

Ireland's Fact Sheet in a nutshell:

- ✓ Ireland's SME sector is expected to recover to pre-crisis levels only after 2011, with lasting adverse effects on employment and final output.
- ✓ The SME sector in Ireland lost more than 128 000 jobs between 2007-2010, representing about 15% of the total workforce.
- ✓ Ireland scores above or on par with the EU average for most SBA principles. However, progress is rather stagnant.
- ✓ In 2010/2011, Ireland addressed six out of ten SBA areas through targeted policy measures, focusing on facilitating access to finance and reducing administrative burden.

The SBA Fact Sheets¹:

The Small Business Act (SBA) is the EU's flagship policy initiative to support small and medium-sized enterprises (SMEs).

The aim of the annually updated Fact Sheets is to improve understanding of recent trends and national policies affecting SMEs.

1. SMEs in Ireland — basic figures

	Number of Enterprises			Employment			Value added		
	Ireland		EU27	Ireland		EU27	Ireland		EU27
	Number	Share	Share	Number	Share	Share	Billion €	Share	Share
Micro	72.054	82,6%	92,1%	212.520	21,5%	29,8%	10	11,8%	21,6%
Small	12.412	14,2%	6,6%	230.190	23,3%	20,4%	12	14,7%	18,9%
Medium-sized	2.298	2,6%	1,1%	217.006	22,0%	16,8%	17	21,4%	17,9%
SMIE	86.764	99,5%	99,8%	659.716	66,8%	66,9%	39	47,9%	58,4%
Large	467	0,5%	0,2%	328.095	33,2%	33,1%	42	52,1%	41,6%
Total	87.231	100,0%	100,0%	987.811	100,0%	100,0%	81	100,0%	100,0%

Estimates for 2010, based on 2002-2007 figures from the Structural Business Statistics Database (Eurostat). The estimates have been produced by Cambridge Econometrics. The data cover the 'business economy' which includes industry, construction, trade, and services (NACE Rev. 1.1 Sections C to I, K). The data does not cover the enterprises in agriculture, forestry, fishing or the largely non-market services such as education and health. The advantage of using Eurostat data is that the statistics from different countries have been harmonised and are comparable across countries. The disadvantage is that for some countries these data may be different from data published by national authorities.

Ireland's economy has relatively higher concentrations of small, medium-sized and large businesses than the European Union average, where micro firms are comparatively more prevalent.

The financial crisis showed its effects early on, Ireland being the first country in the European Union to officially enter the recession. SMEs were particularly vulnerable.

The SMEs sector's contribution to the economy, as measured by its gross value added, fell by five percentage points, from 53% to 48% between 2007-2010, suggesting that small and medium sized enterprises were hit hardest by the economic downturn, and thus produced comparatively less output than large enterprises.

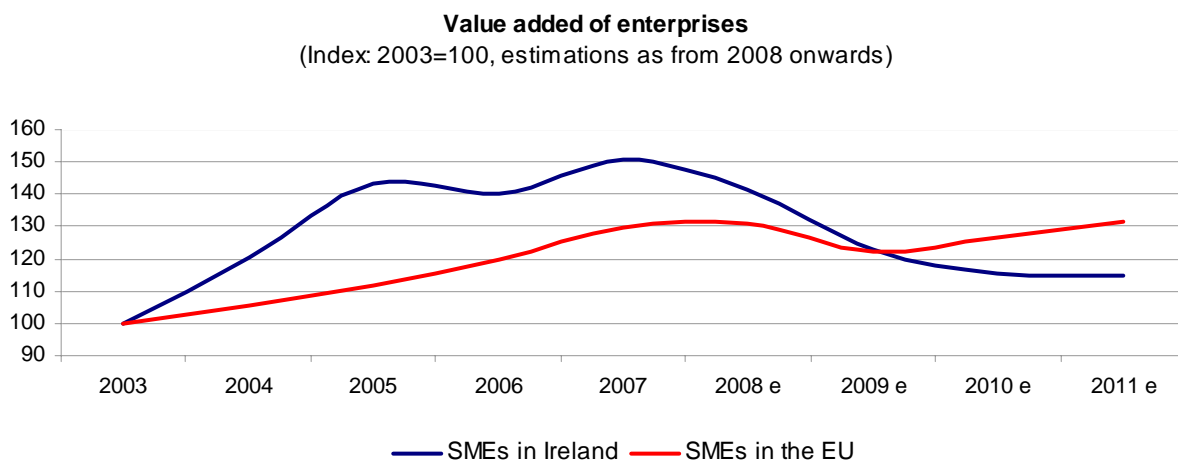
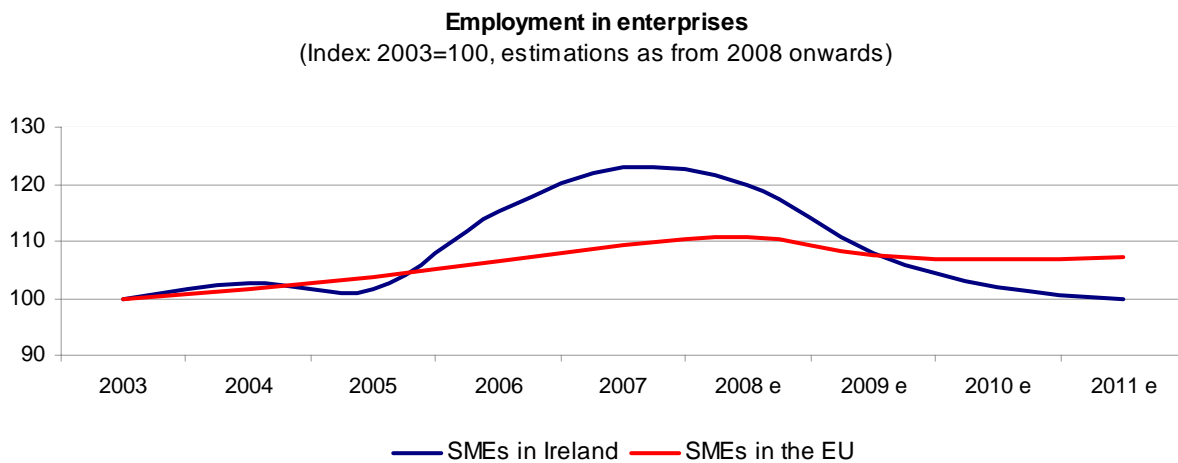
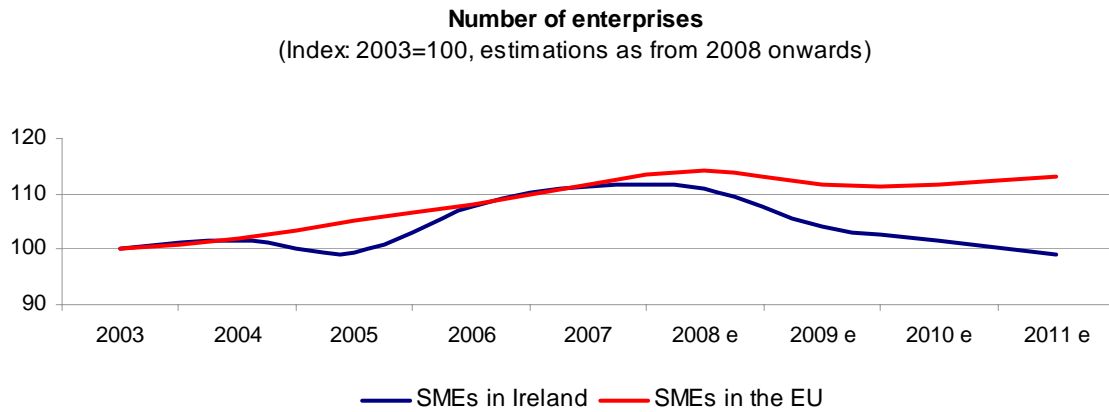
From 2007 to 2010, the SME sector in Ireland lost 15% of its total workforce and produced 18% less final output

