

# **UEAPME Think Small Test**

and

# **Small Business Act Implementation Scoreboard**

# 1. Introduction

The Small Business Act (SBA) was approved in December 2008, laying out seven concrete European legislative proposals to improve the business environment for SMEs in Europe, ten priority areas for a better SME policy at European and national level as well as a strong self-commitment to respect the “Think Small First” (TSF) principle. To give fresh impetus to the SBA, the European Commission further produced a review of the SBA in February last year.

With the “UEAPME Think Small Test (TST)” and the “SBA Implementation Scoreboard”, the UEAPME Study Unit assesses 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 15 participating Member States<sup>1</sup> are based on questionnaires that 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 (see 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 processes are at the moment.

The results of this fourth edition refer to the situation we have found in mid-2012 and show the level of activities – including their impact – in the different policy areas during the last 12 months. 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 necessarily a subjective view from an SME perspective. For this reason, they may differ from any assessment based on input figures from international statistics or on reports made by Member State governments.

The European and national results in an overview will be presented 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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<sup>1</sup> Austria, Belgium, Cyprus, Czech Republic, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Poland, Slovenia, Sweden and United Kingdom.

## 2. UEAPME Think Small Test 2012 – the results

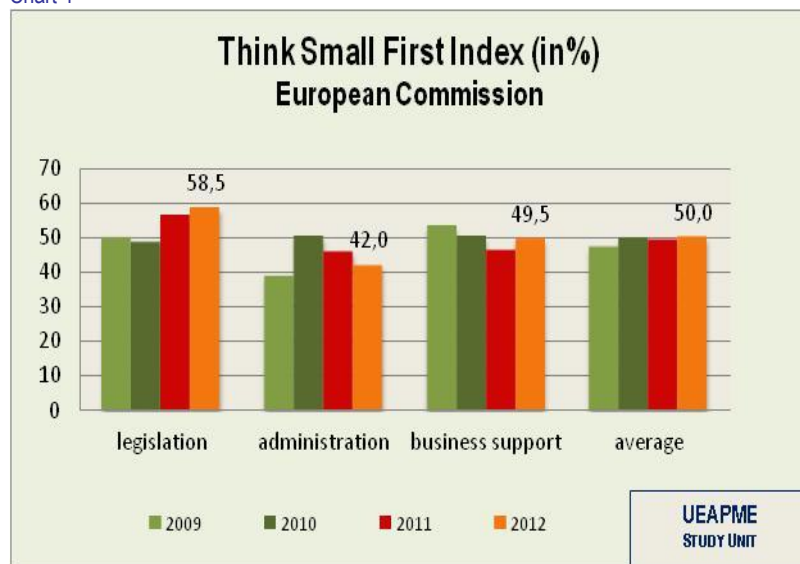
The Think Small First Test (TST) tests the level of respect for the Think Small First (TSF) principle in the areas of legislation, administration and business support services. Each category is based on a set of questions and the results are summarised in a “Think Small First Index”, which presents in 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

For the first time since the first issue of the Scoreboard (2009) the gap between the European Commission (EC) and European Parliament (EP) has reduced. However, according to the opinions collected among the experts from UEAPME and the EU SMEs organisations, the results for the two European Institutions were quite stable between 2011 and 2012.

The EP registered a general level of respect for the TSF principle that fell to 51.1% (from 52.3%), while the EC’s level slightly increased, reaching 50.0% (from 49.3%), resulting in a reduction in the gap between EP and EC.

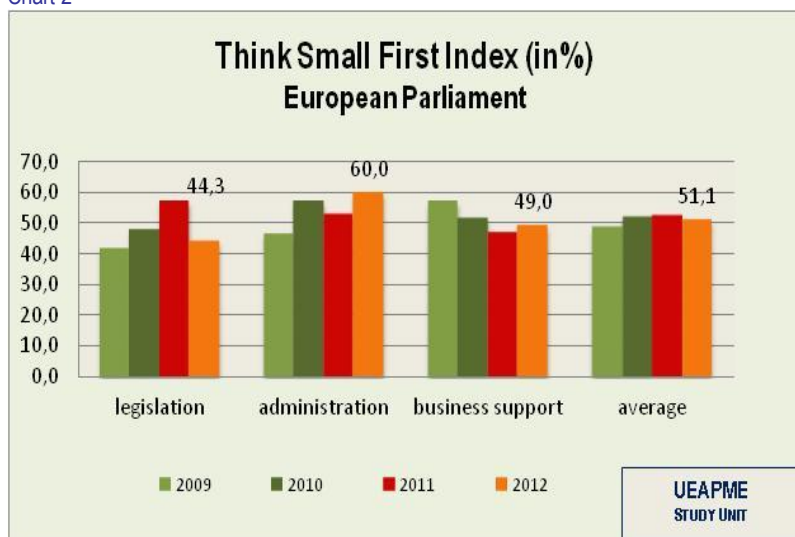
Chart 1



A deeper look at the results for the three areas (Legislation, Administration and Business Support) provides also some interesting hints for our analysis.

