

UEAPME Think Small Test

and

Small Business Act Implementation Scoreboard

1. Introduction

The European Commission presented in June 2008 its proposal for a Small Business Act (SBA), which included a strong self-commitment to respect the “Think Small First” principle, ten priority areas for a better SME policy at European and national level and seven concrete European legislative proposals to improve the business environment for SMEs in Europe. The SBA was finally adopted by the European Competitiveness Council in December 2008, with a clear commitment of all Member States to implement the policy proposals in the SBA and to follow the Think Small First Principle.

With the “**UEAPME Think Small Test (TST)**” and the “**SBA Implementation Scoreboard**”, the UEAPME Study Unit wants to assess the extent to which the European Institutions and national governments are fulfilling their commitments to the Think Small First Principle and the implementation of the policy promises in the SBA.

The results of the TST for the European Institutions (European Commission and European Parliament) as well as the TST and the SBA Scoreboard for the 19 participating Member States¹ are based on questionnaires, which were sent to policy experts (directors and advisors) from European and national Crafts and SME associations members of UEAPME all over Europe.

The questionnaire for the Think Small Test (Annex) asks to which degree the Think Small First Principles are respected by the different institutions in the areas of legislation (i.e. impact assessment, consultation), administration (i.e. accessibility, one-stop-shops) and business support measures (i.e. SME friendliness). For each category a set of questions asks how satisfactory the current situation is, whether measures have been taken during the past year and the effect that these have had. The questionnaire for the SBA Scoreboard (Annex) follows the same structure, but investigates the degree of implementation in the 10 priority areas of the SBA: entrepreneurship, second chance, better regulation, administration, public procurement, State aid, SME finance, internal market, innovation and internationalisation.

For the seven concrete European legislative proposals in the SBA, the Scoreboard uses a different, more descriptive method, which just shows where the legislative and the implementation process is at the moment.

The results of this second edition refer to the situation we have found at the beginning of 2010 and show the level of activities – including their impact – in the different policy areas during 2009. We are thus able to determine whether the state of the implementation of the SBA’s policy proposals and the Think Small First Principle has progressed, stagnated or even regressed.

The fact that the results of these analyses are based on answers provided by policy experts from European, national, regional and sectoral SME associations means that the results present a necessarily subjective view from an SME perspective. For this reason, they differ from any assessment based on input figures from international statistics or on reports made by Member State governments.

The European and national results will be presented in an overview in chapter 2 for the TST and in chapter 3 for the SBA scoreboard. Chapter 4 presents the country sheets for all participating Member States.

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¹ Belgium, Bulgaria, Czech Republic, Denmark, Germany, Ireland, Greece, Spain, France, Italy, Cyprus, Hungary, Austria, Poland, Romania, Slovenia, Finland, Sweden, United Kingdom.

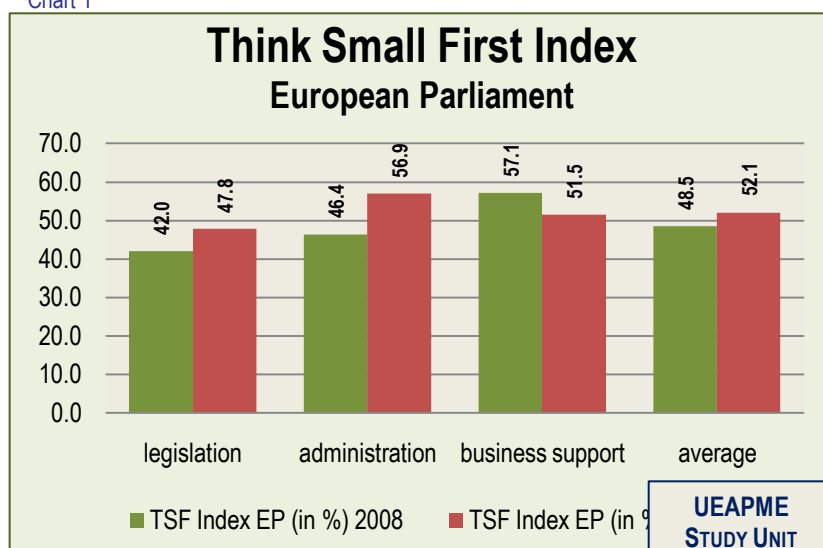
2. UEAPME Think Small Test 2010: the results

The Think Small Test (TST) measures the level of respect for the Think Small First (TSF) principle in the areas of legislation, administration and business support services. Each category is based on a set of questions and the results are summarised in a “Think Small First Index”, which presents in percentage form the degree to which institutions at European and national level are respecting the Think Small First Principles laid down in the Small Business Act, when they are dealing with issues relevant for SMEs. A result of 100% denotes an unbroken commitment for the TSF principle. A result of 0% would describe a complete lack of respect for smaller enterprises.