(gross value added). By comparison, large enterprises lost 9% of their work force and only 6% of their gross value added.

The construction sector and SMEs in construction suffered the hardest blow. Out of the more than 128 000 jobs lost by SMEs, a quarter was in the construction sector, which was decimated to less than half its size in 2007.

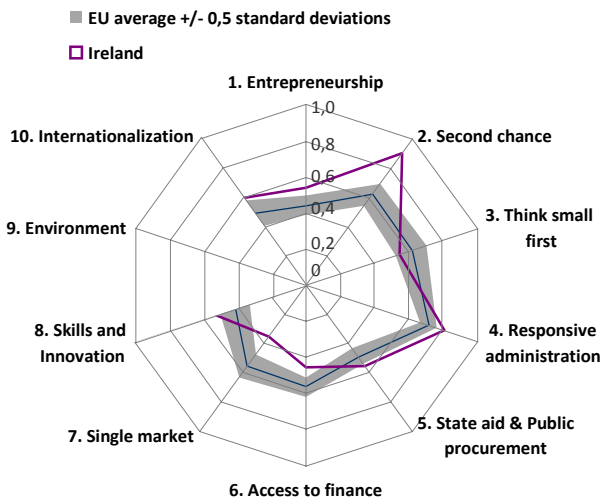
The Irish economy is not expected to significantly recover until after 2011. It will take probably even longer to regain pre-crisis levels (especially on employment and production levels in the SME sector) and continue the positive progress made by the SME sector before the crisis.

SME trends in Ireland²



2. Ireland's SBA profile

Ireland's performance against the EU average by SBA area³



Overall, the statistics on SMEs give an SBA profile for Ireland which, although positive, leaves room for improvement.

The country performs better than the EU average in six out of the nine SBA principles for which scores are

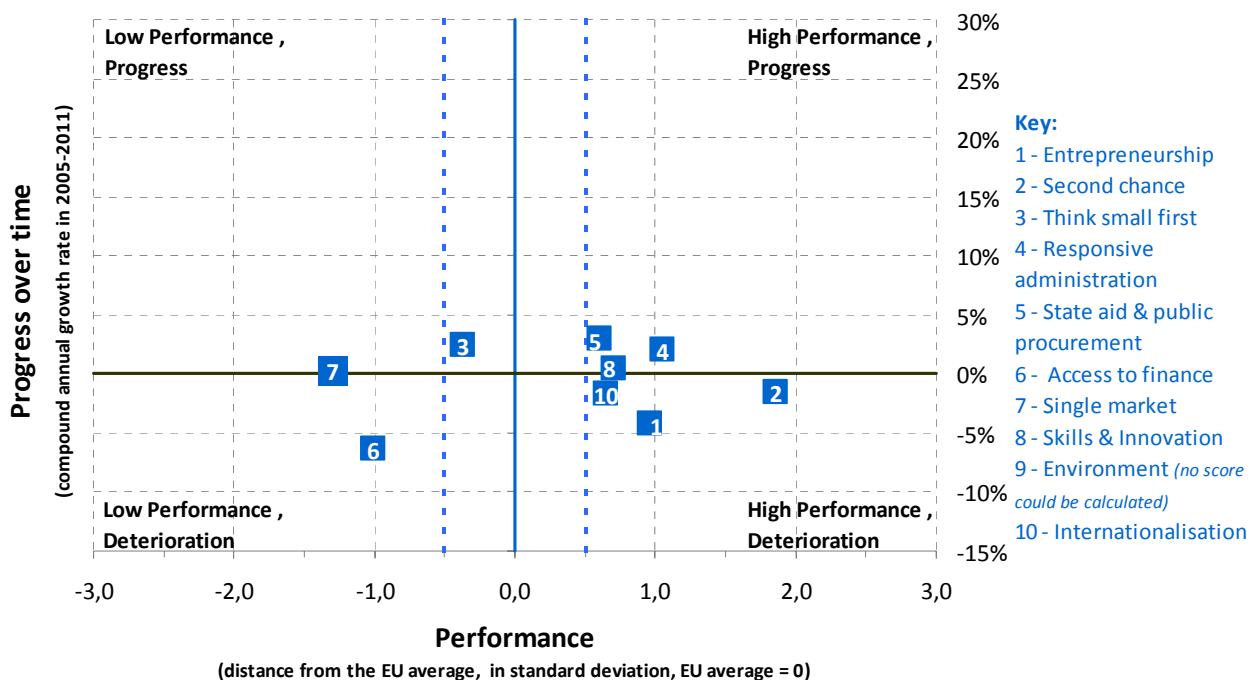
available (the area average for principle 9 'environment' is missing for all countries due to a lack of data), namely Entrepreneurship, Second chance, Responsive administration, State aid and public procurement, Skills and innovation and Internationalisation. All the remaining areas score below or on par with the EU-average.