Business support increased for both EP and EC for the first time in four years. The improvement in business support might be explained by the favourable outlook towards the proposals the EC and EP made in the framework of the new Programmes Horizon 2020 and COSME.

Chart 2



Significantly, administration keeps worsening for the EC for the third year in a row, going down to 42.0%, with a further increase in the gap between EP and EC, which reached 18 percentage points, and remains the largest difference between the two Institutions. An explanation for the poor result of the EC in the administration field might be related to the difficulties experienced by our EU experts in the execution of contracts managed by the EC under different Programmes.

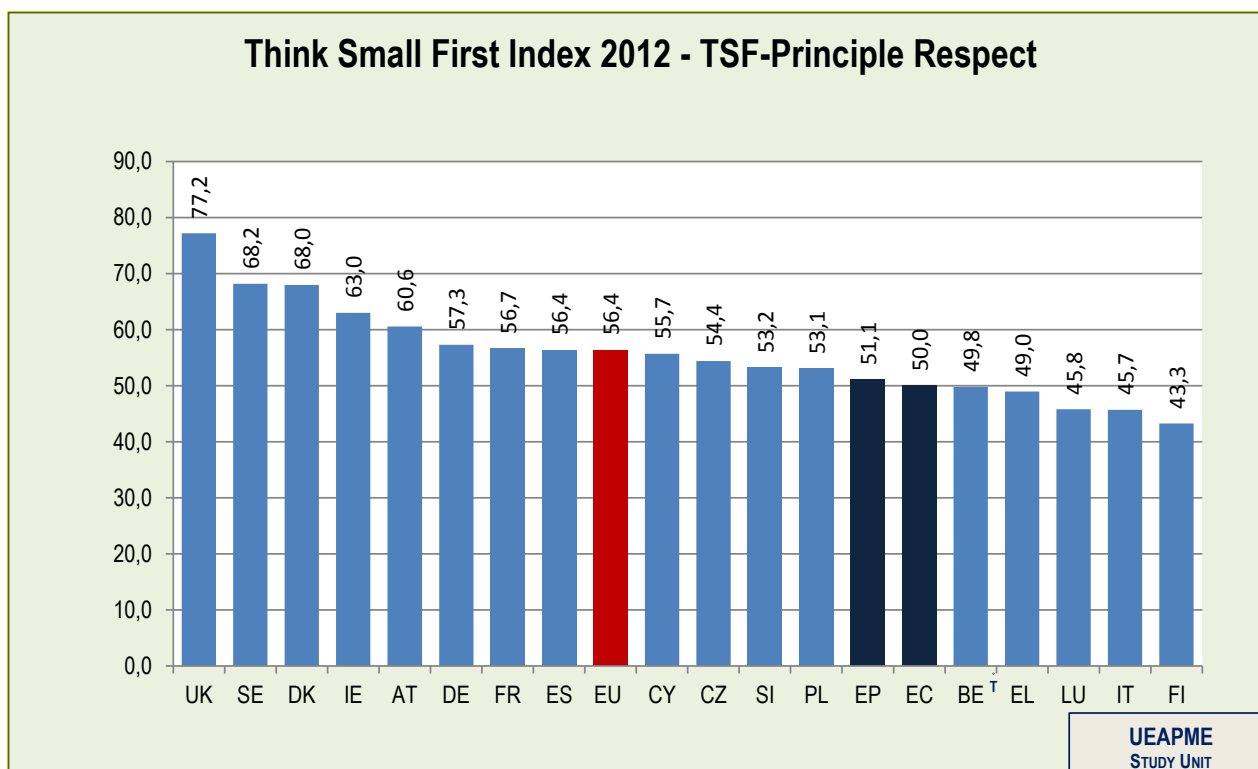
Our EU experts, in fact, very often work in the framework of EC contracts and projects and have therefore acquired a relevant knowledge in dealing with EC administrative procedures, which very often end-up being quite burdensome and very little SME-friendly.