2.1. European Commission and European Parliament

The European Commission (EC) and the European Parliament (EP) show similar results on average. Charts 1 and 2 present the results of 2009 and 2010 for the EP and the EC respectively. The level of respect for the TSF principle has risen for both institutions (from 48,5% to 52,1% for the EP and from 47,2% to 49,6% for the EC). This is mainly due to the improvements in the administrative process for both institutions and legislation for the EP.

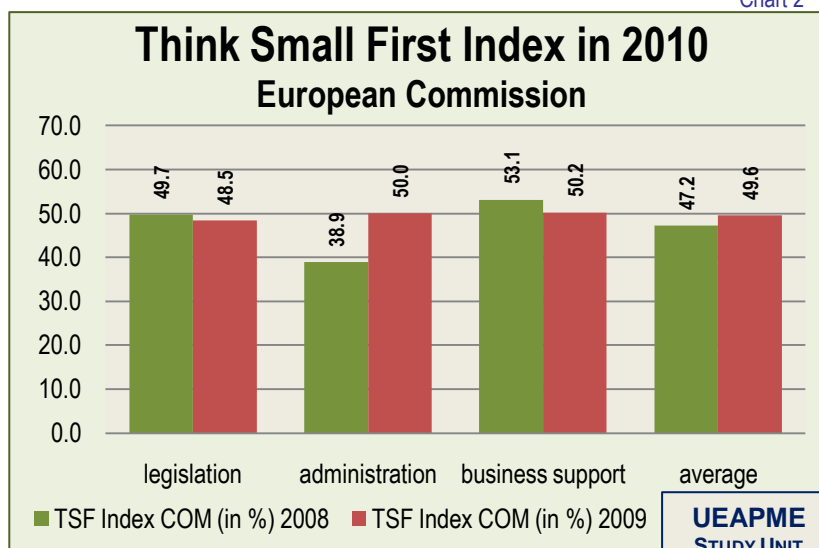
Chart 1



Commission and Parliament are seen as lowering the bureaucratic burden on SMEs in administration by our experts (a 10,5 percentage-points rise for the EP; an 11,1 percentage point increase for the EC). Both institutions are also seen as less caring about SMEs when it comes to business support. Parliament falls from 57,1% to 51,5%, the Commission's value diminishes from 49,7% to 48,5%.

In the legislative process, our experts observe improvements at the European Parliament (TSF-Index rises from 42% to 47,8%), but less respect for the TSF-Principles at the Commission than last year (TSF-Index falls from 49,7% to 48,5%).

Chart 2



The opposing trends for legislation may be explained by the work of the Parliament on SME-relevant dossiers. The possibly more important trend is the convergence between both institutions. The gap has narrowed from 7,7 percentage points last year to merely 0,7 percentage points this year. The EC and the EP are seen as roughly equally committed to the TSF in legislation.

