled crafts, and the cultural and creative industry. On the basis of several hearings of experts, it has presented key principles and recommendations for a successful shaping of digitisation in the economy, administration and society. The project ideas for this “summit year” are currently being discussed and selected.

"Plattform Industrie 4.0", which was founded last year by the Economic Affairs Ministry together with the Research Ministry, companies, associations, trade unions and the scientific community, has developed into one of the world’s largest networks for the digitisation of industry. The aim is to tap the enormous potential of digitisation for the German goods-producing industry, and particularly for SMEs, in conjunction with other stakeholders. The platform also organises network events across Germany, at which companies – particularly SMEs – receive information on the digital transformation and are made aware of Industrie 4.0. The platform cooperates with associations, chambers and other initiatives and institutions, for example in the context of the Industrie 4.0@Mittelstand series organised by German chambers of industry and commerce. An online map helps companies to find out about specific examples of applications of Industrie 4.0, e.g. in their region.

The Economic Affairs Ministry also helps companies to make smart use of modern information and communication technologies, thereby boosting their competitiveness, through its funding priority entitled “Mittelstand Digital – strategies for the digital transformation of business processes”, and the three initiatives “Mittelstand 4.0”, “eStandards” and “Usability”.

The ongoing digitisation is having a massive impact not only on industry, but also on skilled crafts, trade, tourism and other services. For this reason, we are focusing not only on “Industrie 4.0”, but also on “Mittelstand 4.0”. This year, to promote the transfer of technology to SMEs, up to ten Mittelstand 4.0 centres of excellence, one Digital Skilled Crafts centre of excellence and four Mittelstand 4.0 agencies will be founded around the country. The centres of excellence are to raise awareness of, inform and train companies, and to offer them specific practical possibilities to study and try out solutions. In the context of the Digital Skilled Crafts centre of excellence, four decentralised showcases on “Information and communication technology”, “IT-based business models”, “Production and automation technology” and “Process management to professionalise business operations” are being set up. The agencies will work on overarching digitisation issues like cloud computing, communication, trade and processes, and use multipliers to disseminate their findings.

In April 2015, we set up a “Retail Dialogue Platform” to foster digitisation in the retail trade. 90% of retail companies have fewer than 20 employees. We want to raise awareness in these companies in particular about the opportunities of digitisation. Together with the business community and other stakeholders, we are drafting recommendations for action (e.g. on the required online skills for the wholesalers and retailers, on digital ways to address customers and to gain customer loyalty, or on the digitisation of retail processes); these are published on the Economic Affairs Ministry’s website www.dialogplattform-einzelhandel.de.
The Economic Affairs Ministry’s “go-digital” model project helps SMEs to keep pace with the technical and social developments in the fields of IT security, internet marketing and digital business processes, and funds corresponding external advisory services (model regions are the Ruhr district, Saxony and the Halle area).

SMEs also need to become more included in standardisation work relating to the emerging European digital single market. The planned central point of contact for SMEs on standardisation activities at the Federal Network Agency is to make an important contribution towards this. Further to this, workshops are planned which will focus on the special needs of SMEs in the field of standardisation of digital technologies.

The Economic Affairs Ministry’s “IT Security in Commerce” initiative works with business associations to raise awareness on the part of smaller SMEs in particular about the secure use of their ICT (e.g. IT security ambassadors at the chambers, IT security navigator with an overview of assistance available free of charge, website checks, staff awareness campaigns). In order to ensure that IT security companies can obtain skilled workers, a “Cyber Security Challenge” has been held since 2015 to identify suitable talents.

In the context of the “Services 4.0” series of events, the Economic Affairs Ministry helps SMEs in the services sector by matching establish companies with start-ups and research establishments and by presenting best-practice examples from other businesses.

The increasing digitisation of commerce and everyday life means that people expect fast internet access at all times and in all places. We need more public wifi hotspots for this, so that e.g. airports, cafés, restaurants and hotels can offer their customers and guests wifi and so that consumers can enjoy easy mobile internet access. In this way, there is to be greater wifi coverage in Germany and the rapid spread of innovative business models. The first step towards this is a clear legal situation. The Federal Government adopted a corresponding bill in September 2015 to amend the Telemedia Act.