To get a fuller picture, Ireland's policy record⁴ in 2010 and the first quarter of 2011 was analysed. It revealed that the Government has addressed six of the ten principles of the Small Business Act through targeted policy measures.

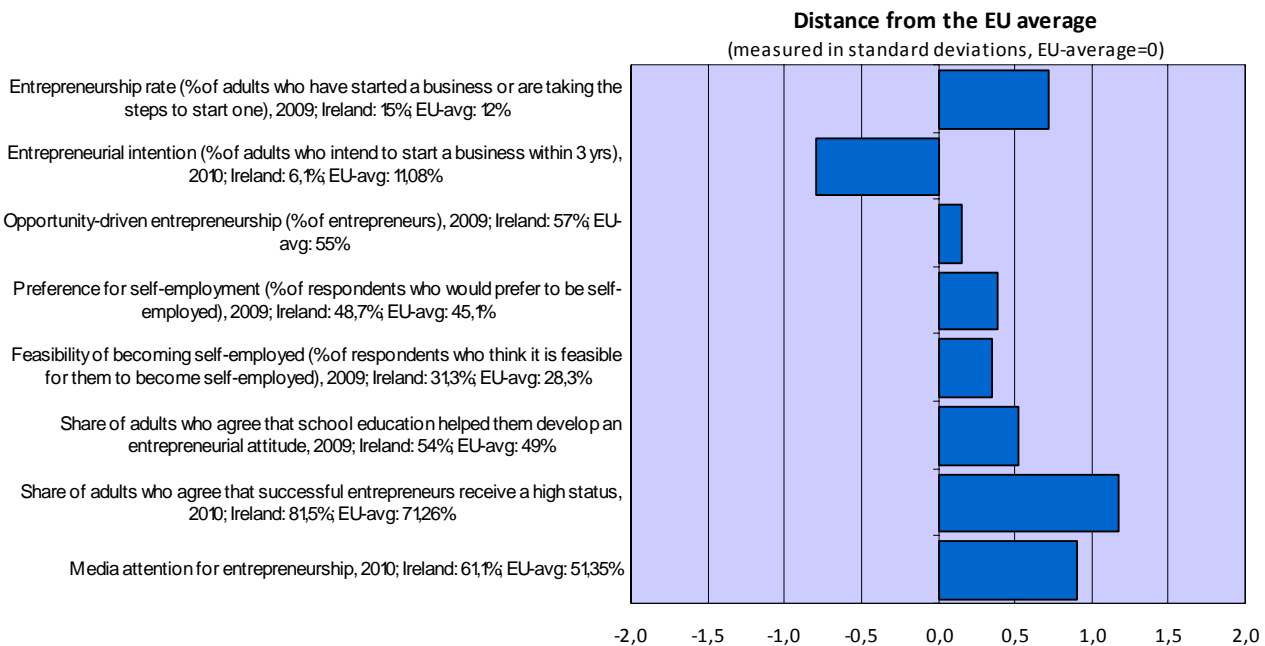
In 2010 and the beginning of 2011, the main focus was on access to finance, reducing the administrative burden and facilitating SMEs' access to public procurement contracts.

When analysing trends, it is clear that progress has been hampered by the economic downturn. In fact, all policy areas hover around the horizontal axis showing no progress: two areas have stagnated and three have slightly progressed, but four have unfortunately deteriorated, the most prominent of which is access to finance.

Ireland's SBA performance: Status quo and trend between 2005-2011⁵



I. Entrepreneurship



Note: Data bars pointing right show stronger than EU-average performance and data bars pointing left show weaker performance.

The statistics suggest that Ireland has been so far successful in creating an environment where small business owners can thrive and the entrepreneurial spirit is rewarded.

On the indicators measuring actual entrepreneurial activity, Ireland scores above-average for the share of entrepreneurs in the total population (15% vs 12% in the EU) and on par for opportunity-driven entrepreneurs, meaning people who are pulled into entrepreneurship because they recognise an opportunity (57% vs 55% in the EU).

Society's perception of entrepreneurship, measured by the degree of media attention and the status given to entrepreneurs in the society, is clearly more favourable for business owners in Ireland than the EU average.

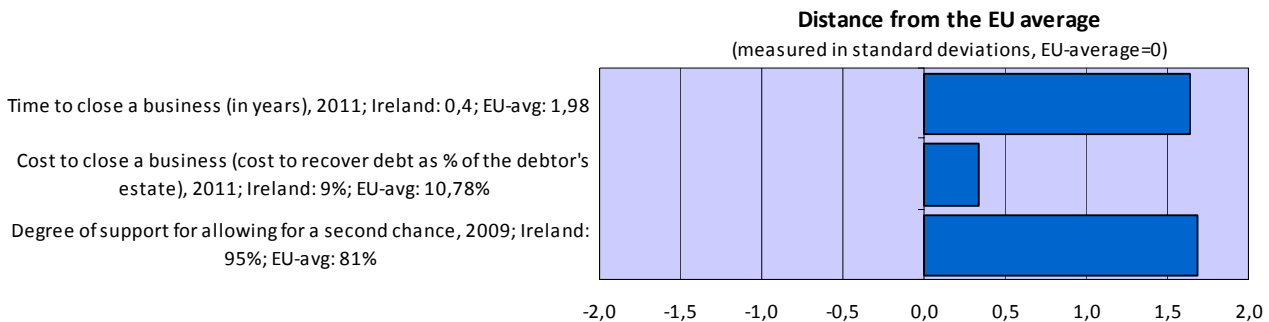
It is not a surprise then that entrepreneurship is considered to be an interesting career choice by almost half of the non-entrepreneurial population, who indicate that they would

prefer to be self-employed, given the choice. About a third also think that it would be feasible to become an entrepreneur in the near future. However, paradoxically and worryingly, only 6% of them have clear plans to start a business in the next three years.