## 2.2. National results

Chart 3 presents the overall results for the TST 2012 for all participating countries, the European average as well as the European Commission and the European Parliament. The columns for the European values are shown in blue. It should not be justified to draw direct conclusions from a country to country comparison, because 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” presented 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 United Kingdom and Sweden have been the best performers in 2012, with 77.2% and 68.2% respectively; Italy (45.7%) and Finland (43.4%) report the lowest values.

We can observe how this year's results tend to cluster around the EU average of 56.4%, with 8 countries above and 9 countries below the EU level; there are also not high divergences between countries, as 8 countries out of 17 report results between 53.1% and 60.6%.

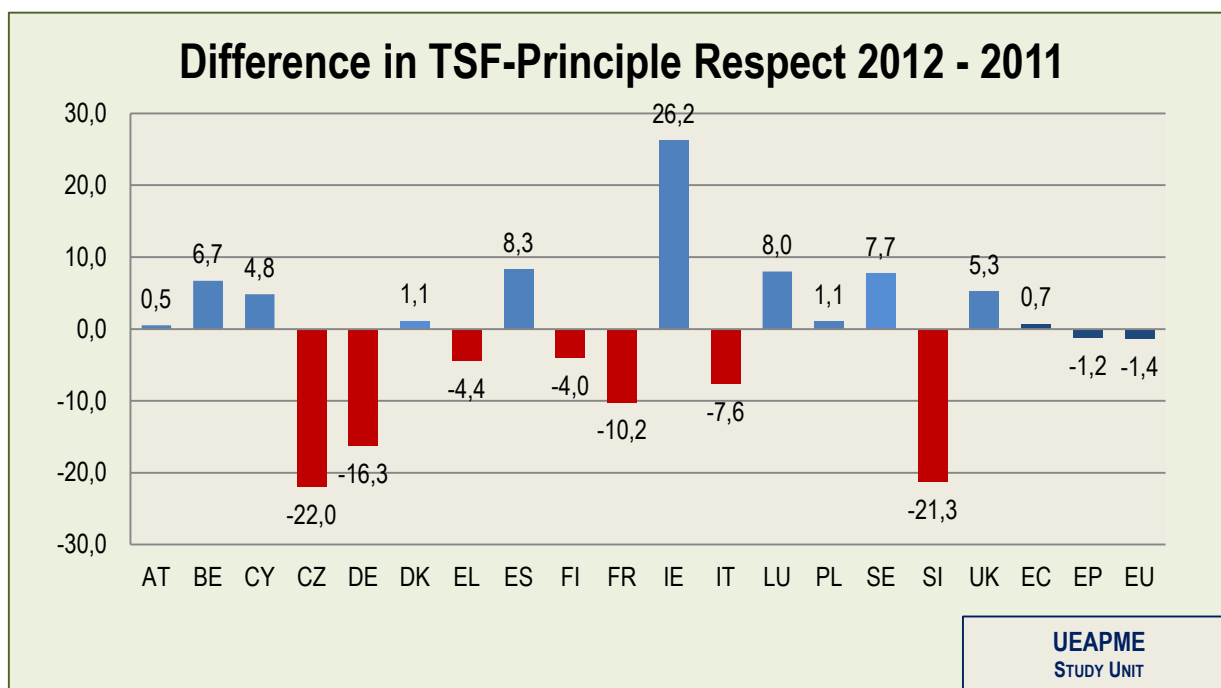
The European Institutions (EP and EC) keep showing lower results in their respect of the TSF principle than the European average value of 56.4%: 51.1% for the EP and 50.0% for the EC.

The lower-than-average results of EP and EC might be explained by the higher expectations put by our experts on the European Institutions, which are perceived as the driving forces behind the creation and the implementation of the TSF principle.

It's interesting to compare how the respect for the TSF principle developed in the different countries between 2011 and 2012. Chart 4 shows the difference between the results of the average TSF-Index value in 2012 and the same value back in 2011. A negative result (columns marked red) represents deterioration; a positive result (columns marked blue) depicts improvement in the Think Small First Index.<sup>2</sup>

<sup>2</sup> As Belgium, Finland and Italy were not included in the 2011 survey, we chose to compare their results of 2010 and 2012. As regards Luxembourg, the comparison is between 2009 and 2012.

Chart 4<sup>3</sup>



The respect for the TSF principle has progressed in nine countries, while six countries reported a downturn.

The balance between the sum of all positive (70.4 percentage points) and all negative (85.7 pp) answers is this year negative. This figure is explained by the strong decrease of Czech Republic, Germany and Slovenia, three countries that were very strong performers in 2011 (all three above 70 pp). It is likely that the expectations in those countries were quite high and have been disappointed afterwards.