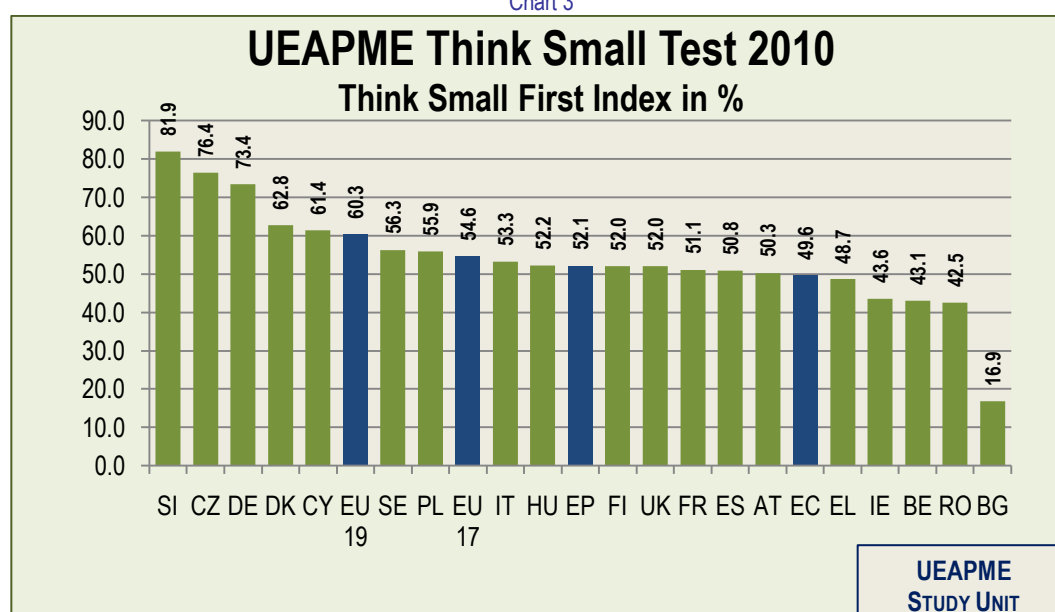
The jump in administration might be attributed to the better regulation strategy yielding success. The worsening result in terms of business support has been most likely the consequence of the crisis. Governments have run to the aid of big companies not only in the financial sector, but also in manufacturing and services. SMEs were relatively less thought of, respondents felt.

2.2. National results

Chart 3 presents the overall results for the TST 2010 for all participating countries, the European averages (EU 19 and EU 17) as well as the European Commission and the European Parliament. The columns for all four European values are marked blue. As already explained above, it is not justified to draw direct conclusions from a country to country comparison. However, SME representatives draw their conclusions independently of each other and this is how they judge the SME policies of the respective institutions.

This Think Small First Index tells us, from an SME point of view, the level in percentage up to which the respective institution respects its own commitment to “Think Small First”, when dealing with policy issues relevant for SMEs. The above mentioned differentiation between legislation, administration and business support services can be seen in the “Country Sheets” in chapter 4, which also includes the figures found for measures taken in the three areas and their impact as felt by SMEs.

Chart 3

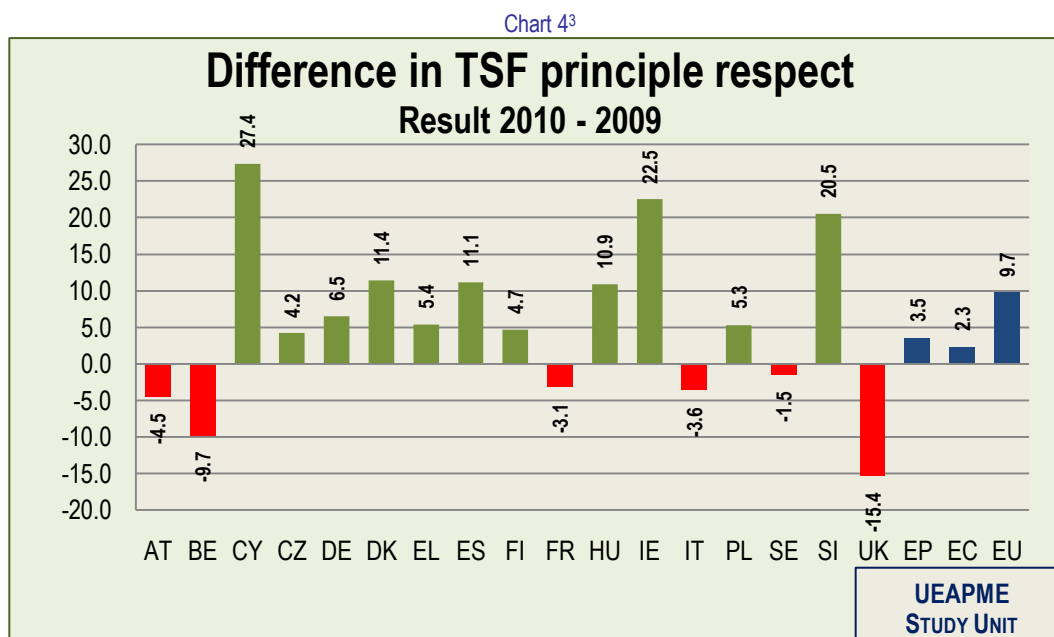


The European institutions are shown to have less respect for the TSF Principle than the European average (EU19): 60,3% as opposed to 52,1% and 49,6%. This still holds true if we exclude from the sample the extreme values. A European average without the highest percentage (Slovenia, 81,9%) and the lowest (Bulgaria 16,9%) – EU17 – stands at 54,6%.