On the policy front, Ireland has taken some steps to stimulate the innovative and entrepreneurial mindset of young people through school education.

2010 was the first year in which the 'Sean Lemass Award for Enterprise' was presented to the national winners of the Student Enterprise Awards and Mini Company Get Up and Go competitions. These competitions seek to promote entrepreneurial skills and experience for students in secondary education in Ireland, and participants involve themselves in real-life examples of establishing businesses, research, sales, financial management and operations. National winners will have competed in local and regional competitions prior to the national finals.

II. Second chance



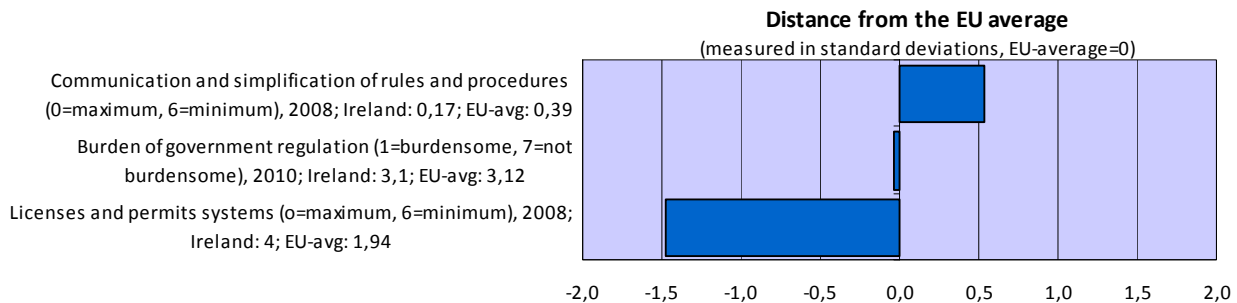
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The indicators measuring 'second chance' also reveal a very positive picture. Ireland appears to offer favourable conditions for entrepreneurs who have failed and want to start over again. The time needed to close a business (0.4 years) and the corresponding cost (9% of the debtor's estate) are lower than EU-27 average. Furthermore, a

very positive development is that fact that Irish society increasingly recognises the business potential of re-starters and is, thereby, more inclined to give a fresh start to entrepreneurs who have faced bankruptcy before.

On the policy front, no significant measures were taken in 2010 and the first quarter of 2011.

III. Think Small First



Note: Data bars pointing right show stronger than EU-average performance and data bars pointing left show weaker performance.

The data on 'Think Small First' show that Ireland is broadly in line with its European peers but the performance on individual indicators is mixed.

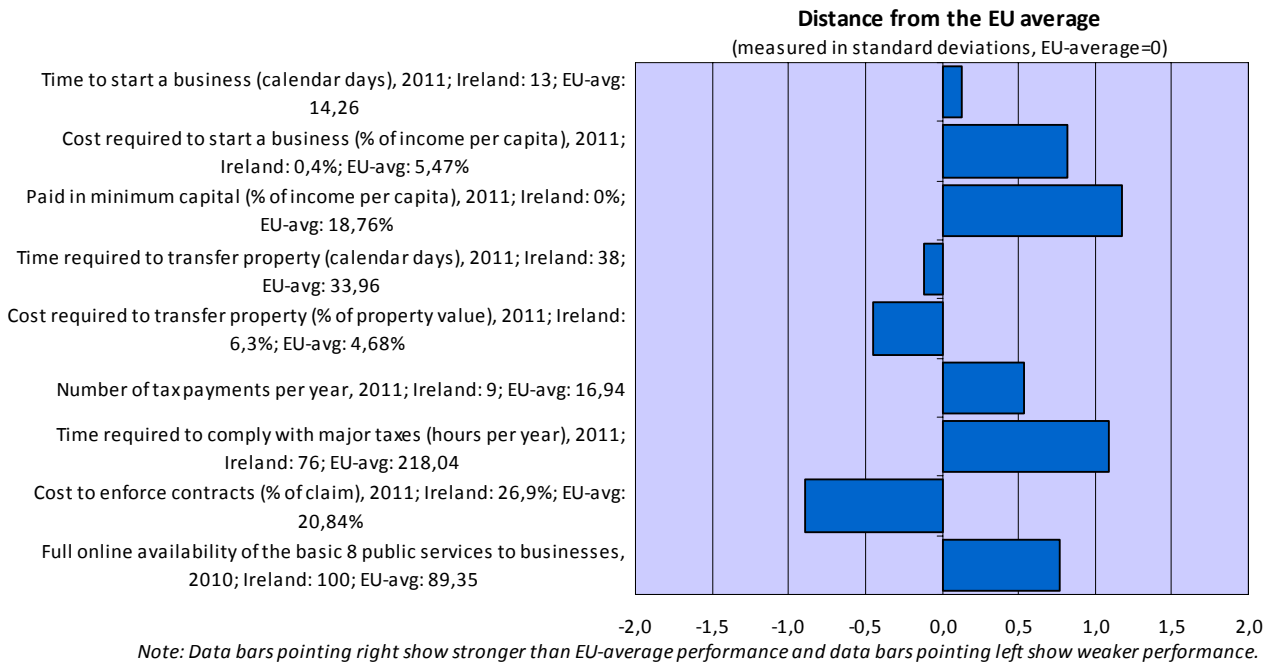
The indicator on 'Communication and simplification of rules and procedures' reflects action taken to reduce and simplify the administrative burden of interacting with the government. Calculated using the country's self-reported answers from 2008, it gives above-average results. The situation is clearly worse when it comes to the system for disseminating information or issuing licenses and permits.

The burden of Government regulations is perceived by business owners as heavy in Ireland, similar to the European Union average.