Ireland showed the highest improvement with 26.2 percentage points, but also the progress reported by nine other of the surveyed Member states are worth mentioning.

<sup>3</sup> The comparison between the European averages of 2011 and 2012 should be viewed with extra care since the average is made up of different countries in both years. To be precise, the countries' involved are Bulgaria, The Netherlands and Romania (included in the 2011 TST and SBA Scoreboard), and Belgium, Finland, Italy and Luxembourg (included in the 2012 TST and SBA Scoreboard).

### 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 their commitments made within the SBA, in which areas measures have been taken during the last year and the impact these measures had on SMEs.

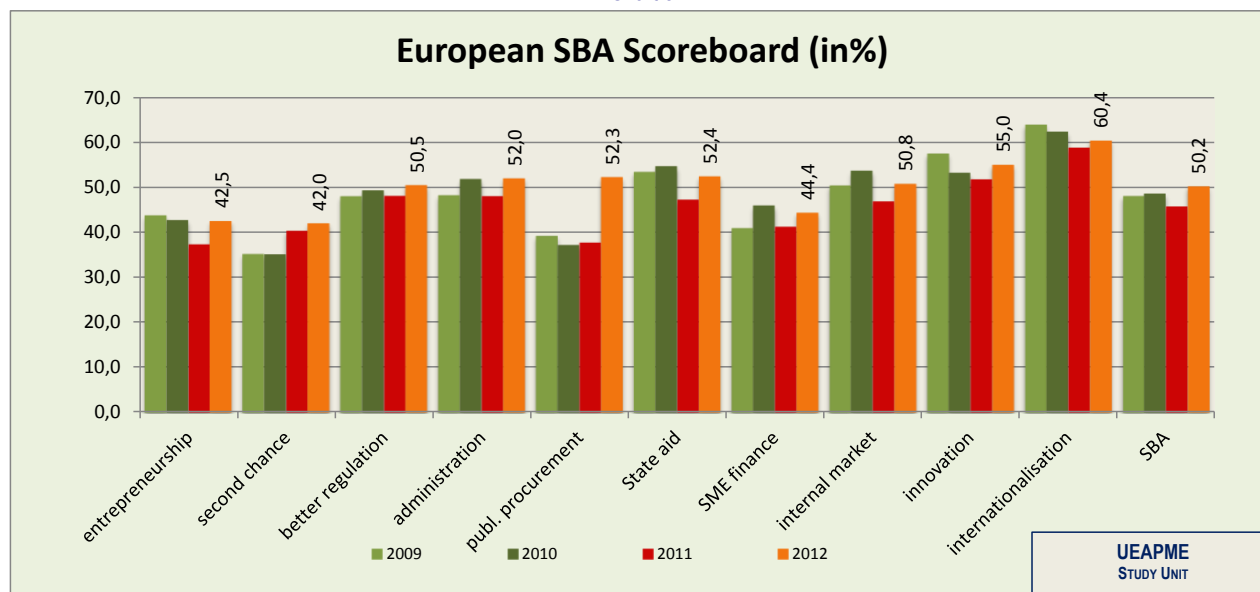
#### 3.1. European average

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 2012/11 and whether the situation for SMEs has improved.

The results for the European SBA Scoreboard 2012 are shown on Chart 5. Compared to last year<sup>4</sup>, there are been improvements in all the ten pillars of the SBA. The average value in the implementation of the SBA commitments increased from 45.8% to 50.2% (4.4 pp).

The positive results for all the ten pillars show that, after the issue of the SBA in June 2008 and its 2011 Review, European and especially national Institutions are now finally implementing the SBA commitments.

Chart 5



The areas that showed highest improvements are public procurement (+14.6%) followed by entrepreneurship and State Aid (both +5.2%). The lowest increase was recorded in second chance (+1.7%) and internationalisation (+1.6%).

As regards public procurement, the proposal for a new Directive on public procurement published by the European Commission in December 2011 must have been favourably received by our experts. The increase on the State Aid side, as well as in another comparable area as SME finance (+3.1%) might be explained as a deployment of new growth-enhancing measures as means to overcome the economic crisis.

