

# **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 this year.

With the “UEAPME Think Small Test (TST)” and the “SBA Implementation Scoreboard”, published ahead of the European SME Week, 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 16 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, which are members of UEAPME from 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 process is at the moment.

The results of this third edition refer to the situation we have found in mid-2011 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 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.

Gerhard Huemer

Mario Gronert

Director  
UEAPME Study Unit

Economist  
UEAPME Study Unit

---

<sup>1</sup> Bulgaria, Czech Republic, Denmark, Germany, Ireland, Greece, Spain, France, Cyprus, Netherlands, Austria, Poland, Romania, Slovenia, Sweden, United Kingdom.

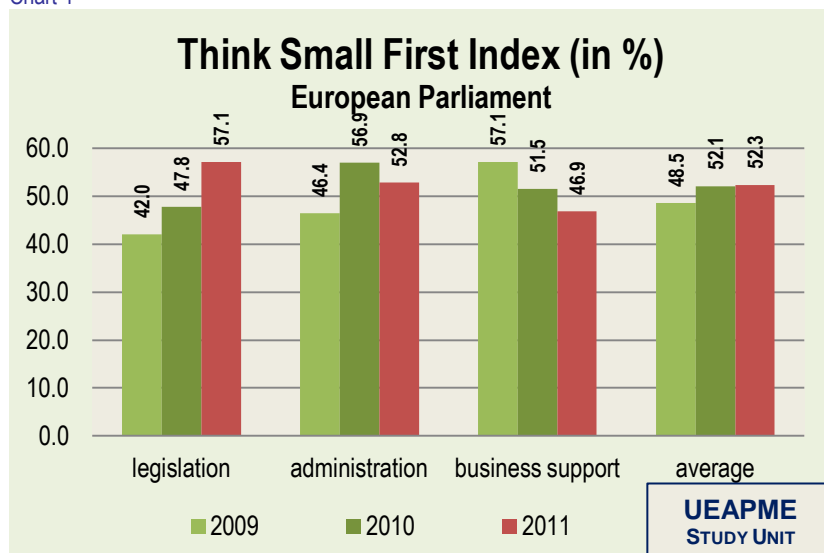
## 2. UEAPME Think Small Test 2011 – the results

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

The gap between the European Commission (EC) and the European Parliament (EP) has widened marginally in 2011 by 0,5 percentage points. The general level of respect for the TSF principle has risen for the EP to 52,3% and fallen for the EC to 49,3%. These small differences are probably not significant enough to conclude that the institutions are moving in opposite directions. Overall, the impression of our experts seems to be that the respect for the TSF principle has not advanced.

Chart 1

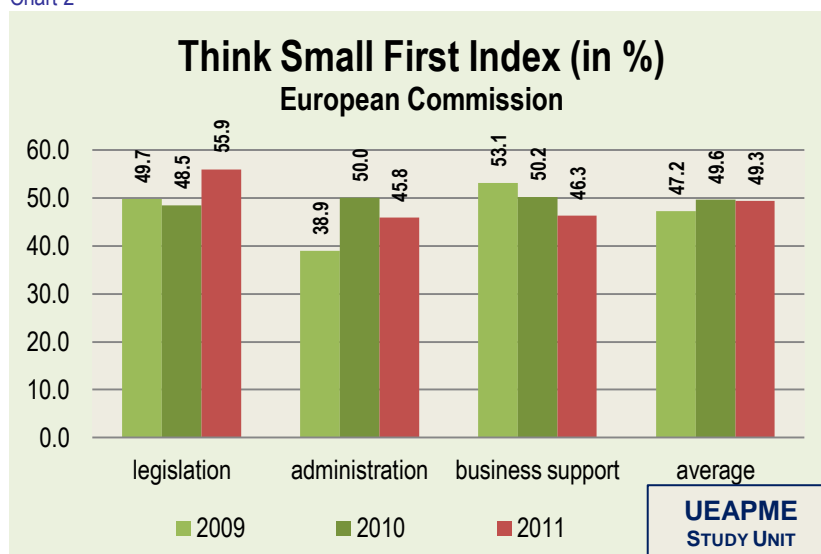


There are, nonetheless, differences between the three areas analysed. Interestingly, the trends are similar for both the EC and the EP. The results for legislation improve for the second consecutive year for the EP (57,1%) and the EC (55,9%). When drafting laws our experts feel that the voice of SMEs matters more.