SME representatives might have tendencies to systematically favour or oppose their national government. The European mean should correct for these tendencies, assuming that they are independent of each other. It could then be argued that the European institutions on average think less often “small first”. However, this

might as well imply that our European experts are consistently more critical of the institutions they are supposed to review.

This makes the difficulty of cross-country comparisons evident. Differences over time within a country can be observed, nonetheless. Chart 4 shows the difference between the result of the average TSF Index value in 2010 and the same value back in 2009. A negative result (columns marked red) represents deterioration; a positive result (columns marked green) depicts improvement in the Think Small First Index.²



Altogether, we can see some progress in consolidating the Think Small First Principle. 11 countries report improvements in the TSF Index, while six communicate a worsening of the situation. Throughout Europe, the mean improvement is a plus of 9,7 percentage points.

² This is not done for Bulgaria and Romania as we have no data from 2009 for both countries.

³ The comparison between the European averages of 2009 and 2010 have been included, should be viewed with extra care since the average is made up of different countries in both years. To be precise, 17 countries (Belgium, Czech Republic, Denmark, Germany, Ireland, Greek, Spain, France, Italy, Cyprus, Hungary, Austria, Poland, Slovenia, Finland, Sweden, United Kingdom) are included in the data sets for 2009 and 2010, for the TST and the SBA Scoreboard. Last year's TST included The Netherlands and Luxembourg, not present this year. The Scoreboard also featured Luxembourg in 2009 but not The Netherlands. New in our observation for 2010 are Bulgaria and Romania.

3. SBA Implementation Scoreboard

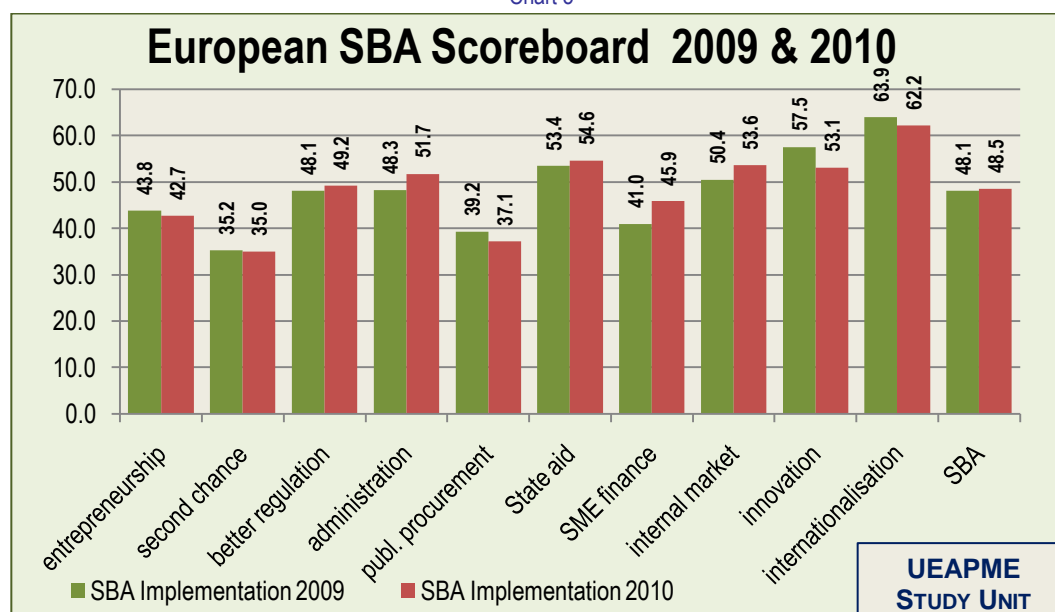
The Small Business Act (SBA) lays out ten specific policy areas in which the situation of SMEs should be boosted. With the SBA Scoreboard we want to show the extent to which national and European institutions have already implemented the commitments made within the SBA, in which areas measures have been taken during the last year and the impact these measures had on SMEs.

3.1. European Average

The national SBA Scoreboard is based on a set of questions for each of the ten pillars of the SBA, which follows to a large extent the priority areas within the SBA communication from the European Commission. With this set of questions (see Annex), we analysed from an SME point of view the degree to which the commitments in the SBA are already realised, whether there have been measures taken in 2009 and if the situation for SMEs has improved.