On the policy front, the Irish Government has taken some steps to ease this burden. In November 2010, it published the National Recovery Plan, in which it decided

to bring forward a target to reduce the administrative burden on business by 25% from 2010 to the end of 2011. A High Level Group on Business Regulation was set up to fast-track simplifications to specific red tape issues identified by business. To date, the High Level Group has processed 30 specific red tape issues brought to its attention by businesses and continues to drive progress on 38 more items. The Group announced over €20 million of annual business savings in its first Report and continues to work with business interests to identify opportunities for simplification. Recent measurements by the Department of Enterprise, Trade and Innovation have demonstrated a further potential €32.7 million of savings for business, resulting from simplifications made to company law.

IV. Responsive Administration



Ireland clearly outpaces many other EU countries in responsive administration.

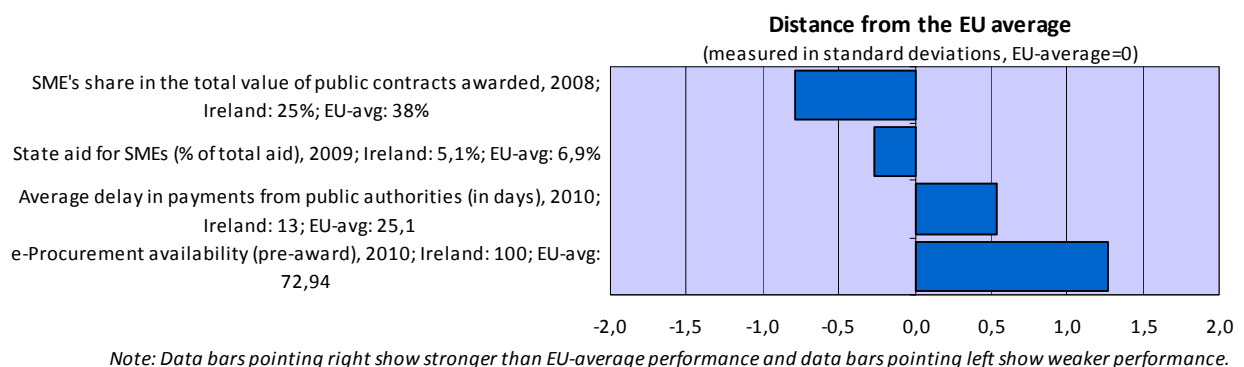
On the one side, there is still room for improvement on formal property registration and transfer procedures, where Ireland falls slightly behind the EU average. The same applies to the efficiency of the judicial system in solving contractual disputes. In particular, the cost (27% of the claim) is higher than the EU average of almost 21%.

On the other side, all the other available indicators that are important for day-to-day business operations (number and duration of tax payments) and indicators focusing on particular milestones in the life-cycle of a business (start-

up conditions⁶, paid-in minimum capital) give a very positive picture. Similarly, the indicator measuring the online availability of 8 basic public services to businesses has already reached 100% while the EU average is close to 90%.

Looking at **public policy developments**, the Services Directive was transposed into Irish law in November 2010 by way of the European Union (Provision of Services) Regulations 2010. Under this process, Ireland also set up a point of single contact (www.pointofsinglecontact.ie) to ease the process of establishing a business in Ireland by entrepreneurs from other Member States.

V. State aid and Public procurement



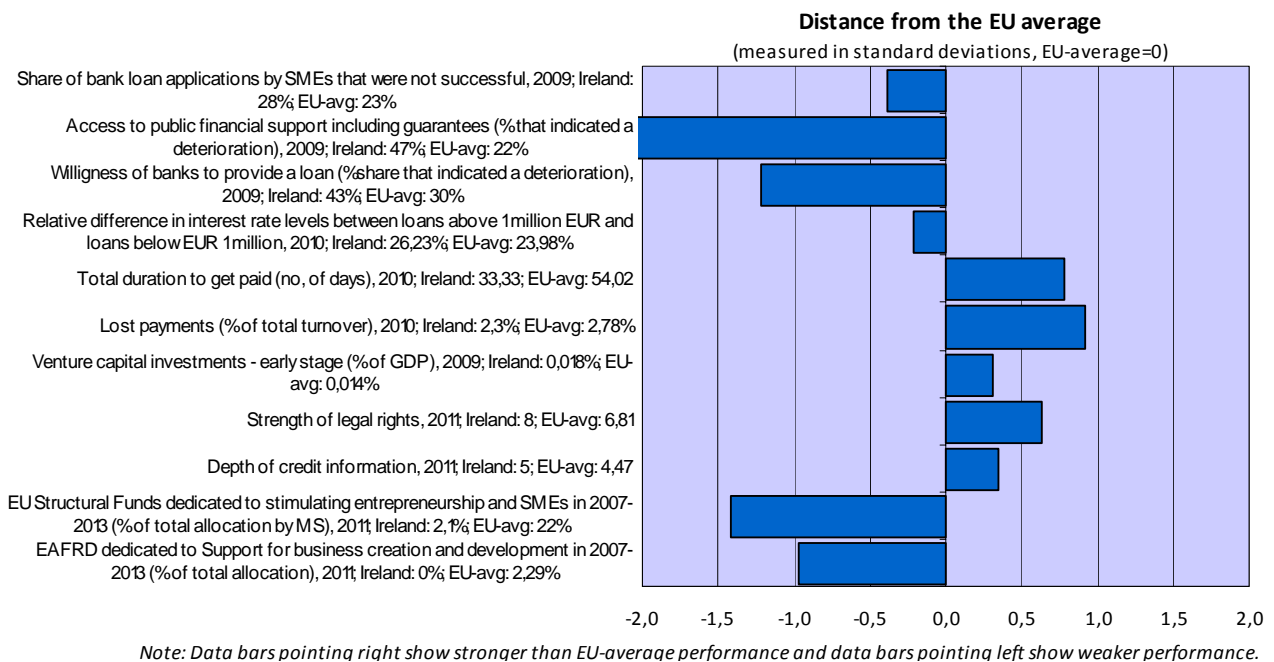
Overall, Ireland scores above the EU average on State aid and public procurement, but individual indicators give mixed results.