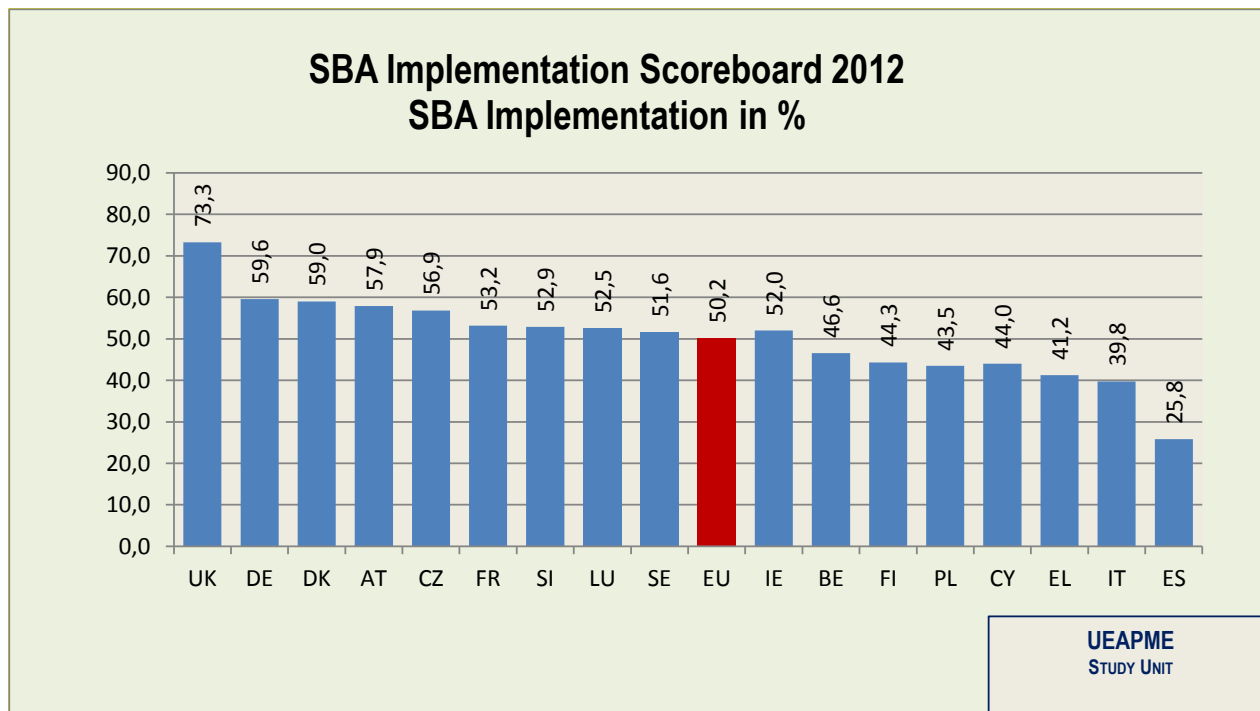
<sup>4</sup> The information from the table should be analysed with care, since the countries making up the average have not always been the same. See footnote 3.



### 3.2. National results

Chart 6 presents an overview of the state of SBA Implementation across countries. The United Kingdom (73.3%) recorded the highest result by far, with Germany, the second best performer, 13.7 pp below at 59.6%. The lowest results are shown by Italy (39.8%) and Spain (25.8%).

Chart 6



The European average value for the SBA implementation increased by 4.4 pp. from 45.8% in 2011 to this year's 50.2%. The value of the SBA implementation is still lower than the one of the TSF principle, even though this gap has reduced, as it is now 6.4 percentage points, compared to the 10.8 pp of 2011.

Similarly to the TSF principle, the 2012 results for SBA implementation tend to cluster more around the European average value (50.2%) than the year before, with less remarkable peaks above (apart from the UK) or below the EU average. These national results appear also quite evenly distributed, with 9 countries above and 8 below the EU average.

Chart 7 provides a comparison of this year's national results with those of 2011<sup>5</sup> show that only five countries (Czech Republic, Germany, Greece, Luxembourg, Slovenia and Spain) report negative values, with a quite widespread improvement and remarkably positive results for Denmark and, to a lesser extent, Ireland.

<sup>5</sup> The same considerations expressed for the TST about the different participating countries between 2011 and 2012 can be applied to the SBA Implementation Scoreboard.