The continued decrease in business support (down to 46,9% for the EP, to 46,3% for the EC) could be traced back to the withdrawal of crisis support measures due to the tightening of budgets since 2009.

Chart 2

In terms of administration the situation worsens as well (down to 52,8% for the EP and to 45,8% for the EC). The great expectations generated on better regulation seem to not have been backed by tangible measures. This setback in administration though, still leaves both institutions above their 2009 levels. However, when comparing them, the EP is still 7 percentage points above the EC in this field, the largest difference recorded between the two institutions.

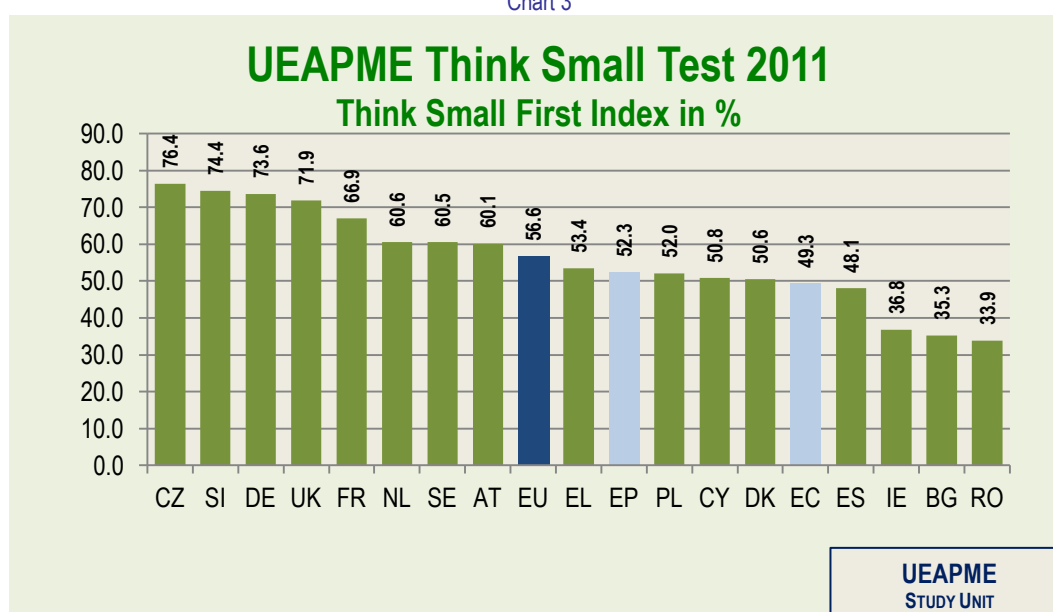


## 2.2. National results

Chart 3 presents the overall results for the TST 2011 for all participating countries, the European average as well as the European Commission and the European Parliament. The columns for the 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 5, which also includes the figures found for measures taken in the three areas and their impact as felt by SMEs.