Chart 5 depicts the overall situation in Europe. In an ideal world we would stand at value of 100% in every column or at least edging closer to 100%. This is not the case, as we see setbacks as well as improvements. The mean value of SBA commitments implemented, however, has risen from 48,1% to 48,5%.

Chart 5



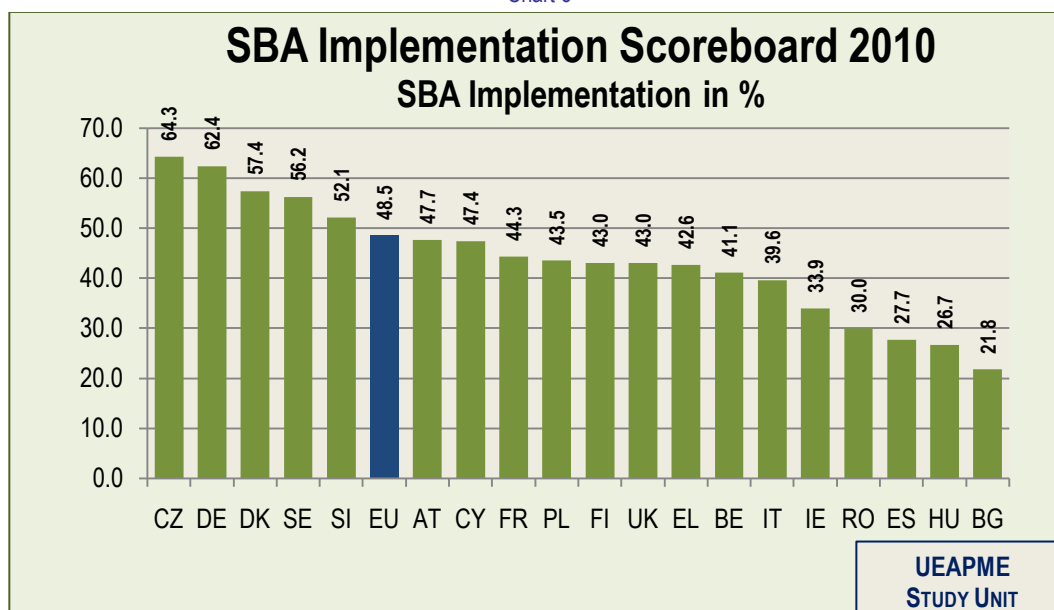
Drawing direct conclusions from this chart should be avoided. Some countries included last year are missing this year, others, not represented in 2009, are accounted for in 2010.⁴ It is clear though, that the general improvement has been slim. Prior to the entry into force of the SBA there was no unifying road map to improve the situation of SMEs. After a whole year with the SBA on the table, SME representatives observe only a 0,4 percentage points improvement compared to the pre-SBA situation.

3.2. National results

An overview of the state of SBA Implementation across countries can be had looking at Chart 6 (next page). Implementation of commitments ranges from a high 64,3% in the Czech Republic to a low 21,8% in Bulgaria.