Small and medium-sized enterprises in Ireland account for a lower proportion of the value of public procurement contracts (25% vs 38% in the EU), and this share is significantly below their contribution to the economy (48% of gross value added). Similarly, small businesses in Ireland — like most small businesses across the European Union — only marginally benefit from State aid schemes, with only about 5% of total aid benefiting SMEs in 2009.

But average payment delays are significantly shorter in Ireland (13 days vs 25 days delay in the EU) and e-procurement procedures are clearly more accessible to potential bidders in Ireland than the EU average.

To address the shortcomings identified above, Ireland's Department of Finance issued in 2010 a policy directive on 'Facilitating SME Participation in Public Procurement' to all Government Departments. This new policy lowered the minimum value of contracts to be advertised on the national electronic public procurement portal (www.e-tenders.gov.ie), stated that 'where appropriate and practical, and without compromising efficiency and value for money, contracting authorities should consider dividing contracts into lots', and instructed contracting authorities to state that any capacity or turnover levels set by them in public procurement competitions must be relevant, proportionate and justified by the needs of the particular contract.

VI. Access to finance



The available indicators on access to finance demonstrate that there is clearly considerable room for Ireland to improve its results in this area.

The indicators measuring private credit lending reveal that the situation has deteriorated faster than in the EU: 43% of SME owners had noticed that banks are less willing to provide loans and about 28% were actually denied credit by banks in 2009. Moreover, the worsening of access to

public financial support has been even more marked in Ireland than the rest of the EU. Sub-par investments in stimulating SMEs and entrepreneurship through the EU Structural Funds stand out.

However, the institutions and systems which can facilitate access to finance, such as credit registry bureaus and the legal rights of lenders or borrowers fare slightly better than in other EU countries. The same can be said about the

availability of early-stage venture capital, which amounted to 0.018% of the country's GDP in 2009. Last but not least, the liquidity problems posed by payment delays are a slightly less acute problem in Ireland than in the EU, on average.

A number of **policy measures** were taken since 2010 to improve the situation in Ireland.

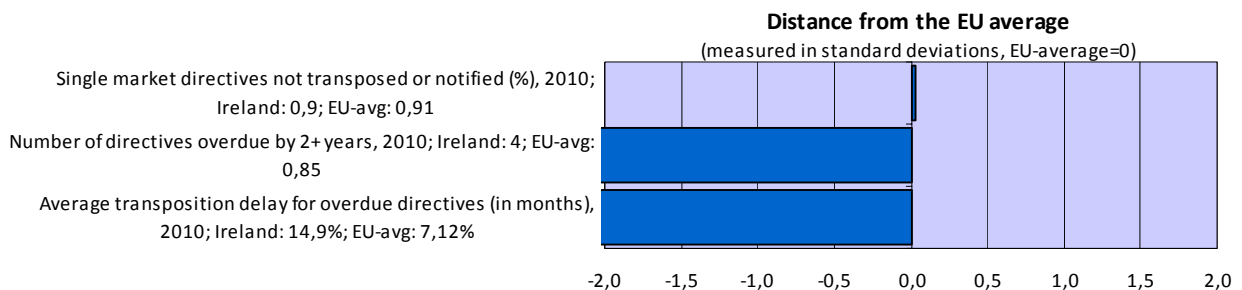
In March 2010, the Minister for Finance established the Credit Review Office, an independent body. Its role is to ensure that the credit system operates effectively for SMEs (including sole traders and farm enterprises). The core aims of the Credit Review Office are to ensure that credit is not refused to viable businesses with valid credit propositions, to assist the Minister for Finance in facilitating the availability of credit, and to examine the lending policies of banks with respect to SMEs, sole traders and farm enterprises, including systems of exemptions to policy. All SMEs may apply for a review of a decision by a participating institution to refuse, reduce or withdraw credit facilities, including applications for

restructured credit facilities or debt restructuring, from €1 000 up to €250 000.

In addition, in December 2010, the Credit Supply Clearing Group published 'Your Business, Your Bank', a guide for business owners which seeks to clarify the current situation of funding for business and how best entrepreneurs can position their businesses to secure the funding they need to remain viable.

Lastly, Enterprise Ireland's new Competitive Start Fund was piloted in 2010 and rolled out in 2011. The initiative recognised that entrepreneurs attempting an internet start-up are different to traditional start-ups, being typically younger, less experienced and with less financial resources; while the nature of the web is such that an internet-based business model can facilitate fast market traction and rapid growth with fewer resources and often a very small team. The Fund aims to help such eligible companies to develop their product-market fit, with real customer validation, and to develop and launch their sites for global trial.