Point 6 – Strengthening innovative capacities

Due to its flexibility, innovative capabilities and the high quality of its products, the innovative Mittelstand sector is an important pillar of Germany’s economy and innovative activities. Our long-term competitiveness can only be safeguarded by continuous innovation and R&D. We need to master challenges like digital integration, an increasing lack of skilled workers, growing competition from emerging market companies, faster innovation cycles and upcoming disruptive innovations. The fact that the proportion of innovative SMEs has been declining as a percentage of all companies since the early 2000s, and the spending on innovation by SMEs is flat, is cause for concern.

A key role will continue to be played by the close cooperation between SMEs and research establishments, and their interaction in innovation networks. This is because many innovations derive from research findings achieved in the interplay between research and commerce – both in Germany and worldwide. The Economic Affairs Ministry has taken a number of measures to organise such cooperation and networks even more efficiently, particularly in the international context:
III. SME ACTION PROGRAMME – 10 FIELDS OF ACTION

Measures

- At €543 million, the ZIM (Central Innovation Programme for SMEs) is the largest programme to finance innovative SMEs. The funding goes towards research and development projects of SMEs and the research establishments cooperating with them, as well as the organisation of innovative company networks. Most of the projects take the form of research cooperation. The ZIM was further optimised in 2015; not least, companies with between 251 and 499 employees are now eligible for funding. Companies cooperating with international partners will receive a funding bonus of up to 10%. This will increase the incentive to engage in cross-border cooperation.

- The programme to promote collaborative industrial research enables SMEs in particular to participate actively in cooperative research projects, and to do so on a cross-sectoral and cross-border basis.

- Our new WIPANO – knowledge and technology transfer via patents and standards – programme promotes patent registrations by SMEs, thus boosting the expertise of young companies in particular in the field of industrial property rights. Also, we support collaborative projects between public research institutions and companies in the field of innovative standardisation projects in order to improve the transfer of technology between science and business, e.g. in the market penetration of innovative products, technologies or services.

- Innovation vouchers from the Economic Affairs Ministry (go-Inno) promote consultancy services for SMEs, e.g. to improve innovation management.

- In order to have more SMEs participating in funding programmes covering specific issues, we have further simplified the eligibility requirements and management processes for these programmes (e.g. in the energy sector).

- Innovations emerge not just on the basis of research and development, but also in the fields of design and creativity. The creative sector provides a stimulus and drives innovation in other parts of the economy. We are therefore looking into the extent to which it is possible to improve funding for innovative services by the cultural and creative sectors. Also, the Federal Government's Centre of Excellence for the cultural and creative industries is being reoriented and will contribute towards the sharing of innovative ideas between traditional SMEs and the cultural and creative sector, particularly by providing matchmaking events and networking platforms.

- SMEs in particular benefit from increased public-sector demand for innovative and sustainable products and services. We have therefore set up the “Innovative Procurement” centre of excellence (at the Federal Association of Materials Management, Purchasing and Logistics) and the centre of excellence for sustainable procurement (at the Procurement Office of the Federal Ministry of the Interior). Both agencies advise contracting authorities on the purchase of innovative and sustainable products and services, and particularly on buying the services of SMEs.

- Electric mobility is an important cross-sectoral issue. It offers great commercial opportunities for SMEs in particular. For this reason, the Economic Affairs Ministry will continue to support R&D by SMEs in the field of electric mobility, and will work hard to foster the networking of companies in different sectors. In order to speed up the spread of this innovative technology and to boost the car industry in Germany, we intend to introduce a purchase bonus for electric cars. We are also constantly improving the statutory rules on electric mobility, e.g. for socket standards for ad-hoc recharging.
III. SME ACTION PROGRAMME – 10 FIELDS OF ACTION

Point 7 – Utilising opportunities afforded by globalisation

Approximately 44% of German companies contribute directly, or as component suppliers, to the success of the German economy on the international markets. There is a correlation between the degree of internationalisation and company size: from around 33% in the case of micro-enterprises to 81% in the case of large firms. Above an annual turnover of €2 million, at least half of the companies are active on foreign markets. Venturing abroad also proves worthwhile for small firms: even in the smallest company categories, more than 20% of turnover is generated from foreign sales on average.