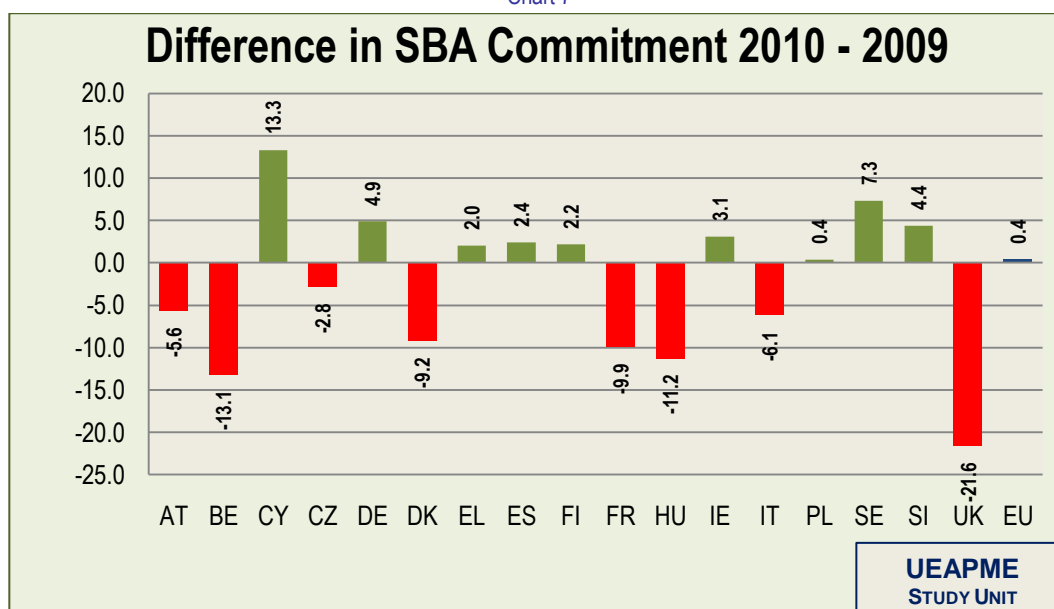
⁴ See footnote 3

Chart 6



The difficulty to compare results across countries has to be stressed again. We can observe that the commitment to implementing the SBA yields lower results than the commitment to stick to the TSF Principle. The European average for SBA implementation is 48,5%, 11,8 percentage points below the European mean as regards the TSF Principle. If we again compare national results of this year with those of last year⁵ for the Small Business Act Implementation, Chart 7, this view is strengthened.⁶

Chart 7



As was the case for the TSF Principle, most countries report improvements. The lead, though, falls from 11 to 6 to a narrow 9 to 8 majority. Moreover, the sum of the negative values recorded is larger than that of the improvements (79,5 percentage points to 40 percentage points).

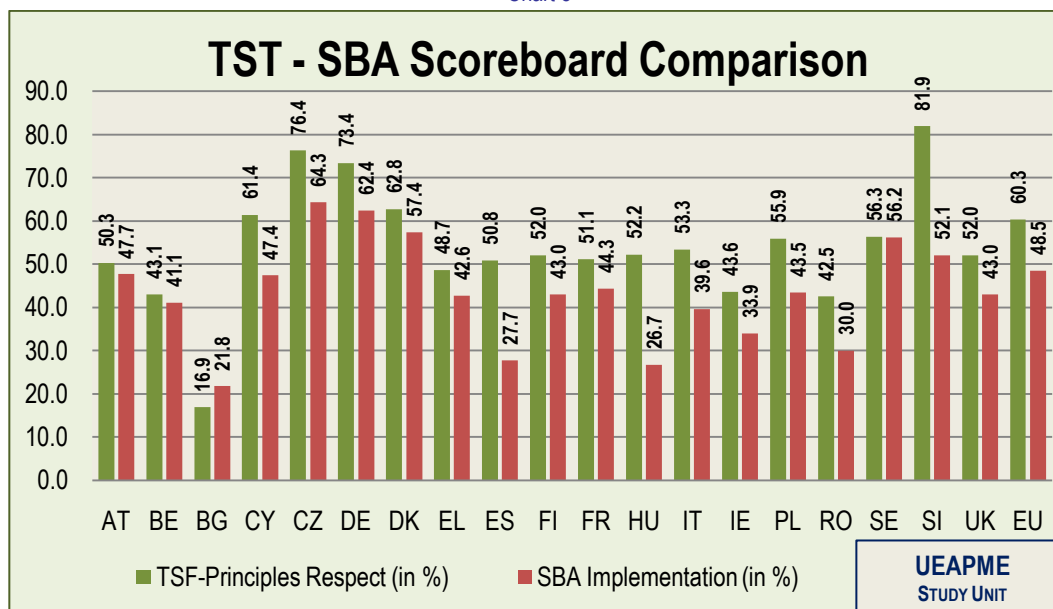
⁵ This is not done for Bulgaria and Romania as we have no data from 2009 for both countries.

⁶ The comparison for the European average is based on different countries for 2009 than for 2009, as explained in footnote 3. The comparability is thus more limited than for national differences.

Expectations key in explaining the discrepancy between TST and SBA results

Chart 8 compares national and European results for the TST and the SBA scoreboard's average.

Chart 8



The discrepancy between the TST and SBA Scoreboard is most likely due to the more delimited nature of the SBA as opposed to Think Small First Principle. Being more accessible for queries or holding consultations with SMEs can be done more easily than improving SME policies on precise issues like public procurement.