VII. Single market



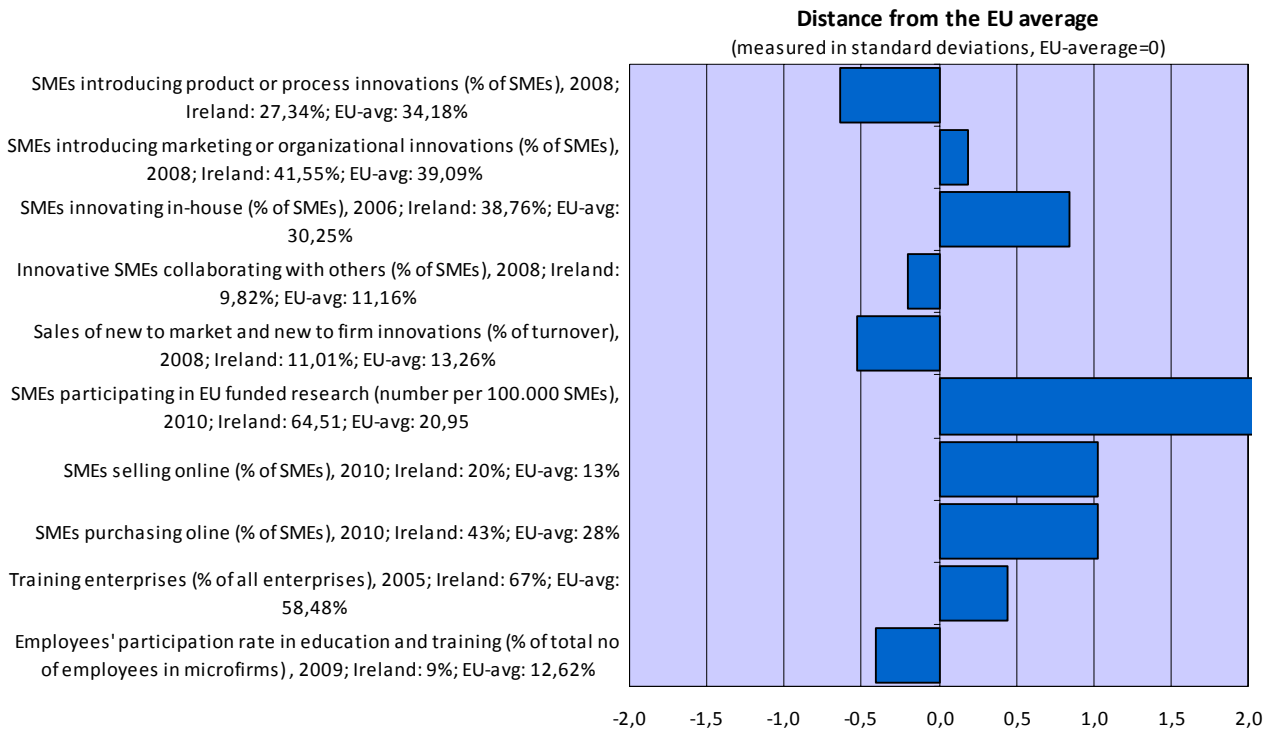
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The single market is one of the SBA principles where Ireland's score clearly trails the EU average.

In terms of internal market legislation and the transposition of EU legislation into national law, Ireland is much slower than its EU peers.

On the policy front, no significant measures were taken to improve the situation in 2010 and the first quarter of 2011.

VIII. Skills and innovation



Note: Data bars pointing right show stronger than EU-average performance and data bars pointing left show weaker performance.

Ireland ranks above the EU average in this area, which covers both skills/training and innovation.

The core indicators on innovation hover around the EU mean. On the one hand, SMEs in Ireland are more inclined to innovate in house and introduce marketing and organisational innovations. On the other hand, they fare below average on product innovations and on turning these new products or processes into sales revenues.

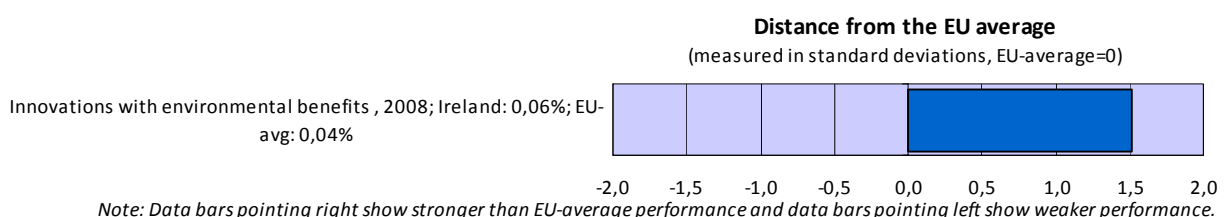
On the positive side, Irish SMEs are considerably more likely to participate in research projects financed under the 7th Framework Programme. Similarly, they reveal a

higher-than-average ability to sell their products and make purchases on-line.

The two indicators measuring training and skills development show somewhat diverging results: while the proportion of enterprises providing vocational training to employees is higher than the EU average (67% vs. 58%), Irish micro firms are less likely to ensure that their employees participate in lifelong learning activities than their peers in other EU countries.

On the policy front, no significant measures were taken in 2010 and the first quarter of 2011.

IX. Environment



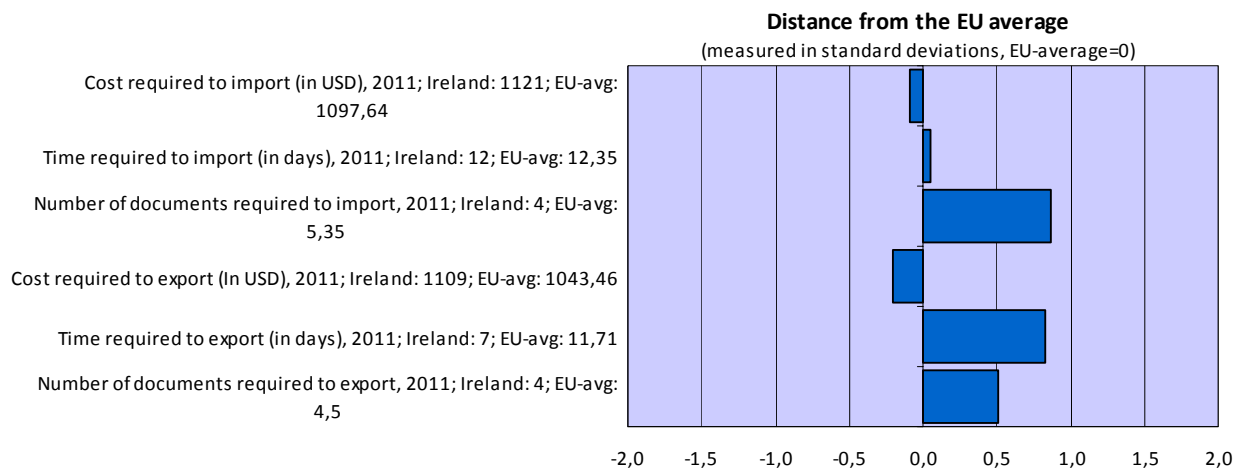
Only one indicator tracking performance on environmental aspects is available, namely the share of small and medium-sized enterprises that produce innovations with

environmental benefits for the enterprise and/or end-user. It is therefore insufficient to draw any general conclusions.