Experience also shows that SMEs which export do better on the domestic market than their rivals. We will therefore keep developing the familiar instruments to help SMEs in particular as they venture onto foreign markets (e.g. export initiatives with their fact-finding and matchmaking visits, market intelligence from Germany Trade & Invest, bilateral chambers of commerce, participation at trade fairs abroad, export credit insurance); we are continually improving these in dialogue with the business community, and we will make them even better known to the companies.

Synergies are achieved through the cooperation between GTAI/the network of bilateral chambers and the German National Tourist Board, which promotes tourism to Germany on behalf of the Economic Affairs Ministry.

The German government is committed to multilateralism and to bilateral and regional free trade negotiations. SMEs capable of exporting their products and services are particularly reliant on access to foreign markets not being impeded by red tape in the country of destination.

Here, consistent international standards make an important contribution towards reducing such barriers or to preventing them from arising in the first place. It is therefore important for SMEs to feed their interests into European and international standardisation.

Measures

- We wish to further strengthen Germany’s network of bilateral chambers of commerce, which now has 130 offices in 90 countries, in order to facilitate market access to foreign markets (e.g. Cuba) for SMEs.

- Skilled crafts firms are given targeted support to develop markets close to the border, e.g. via information meetings, fact-finding missions, company presentations, purchasing and fact-finding visits for foreign multipliers, and via matchmaking.

- The market development programme for SMEs, which currently consists of about 90 projects each year, is to be further optimised in view of the resources of small firms. Also, we will package together and dovetail the various export promotion programmes and initiatives of the Economic Affairs Ministry.

- Together with the business community, the www.ixpos.de website is to be expanded further to become the central online point of contact for SMEs for all questions relating to export promotion.

- With regard to future export opportunities, we will work together with Germany Trade & Invest to process information about strategic target markets for SMEs.

- Double taxation agreements are an important instrument to avoid situations where income is subject to double or to no taxation in the respective countries. We will continue to advocate agreements which allow scope for opportunities for German firms and do not overburden them. Practical agreements are very important for our internationally active SMEs in particular. Last year, new agreements were concluded e.g. with the following important economic partners: Japan, Australia and France.
III. SME ACTION PROGRAMME – 10 FIELDS OF ACTION

Point 8 – Helping to shape European SME policy

The significance of the single European market as a sales market is great: more than 93% of exporting SMEs supply the European market.

The basis for European SME policy is the Small Business Act (SBA), which aims to anchor the “Think Small First” principle throughout the EU. Further to this, the European Commission is also including policies for SMEs and start-ups in the new Single Market Strategy, to help them make even better use of the potential of the internal market.

Also, numerous EU funding programmes offer possibilities for German SMEs.

Better regulation and bureaucracy reduction, particularly for SMEs, also play a key role for competitiveness, growth and jobs at European level. We will continue to press hard to encourage this.

Measures

● We want to increase the level of interest taken by SMEs in Europe, and also to be a strong advocate of the interests of German SMEs in Brussels. This also means that SMEs need to be made aware of planned EU legislation at an early stage. We are already doing this in the shape of the EU SME monitor. In future, we will involve SMEs even more in decision-making processes.

● We want to continue to strengthen the role and visibility of the network of EU SME Envoys. To this end, we have proposed work on an SME Action Programme within the network. The programme should contain proposals for specific measures in the key areas of European SME policy, and these should also feed into the work of the European Commission.

- Like the umbrella associations of German industry, the Economic Affairs Ministry wants to ensure that “made in Germany” can continue to be used without restrictions by our companies as a tried-and-trusted quality mark and is not subject to the complex rules of European customs law.