Chart 7

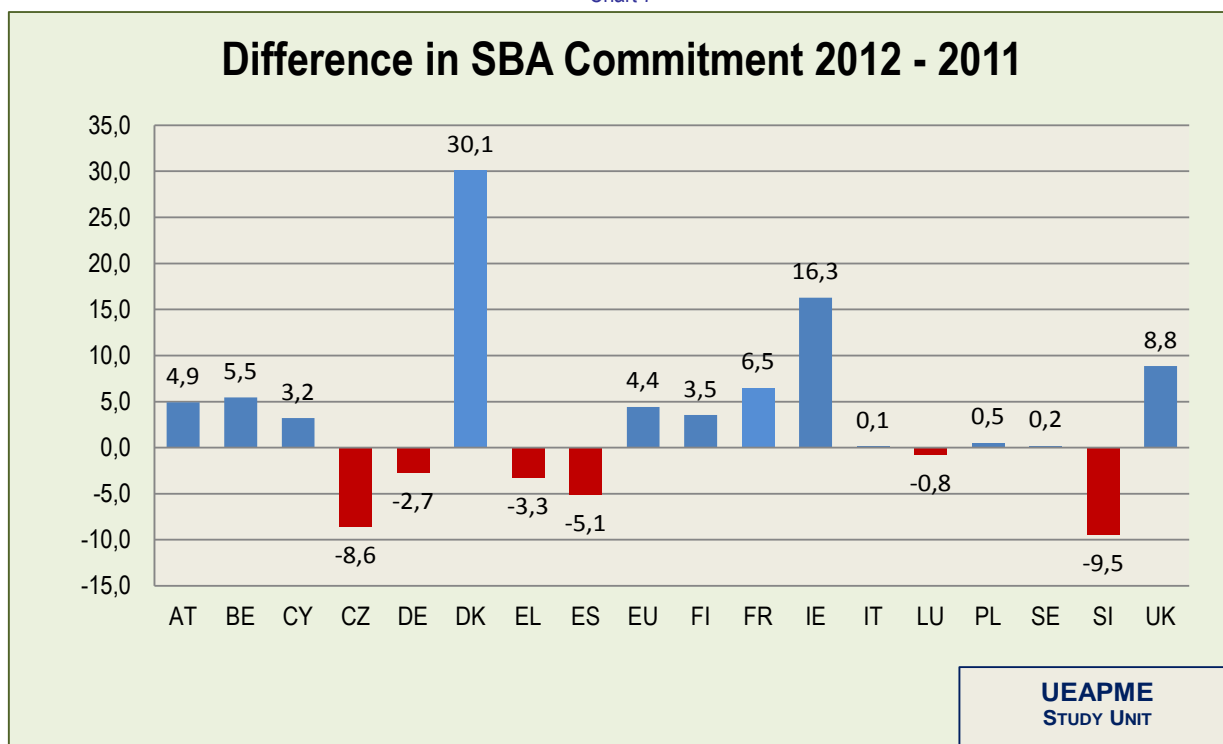
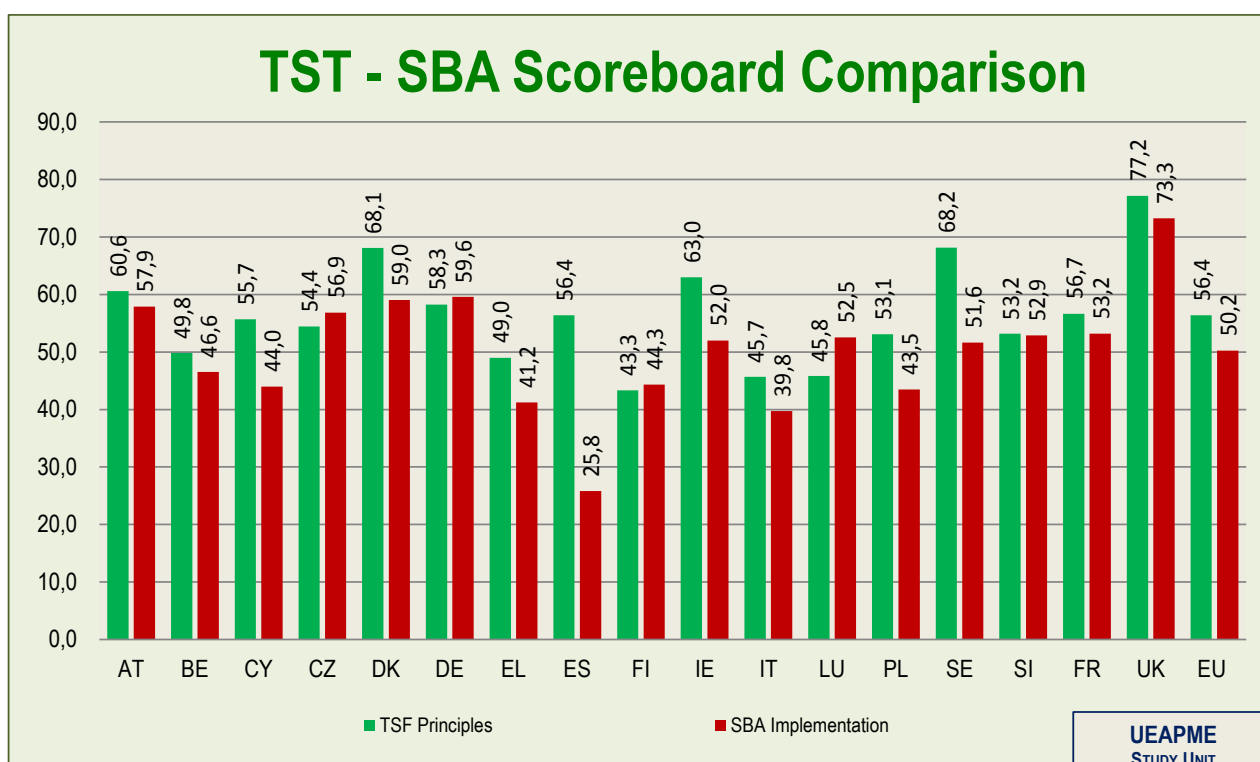