Chart 3



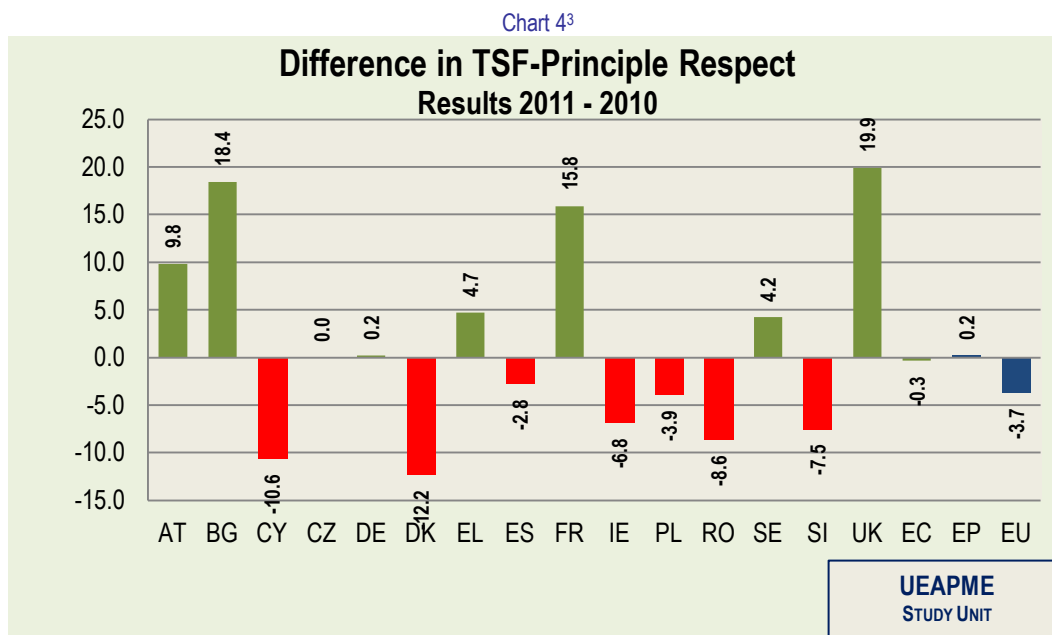
The Czech Republic and Slovenia, both members of the EU since the 2004 enlargement, show the best results (76,4% and 74,4% respectively); the two members entering the EU in 2007, Bulgaria and Romania, report the worst results: 35,9% and 33,9%. In general, the results are evenly distributed with 8 countries above and 8 countries below the European average.

The European institutions are shown to have less respect for the TSF Principle than the European average: 56,6% as opposed to 52,3% and 49,3%. SME representatives might have tendencies to systematically favour or oppose their national governments. The European mean should correct for this, assuming that these tendencies are independent of each other. It could then be argued that the European institutions on average think less often small first.

Another explanation for the worse-than-average results of European institutions may be that our European experts are more demanding of the EC and the EP, the driving forces behind the creation of the TSF-Principle.

The different levels of expectations make the difficulty of cross-country comparisons evident. Differences over time within a country can be observed, nonetheless. Chart 4 (next page) shows the difference between the results of the average TSF-Index value in 2011 and the same value back in 2010. A negative result

(columns marked red) represents deterioration; a positive result (columns marked green) depicts improvement in the Think Small First Index.<sup>2</sup>



Seven countries report progress while other seven stated that respect for the TSF principle has receded. The Czech Republic stays unchanged. In general, there seems to be a small favourable trend, since the sum of all positive answers (73 percentage points) outweighs the sum of negative responses (52,4 percentage points). This modest improvement is somewhat unequally distributed, with three countries (Bulgaria, France, and the United Kingdom) reporting strong betterments. The negative answers are, on the contrary, more equally spread.

<sup>2</sup> This is not done for the Netherlands as we have no data for that country for 2010.

<sup>3</sup> 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, 15 countries (Bulgaria, Czech Republic, Denmark, Germany, Ireland, Greece, Spain, France, Cyprus, Austria, Poland, Romania, Slovenia, Sweden, United Kingdom) are included in the data sets for 2011 and 2009, for the TST and the SBA Scoreboard. Last year's TST included Italy, Hungary, Finland and Belgium, not present this year. Back in our observation for 2011 are the Netherlands.