On the policy front, the Department of Enterprise, Trade and Innovation and Forfás (an enterprise policy advisory body) together published a 'Progress Report on the Implementation of the Recommendations of the Report of the High Level Group on Green Enterprise' in March 2011 (the original report was published in November 2009). The green economy can make a significant contribution to Ireland's economy by creating employment and export opportunities in areas such as renewable energy, energy

efficiency and consultancy, waste management, recovery and recycling, and water and wastewater treatment. The original report was drafted to identify areas where Ireland could succeed in the green economy and was tasked with identifying key road blockages for the green economy and ways to overcome these. The Report described the progress made to implement 55 specific recommendations.

X. Internationalisation



Note: Data bars pointing right show stronger than EU-average performance and data bars pointing left show weaker performance.

Based on the available indicators measuring internationalisation, Ireland exceeds the EU average.

However, this stems solely from the general framework conditions for trading, as no performance indicators measuring the extent to which Irish SMEs are actually exporting or importing to or from third markets are available.

Ireland appears clearly less bureaucratic than other EU countries when looking at the total number of documents required for exporting/importing. However this does not translate into cost or time benefits for trading businesses.

The one exception is the time required to export, which is clearly lower than the EU average.

On the policy front, no significant measures were taken in 2010 and the first quarter of 2011.

Good practice

To show what the government actually does to promote SMEs, we include an example of good practice.

The central government e-tendering portal (www.e-tenders.gov.ie) has been a critical cornerstone of Ireland's strong performance in e-government in recent years, and one that has been particularly beneficial to SMEs.

In February 2011, the EU Commission published the Ninth eGovernment Benchmarking Report, which showed that Ireland is now ranked 1st in Europe for the provision and sophistication of online services to businesses and citizens, for the provision of eProcurement services, and for the integration of services as 'life events'. On eProcurement, the Benchmark Report stated that, 'The availability of eProcurement services including eTendering and eAwarding is also growing, and is now at 70% for the EU-27+. More importantly, the total number of notices processed increased by 41% according to the survey of eProcurement platforms managers. This shows significant overall progress towards the political goals set in 2005. Compared to 2009, the group of best performers with scores over 80% has significantly increased. Only one country, Ireland, leads the way with 100% scores for both indicators'.

About the SBA Fact Sheets

The Small Business Act (SBA) Fact Sheets are produced by DG ENTR as part of the SME Performance Review (SPR), which is its main vehicle providing economic analysis of SME issues. They combine the latest available statistical and policy information for the 27 EU Member States and another 10 non-Member States which also contribute to the EU's [Competitiveness and Innovation Framework Programme](#) (CIP). The Fact Sheets — produced annually — help to organise the available information to facilitate SME policy assessments and monitor SBA implementation. They document the status quo and progress. They are not an assessment of Member State policies but should be regarded as an additional source of information designed to improve evidence-based policy making. For example, the Fact Sheets cite only those policy measures deemed relevant by local SME policy experts. They do not, and cannot, reflect all measures taken by the government over the reference period. More policy information can be found on a database accessible from the SPR website. Please see the end notes overleaf.

For more information

SME Performance Review:

http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/index_en.htm

Small Business Act:

http://ec.europa.eu/enterprise/policies/sme/small-business-act/index_en.htm

The European Small Business Portal:

http://ec.europa.eu/small-business/index_en.htm

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¹ The SBA Fact Sheets 2010-2011 benefited substantially from input by the European Commission's Joint Research Centre (JRC) in Ispra, Italy. The JRC made major improvements to the methodological approach, statistical work on the dataset and the visual presentation of the data.

² The three graphs below describe the trend over time for the variables. They consist of index values for the years since 2003, with the base year 2003 set at a value of 100. As from 2008, the graphs show estimates of the development over time, based on 2003-2007 figures from the Structural Business Statistics Database (Eurostat). The estimates were produced by Cambridge Econometrics. The data cover the 'business economy', which includes industry, construction, trade, and services (NACE Rev. 1.1 Sections C to I, K). The data do not cover the enterprises in agriculture, forestry, fishing or the largely non-market services, such as education and health. A detailed methodology can be consulted at: http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/index_en.htm.

³ The SBA radar chart plots for the different SBA areas the relative position of an individual country vis-à-vis the EU average. The individual values represent averages across all available indicators for this area. The scale is from '0' (minimum or 'worst in the EU-27 class') to '1' (maximum or 'best in class'). The EU average is located between those extremes and plotted as a grey band in the chart. The area average for principle 9 ('environment') is missing for all countries due to a lack of data.

⁴ The policy measures presented in this SBA Fact Sheet may only be a selection of the measures taken by the Government in 2010 and the first three months of 2011. The selection was made by the SME policy country expert contracted by Ecorys (DG ENTR's lead contractor for the 2010-2011 Fact Sheets). The experts were asked only to select those measures that, in their view, were the most important, i.e. were expected to have the highest impact in the specific SBA area. The complete range of measures that the experts compiled in the framework of producing this year's Fact Sheets will be published in the form of a policy database on the DG ENTR website alongside the Fact Sheets.

⁵ The quadrant chart combines two sets of information: firstly it shows the status quo performance based on data for the latest available years. This information is plotted along the X-axis measured in standard deviations of the simple, non-weighted arithmetical average for EU-27. The vertical corridor marked by the dotted lines defines the EU average. Secondly, it reveals the progress over time, i.e. average annual growth rates for the period 2005-2011. The growth rates are those of the individual which the different SBA area averages are made up of. Hence, the location of a particular SBA area average in any of the 4 quadrants provides not only status quo information about where the country is located in this SBA area relative to the rest of the EU at a given point in time, but also the extent of progress made in the period 2005-2011.

⁶ These figures are based on World Bank data. For methodological details on the start-up indicators, please consult the Doing Business 2011 report at <http://www.doingbusiness.org/>. It should be noted that these findings differ from corresponding figures obtained directly from Member States, through a self reporting exercise according to which, in 2010, it took 2 to 5 days and a cost of 50 Euros to start a business in Ireland. For more details please see: http://ec.europa.eu/enterprise/policies/sme/business-environment/start-up-procedures/index_en.htm.