Chart 8 compares national and European results for the TST and the SBA scoreboard's average. The results for TSF principle respect are higher than those of the SBA implementation in fourteen countries out of seventeen.

Chart 8



We can observe how the SBA implementation is in general narrowing the gap with the TSF principle respect, as shown for example by the EU average, for which the TSF principle respect has reduced to 5.8 percentage points above than the SBA implementation.

The discrepancy the TST and SBA Scoreboard can be explained by the different nature of the Think Small First Principles and the Small Business Act: holding consultations with SMEs can more easily be done than improving SME policies on precise areas like the ones covered by the SBA. Nevertheless, for the first time since the first edition of the UEAPME Scoreboard, we can report a real improvement in the implementation of the SBA.

### **The SBA finally starts to be implemented**

The EU average gap between the result of the TSF principle and the SBA implementation (see Chart 8) is the lowest ever recorded. This figure is the result of the significant improvement of the SBA (the EU average increased from 45.8% to 50.2%).

Member states, after the release of the SBA in June 2008 and its review of early 2011, are finally taking concrete actions to implement the SBA measures.

SMEs and their representatives seem to have acknowledged the efforts made by their governments in this regard. In fact, despite their actual tight public finance burdens, Member States may have tried to take some more SME-friendly measures in order to tackle the economic crisis and to try to restore growth.

Still, the effects on SMEs of the measures taken need to be further analysed. What follows is a deeper investigation on the effects of the legislative measures taken in the different member states.