### 3. SBA Implementation Scoreboard

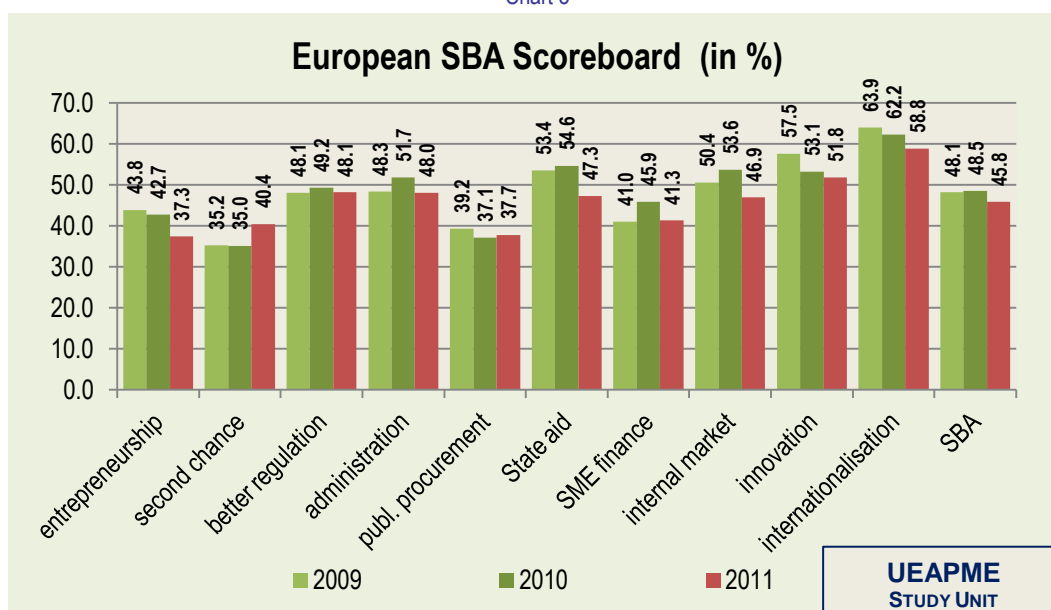
The Small Business Act (SBA) lays out ten specific policy areas in which the situation of SMEs should be boosted. With the SBA Scoreboard we want to show the extent to which national and European institutions have already implemented their commitments made within the SBA, in which areas measures have 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 2011/10 and whether the situation for SMEs has improved.

Chart 5 depicts the overall situation in Europe. In an ideal world, we would stand at a value of 100% in every column or at least edging closer to 100%.<sup>4</sup> This is not the case, as we see setbacks as well as improvements. In fact, most areas report setbacks. The mean value of SBA commitments implemented has fallen from 48,5% to 45,8%.

Chart 5



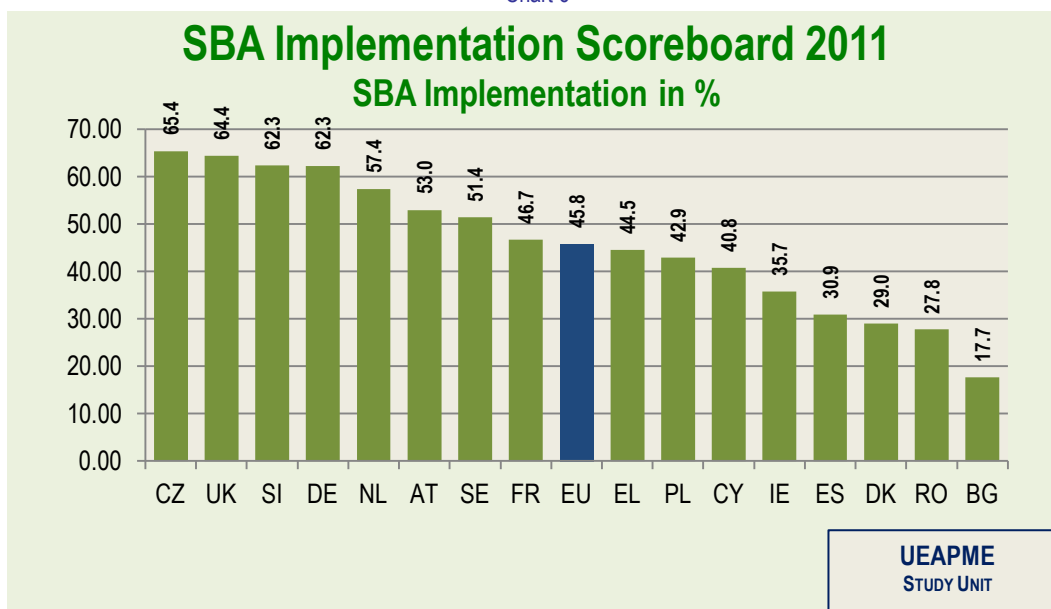
Only the areas “second chance” and “public procurement” show improvements. The worsening can most likely be linked to the cut-backs from crisis-support measures that are being slowly withdrawn. State Aid, where the largest absolute fall is recorded (7,3 percentage points) and SME Finance recede as a consequence. The decreased score in the area of internal market (by 6,7 percentage points) could be understood as a sign of protectionist tendencies in the analysed countries. Policymakers seem less willing to open their markets to foreign competition in hard times.