- We will give SMEs greater support as they venture abroad via the Central Innovation Programme for SMEs (ZIM): the Economic Affairs Ministry will enter into cooperation on ZIM with even more countries and has increased the funding bonus for cross-border R&D projects by companies to up to 10%.

- With a view to the commercial and strategic potential of the North American market, the Economic Affairs Ministry will continue to work vigorously on bringing about a substantial and balanced conclusion to the talks on the Transatlantic Trade and Investment Partnership (TTIP) by the end of 2016. SMEs in particular will benefit from a successful conclusion to the TTIP negotiations. For this reason, TTIP will contain a separate chapter on SMEs, and the German government will influence this in coordination with the European Commission.

- With an increase in the annual budget of €1.6 million for the 2015 – 2017 period for the funding of the German National Tourist Board, which promotes tourism to Germany around the world on behalf of the Economic Affairs Ministry, the Federal Government is aiming not least to help to develop new and particularly dynamic markets in south-eastern Asia (Indonesia, Malaysia, Singapore, Thailand) and South America (Argentina and Chile). The measures include an enhanced social media presence and social media campaigns.
The aim is to continue to develop a competitive framework for an SME-friendly single market and to reduce unjustified barriers. We need an appropriate balance between the increasing integration of markets and the preservation of successful, well-functioning traditional structures like self-governance by the business community and its central elements like dual vocational training, the requirement for companies in certain trades to be run by someone with a Master Craftsman’s certificate, the system of chambers, and the system of social partnership.

We support the Commission’s REFIT programme for better regulation, and call for ambitious implementation and expansion of the programme. The aim is to further improve the regulatory framework for SMEs and to continue to reduce compliance costs in areas of relevance to SMEs. To this end, we will discuss possibilities for further simplifications with the companies.

We are calling in Brussels for the provision of comprehensive information for SMEs about EU funding programmes, the pooling of this information on central websites, and unbureaucratic access to EU funding. In this context, we are keeping an eye on the work of the Enterprise Europe Network, the local branches of which advise SMEs on EU programmes, ways to obtain finance, and access to new markets.

We want to make even better use of the possibilities offered by the EU programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises 2014 – 2020 (COSME), and to draw attention to relevant calls for tenders.

Point 9 – Strengthening SMEs in structurally weak regions

In structurally weak areas, SMEs generally face a difficult situation: a lack of business services like financing, logistics and R&D infrastructure; difficulties with the recruitment of skilled workers; in many cases greater distances to major sales and procurement markets.

Also, the low density of companies makes it more difficult for efficient supplier networks and regional sectoral centres to form. Furthermore, demand for local services declines as the number of inhabitants falls.

More than more people of working age are leaving rural regions and moving to larger towns and cities which promise a better availability of jobs and higher quality of life.

We also need to keep monitoring this development in terms of its effects on companies in conurbations.

There continue to be differences in the level of productivity between the east and west of Germany. For example, the productivity of micro-enterprises and small firms in the structurally weak regions of eastern Germany is roughly 80% of that of similar companies in western Germany. There are similar differences in export ratios and the innovation intensity of companies not receiving assistance.

In rural areas in particular, tourism is a driving force for growth and jobs. It can make a major contribution towards preserving public structures and infrastructure.

Measures

The Federal Government is drawing up a proposal for a nation-wide assistance system for the post-2020 period; the Economic Affairs Ministry is the lead ministry for this. The focus is to be on measures to boost the potential for growth and innovation in structurally weak regions, supplemented by measures to promote infrastructure and services of general interest.
III. SME ACTION PROGRAMME – 10 FIELDS OF ACTION

Point 10 – Supporting the development of new fields of business deriving from the energy transition

If Germany is to continue to be a competitive base for commerce and industry, the energy transition needs to be a lasting economic success. To achieve this, we need not only a high level of energy security and effective climate change mitigation, but also an economically viable energy supply. If we are to promote the competitiveness of SMEs and to attain the objectives of the energy transition, we need a reliable basis for planning and investment by the stakeholders, cost-efficient instruments and a fair sharing of the burdens of the energy transition.