### **The effectiveness of the measures taken: a cross-country comparison**

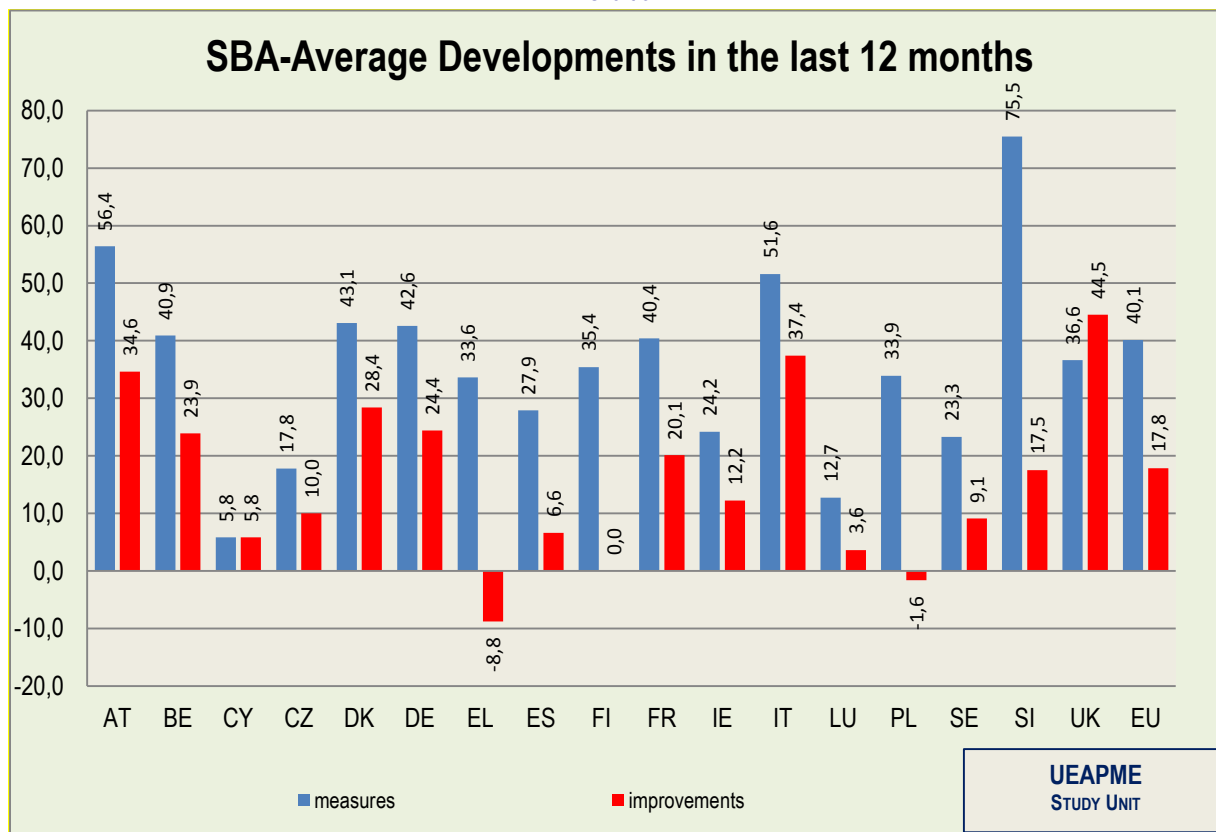
Chart 9 depicts the average results of the national governments' initiatives and the effect of their decisions. A result of 100% on measures taken would mean that legislative proposals were taken in all areas covered by the SBA; 0% would express none were taken. A result of 100% in improvements felt would occur, if all measures had a positive impact; -100% would be reached if all measures had a negative effect.

Greece and Poland are the only two countries that reported negative results as far as the impact of the measures taken by their governments are concerned.

In Greece, in particular, there's a significant gap between the results of the measures taken (33.6%) and the improvements felt (-8.8%). These figures somehow reflect the climate of deep economic recession and political instability that has been affecting the country since the beginning of the crisis.

According to Greek SMEs and their representatives, Greece has launched a set of measures in certain areas of the SBA, but the effects of their concrete implementation were detrimental.

Chart 9



In the United Kingdom, on the contrary, the measures taken (+36.6%) led to the highest value of improvements felt (+44.5%) recorded among the surveyed countries.

At the UE level, the measures taken (40.1%) had on average a 17.8% positive effect. It is quite interesting to make a year-on-year comparison: during the last year fewer measures were taken (40.1% compared to 42.0% in 2011), but nevertheless they had a slightly more positive effect (“improvements” felt increased from 17.4% to 17.8%).

### 3.3 Specific legislative measures at European level

A different, more descriptive method to analyse the implementation of the concrete measures that were promised in the SBA for the European level has been chosen. Table 1 shows, for each of the concrete “legislative” measures, how far the dossiers are in the legislative process. All measures were announced in the framework of the SBA (June 2008) and were kept unchanged during the 2011 review.

Table 1

Legislative SBA Measures at European Level	SME friendly	COM	EP / EIB Council	NAT GOV
European Private Company Statute	+ / -	delivered	pending	not started
Extension of SME loan facility by EIB	+	delivered	delivered	delivered
Public Procurement – facilitation or SME participation	+	delivered	pending	pending
General Block Exemption for State Aid	++	delivered	not applicable	delivered
Amendment of Late Payment Directive	+ / -	delivered	delivered	pending
Erasmus for young entrepreneurs	+	delivered	not applicable	pending
Reduced VAT rates for labour intensive services	+	delivered	delivered	delivered
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 reduction in VAT rates for labour intensive services and the extension of SME loan facility by the EIBs have been delivered at all stages of the process; the National governments have also delivered on the general block exemption for State Aid.

As regards Public Procurement, while the recommendations included in the “European Code of Best Practices Facilitating Access by SMEs to Public Procurement Contracts” were not implemented, the new EC proposal, which is at the moment pending at the EP and the Council, makes part of them binding.

The amendment of the Late Payment Directive, another very sensitive topic for SMEs, is due to be transposed by EU countries into their national legislations by 16<sup>th</sup> of March 2013.

No progress has been reported in the European Private Company Statute and Erasmus for young entrepreneurs since the 2011 edition of the Scoreboard.