<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

An overview of the state of SBA Implementation across countries can be had looking at Chart 6. The implementation of commitments ranges from a high 65,4% in the Czech Republic to a low 17,7% in Bulgaria.

Chart 6



The difficulty to compare results across countries must be stressed again. We can yet 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 45,8%, 10,8 percentage points below the European mean as regards the TSF Principle. The same difference a year ago was one percentage point larger (11,8). Both averages fell in 2011 but the one for the TSF principle did so to a larger extent.

Contrary to the comparison of European averages, when we compare again national results of this year with those of last year<sup>5</sup> for the Small Business Act Implementation, Chart 7 (next page), the SBA Commitment fares better in terms of countries reporting improvements.

<sup>5</sup> This is not done for the Netherlands as we have no data for the country for 2010.



Chart 7

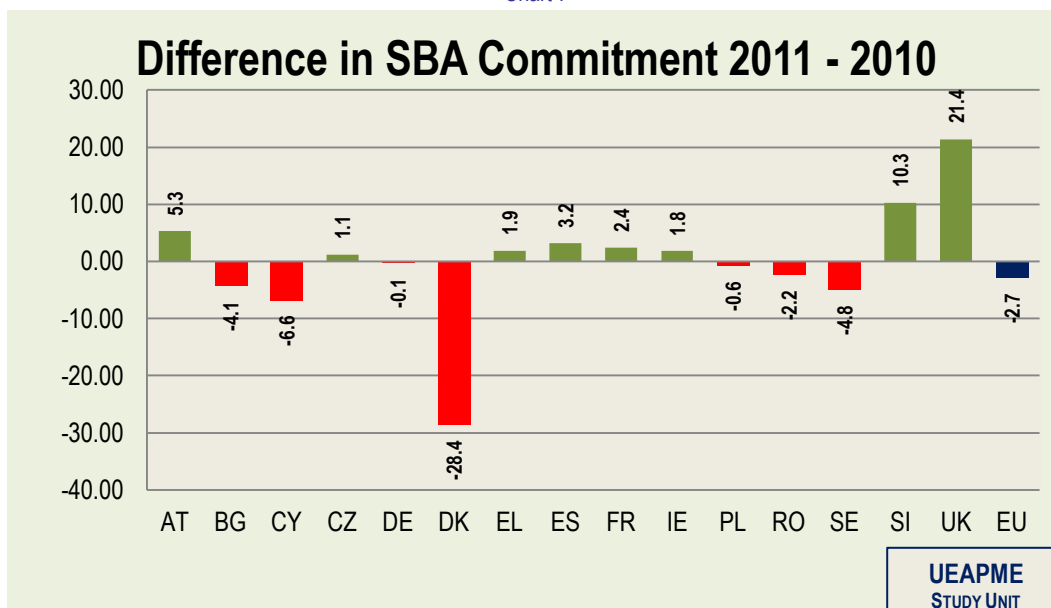
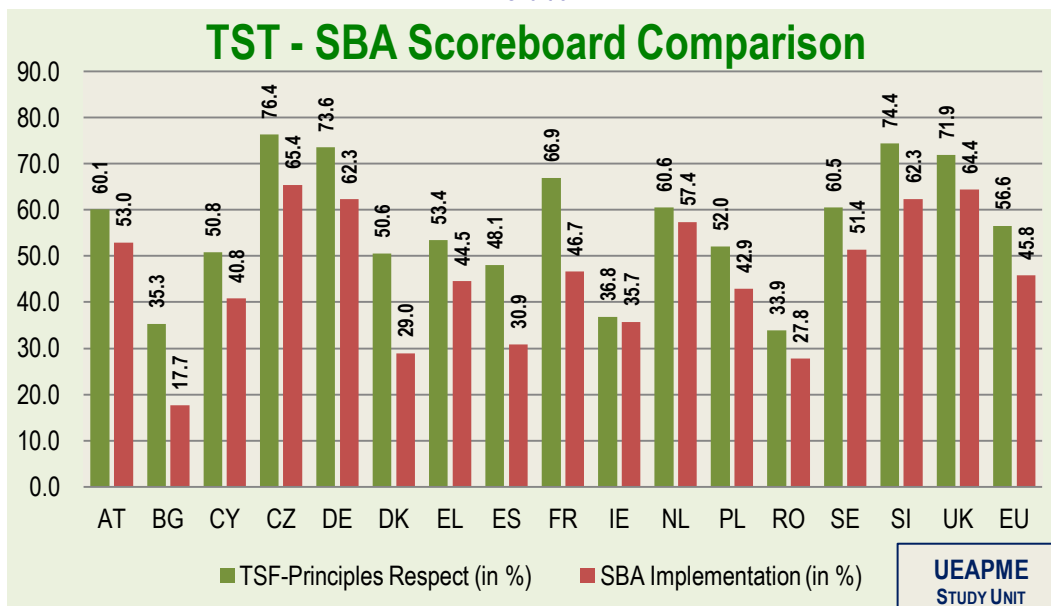