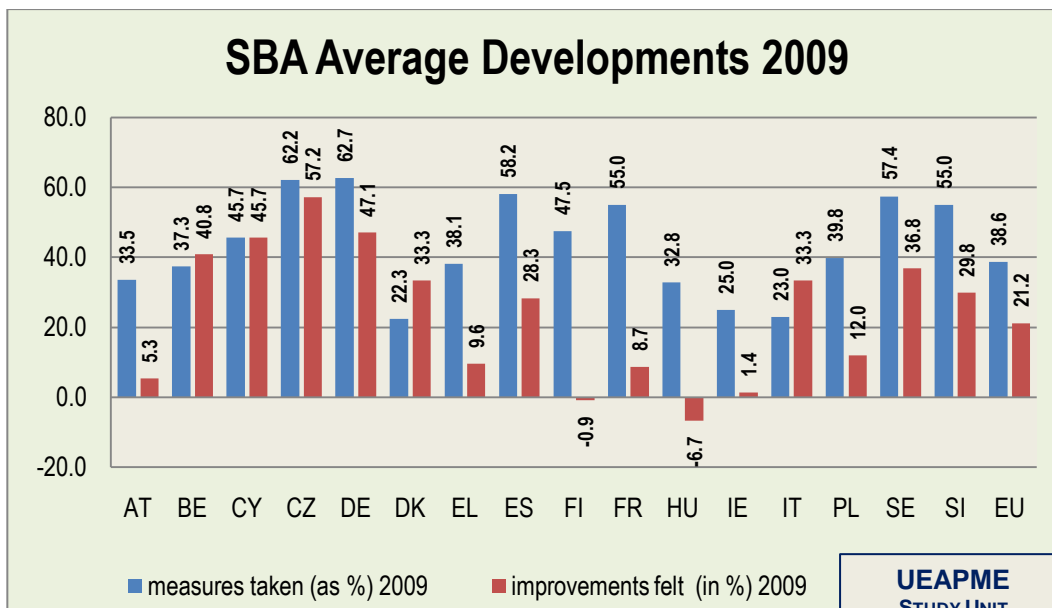
Especially during a crisis, two effects might be operating. On the one hand, SME entrepreneurs and their representatives might expect a high government involvement to support smaller firms. On the other hand, governments might promise to help all interest groups in an attempt to retain popular support. By overpromising, expectations would be raised; expectations that, given the often tight fiscal situation cannot be met.

Moreover, the introduction of the SBA itself might have corrected SMEs representatives' judgements downwards. Before the launch of the SBA only a general assessment of the state of affairs was possible. Now, the SBA's policy guidelines offer respondents a checklist of issues to be improved. Some of those issues could have even been forgotten about by respondents, if it was not for this "checklist effect". Hence the introduction of the SBA made respondents possibly more critical in their evaluation of the situation.

Have politicians failed to deliver?

Interestingly, this cannot be understood as a general critique towards politicians. When asked about the measures taken during last year and the effect these have had, respondents are more positive about their governments' work. Chart 9 (next page) depicts the national governments' average initiative and the effect of their decisions. A result of 100% on measures taken would mean that legislative proposals were taken in all areas covered by the SBA; 0% would express none were taken. A result of 100% in improvements felt would occur if all measures had a positive impact; -100% would be reached if all measures had a negative effect.

Chart 9⁷



While Chart 7 showed eight countries reporting setbacks on the SBA implementation, only two, Finland and Hungary, believe their governments' actions were generally detrimental. Most decisions taken were seen as positive, but we observe a discrepancy between measures taken and the effect these measures had. "Good" policy intentions do not automatically have to lead to better results for the addressees. However, given a positive improvement felt, we should expect the SBA Implementation Index to rise in the Czech Republic, not fall, as seen in Chart 7. Furthermore, while Greece, Spain and Finland declare similar developments in the SBA Implementation, measures taken and improvements felt vary extensively across these countries. Impact, for instance, ranges from a relatively high 28,3% in Spain to an even negative -6,7% in Hungary.

Reasons for the disconnection between SBA implementation and legislative developments

We make out two main reasons for the decoupling between the level of implementation of the SBA and legislative developments. Firstly, we have to take into account the time-lag effect. Decisions signed into law today might not have an effect until some point later in time. Moreover, some policies have an effect often described by the so called "J-curve", where the situation worsens at the beginning, only to improve at a later stage. An inverse J-curve pattern is also imaginable. Finally, some measures specifically state that their effect shall only commence at some later stage. Changes in retirement ages passed today, for example, are planned to become effective only in a couple of years. As this is our second issue, we cannot yet gauge the impact this has, nor could we develop ways to correct for it. However, we need to take it into account.