The energy transition offers many opportunities for the development of new technologies – particularly for SMEs. This is true both of the field of renewable energy and for efficiency technologies and energy services. We need to raise awareness of new fields of business amongst SMEs, and particularly in the skilled crafts sector, because the skilled crafts companies play a key role not only as suppliers, but also as expert advisers for the planning and implementation of measures to boost energy efficiency and to use renewable energy in the heating sector.

New technological trends like the digitisation of production processes are creating entirely new possibilities. Energy consumption data can provide information in real time which can be used not only to monitor consumption but also to plan and control production efficiently. At the same time, this information is the raw material for new energy services which range from revealing equipment malfunctions to the optimisation of energy purchasing.

The importance of investment in energy conservation and higher energy efficiency as part of business strategies will grow in future. The profitability of investment in energy efficiency can be substantial in the case of SMEs, yielding gains well above 25%. Many SMEs are still reluctant to undertake such investment, lacking the information they need. Often, they have problems accessing capital or overestimate the amortisation periods of investment in efficiency.
III. SME ACTION PROGRAMME – 10 FIELDS OF ACTION

**Measures**

- Awareness of the issue of energy efficiency in SMEs is to be improved further, particularly via the “SME initiative for the energy transition and climate change mitigation” and the “Energy advice in SMEs” programme. Also, sector-specific efficiency campaigns are being developed. There is a need for a greater awareness of the new fields of business which are emerging for SMEs and the skilled crafts sector, e.g. as providers or advisers for the planning and implementation of energy efficiency measures or measures to use renewable energy in the heating sector.

- In the “Skilled Crafts Energy Efficiency Initiative” joint declaration, we have agreed to continue to anchor aspects of energy efficiency in the rules on vocational training and the qualification as master craftsman. We will examine the extent to which the more than 320 existing further training services need to be adapted to impart the overarching understanding (“of the house as a system”) required in an occupation for a holistic view of energy efficiency. Also, the skilled craft sector will be more involved in the provision of energy advice. To achieve this, the vocational training centres of the skilled craft sector are to be modernised to include the latest technologies.

- We will promote energy conservation and increased efficiency in SMEs by removing typical barriers like a lack of information and access to capital and expertise.

- SMEs can obtain advice on ways to finance energy efficiency measures via the funding from the KfW and a special programme on energy conservation contracting.

- We are supporting SMEs as they redesign their production process in an energy-efficient manner and introduce energy-efficient technologies, e.g. via funding for digital metering systems and their deployment to save energy, the establishment of energy management systems and the continuation of funding for investment in “horizontal” energy-efficient technologies like pumps, engines and the use of waste heat. In the context of the CO2 building renovation programme, preferential KfW funding programmes for energy-efficient building and the retrofitting of buildings of SMEs have been set up.

- We want to improve the policy environment for the provision of energy services and to remove barriers, e.g. by strengthening the market for energy conservation contracting via the funding of indemnity bonds for SME projects.

- The Energy Efficiency Networks initiative aims to progress the sharing of experience between companies on potential savings and technologies on a voluntary basis. The first 50 networks were set up by spring 2016. Together with the relevant business associations, we will now anchor the initiative more strongly at regional level and do more to communicate it.

- We are using the Energy Efficiency Export Initiative to support the suppliers of energy-efficient technology, and SMEs in particular, as they develop markets abroad.

- We are planning the establishment of a research network called “Energy efficiency in industry” as an interface between commerce, science and government. The aim is to put results into practice more quickly. This requires input from the relevant sectors about the need for research, so that this input can feed into the development of new funding strategies.

- We have launched cooperation between programmes to foster energy research and collaborative industrial research in order to strengthen SMEs in terms of technological innovations for the energy transition.

- From the summer of 2016, we intend to launch a programme to fund heating optimisation via highly-efficient pumps and hydraulic balancing. SMEs can benefit directly from this funding. At the same time, the skilled craft sector has an important role to play in terms of implementing the measures on the spot for the end-users.