Chart 8 compares national and European results for the TST and the SBA scoreboard's average. We can observe that the results for the TST-Principle Respect are always better than those for the SBA implementation. The gap is the narrowest in Ireland and the Netherlands (1.1 and 3.2 percentage points respectively) and the widest in France and Denmark (20.2 and 21.6 percentage points). As stated before, the EU average difference stands at 10.8 percentage points.

Chart 8



### Expectations key in explaining the discrepancy between TST and SBA results

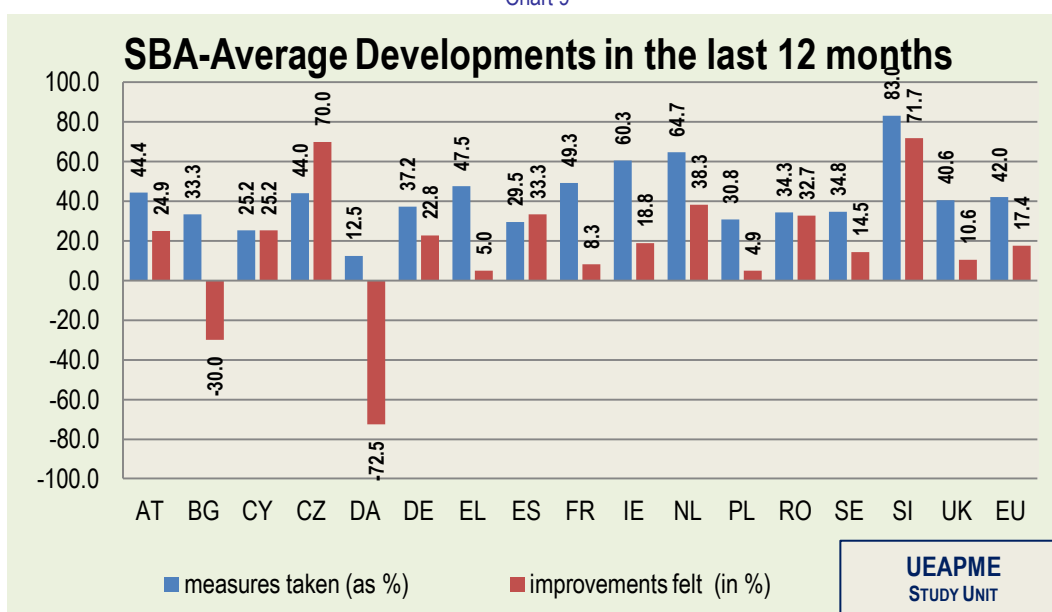
The discrepancy the TST and SBA Scoreboard is most likely due to the more delimited nature of the SBA as opposed to Think Small First Principle. Holding consultations with SMEs can more easily be done than improving SME policies on precise issues like public procurement. Especially during a crisis, two 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.