Secondly, we have to recognise the effect of external shocks. The judgement of the situation concerning the implementation of the SBA is affected by more parameters than the legislative measures and their impact. The current economic climate affects the expectations of SME representatives. As mentioned before, they might have anticipated greater government involvement. A presumption possibly fuelled even further by politicians themselves.
























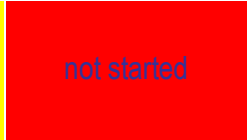
⁷ Bulgaria and Romania are not considered since we have no development in the SBA Implementation to compare them to.

Concluding, we see no clear improvements on the precise issues laid out by the Small Business Act unlike with the Think Small First Principle. It is, nonetheless, too early to blame anyone, as we cannot be sure if this is due to a lack of commitment by politicians, or due to the severe crisis that has affected the world's economy in general and Europe's economy in particular. Our differentiated analysis shows that, though by far not all measures taken resulted in a better situation for SMEs, policy actions have had a positive impact on average. What is needed now is to commit to the Think Small First Principle and enact the policy roadmap outlined by the Small Business Act. They are an integral part of any plan trying to rebuild a stronger, more dynamic Europe out of the crisis.

3.3. Specific legislative measures at European level

We have chosen a different, more descriptive method to analyse the implementation of the concrete measures that were promised in the SBA for the European level. Table 1 shows for each of the concrete "legislative" measures, which were announced in the framework of the SBA (June 2008), how far the dossiers are in the legislative process.

Table 1

Legislative SBA Measures at European Level	SME friendly	COM	EP / EIB Council	NAT GOV
European Private Company Statute	+ / -			
Extension of SME loan facility by EIB	+			
Public Procurement – facilitation or SME participation	+			
General Block Exemption for State Aid	++			
Amendment of Late Payment Directive	+ / -			
Erasmus for young entrepreneurs	+			
Reduced VAT rates for labour intensive services	+			
not applicable	 delivered	 pending	 not started	UEAPME Study Unit

The European Commission has presented proposals or final regulations for all promised areas, although not all are in line with the concrete needs of SMEs (see degree of SME friendliness). The extension of SME loan facility by the EIB was taken up by many Member States throughout the crisis. The reduction in VAT rates for labour intensive services has been delivered, but 9 Member States refused to use this possibility. The measures on public procurement, state aid and Erasmus for young entrepreneurs have still to be implemented at national level. Nothing has changed yet on the European Private Company Statute or the amendment of the Late Payments Directive compared to last year, as both dossiers are pending in the European Parliament / Council legislative process.

4. Country Sheets for the UEAPME Think Small Test and the SBA Implementation Scoreboard

Available for Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Germany, Greece, Spain, Finland, France, Hungary, Ireland, Italy, Poland, Romania, Sweden, Slovenia and United Kingdom.

How to read the Country Sheets?

Chart 1 – Think Small First Index 2010:

The level (in %) to which national institutions are respecting the Think Small First Principles, when dealing with SME relevant issues, also compared to the previous year.

Chart 2 – TSF developments 2009:

In how many areas of a category, measures have been taken during the last year and in how many areas SMEs has felt improvements, also compared to the previous year.

Chart 3 – SBA Scoreboard 2010:

The level (in %) to which national institutions have already implemented the policy priorities of the SBA, also compared to the previous year.

Chart 4 – SBA developments 2009:

In how many of the areas, within a SBA policy priority, measures have been taken during the last year and in how many areas SMEs has felt improvements.

Chart 5 – Radar on implementation of SBA commitments:

The radar compares the situation in one Country with the EU 18 average. Doing this, one has to keep in mind, that the national data are based on a subjective judgement from an SME point of view, which means the same situation may be judged differently by SMEs from different countries.

For this reason, we are only analysing and using the relative position of a country in a certain priority area compared to the EU average, in order to make conclusions on “relative” strong and weak results.

Box on strong and weak results:

Shows the policy areas, where we found relative strong and relative weak results for a specific country. This means relative to the general position of a country and relative to the EU average.

The individual country sheets are available at the following address:

<http://www.ueapme.com/Study-Unit/>