### Have policymakers not taken concrete action?

Yet the discrepancy 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 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 9



While Chart 7 showed seven countries reporting setbacks on the SBA implementation, only two, Bulgaria and Denmark, believe their governments' actions were generally detrimental. Most decisions taken were seen as positive, but we observe a discrepancy between measures taken and their effect and the degree of the SBA implementation.

According to the answers from Cyprus, the national government may have taken fewer measures compared to other countries but most (70%) were reported as having improved the situation. The SBA Implementation score fell nonetheless by 6.6 percentage points.

Also, the SBA Implementation results for the United Kingdom improved year-on-year by 21,4 percentage points. For Slovenia they improved by 10,3 percentage points – an 11,1 percentage points difference. The analysis of the policy developments over the last 12 months, however, reveals that policymakers in Slovenia introduced more measures and that these measures had more often a positive effect than in the UK.

### Reasons for the disconnection between SBA implementation and legislative developments

One problem is that the questionnaires (see Annex) only ask whether a policy measure was taken and, if yes, whether an improvement was felt, whether none was felt or whether conditions worsened. The

amplitude of effects is not measured. As a result, if a measure is taken that has a small positive effect it is computed the same way as a measure that has significantly and substantially improved the situation.

A quantitative measure may seem better and would provide us with interesting results but goes beyond the scope of this analysis and our available resources.

We make out two other 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, like the changes to the professional qualifications systems.























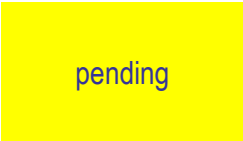
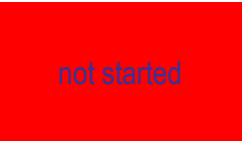
Secondly, we can also think that our experts have a clear idea of what measures were taken and if they had an impact. It is more difficult to gauge the overall improvement since 2008. External shocks also have an impact. Hence it is likely our experts have adaptive expectations. This means that if a policymaker took two steps forward last year towards a stronger implementation of the SBA and this year only one that may be seen as a setback.

In conclusion, we do not observe a step back in the SBA commitment but a slower pace of implementation. The shift of priorities for governments towards fiscal consolidation has caused our experts to point to certain policy areas (SME Finance, State Aid, internal market) where crisis measures have receded and no new promising proposals seem to be appearing. The areas of administration and regulation have as well not performed as expected due to failure to meet the expectations generated, especially by the Barroso led Commission on better regulation.

### 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.<sup>6</sup>

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				<b>UEAPME Study Unit</b>

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 has been delivered at all stages of the process, as was the extension of SME loan facility by the EIB. National governments have also delivered on the general block exemption for State Aid, an issue that was marked as “pending” last year.

The amendment of the Late Payment Directive has been adopted and is now to be implemented by national legislators. The issues on public procurement and Erasmus for young entrepreneurs are still pending at national government level. Nothing has changed yet on the European Private Company Statute or the amendment of the Late Payments Directive compared to the last edition of the UEAPME SBA Scoreboard.

<sup>6</sup> However, a number of proposals and recommendations, falling short of being a fully concrete measure, were presented. Also, a new system of governance of SME policy, including SME Envoys, was put in place to improve the enforcement of the SBA.