



EUROPEAN REFORM BAROMETER Spring 2009

REFORMS ARE A VITAL
PILLAR OF THE RECOVERY



WHO ARE WE?

BUSINESSEUROPE's members are 40 central industrial and employers' federations from 34 countries, working together to achieve growth and competitiveness in Europe.

BUSINESSEUROPE, the Confederation of European Business, represents more than 20 million small, medium and large companies.

WHAT IS THE EUROPEAN REFORM BAROMETER?

The European Reform Barometer provides a comprehensive review of structural reform across EU member states based on a survey of BUSINESSEUROPE's national member federations. This report presents recommendations to member states and European institutions in the context of the EU Lisbon strategy for growth and jobs.

Detailed survey results and member states' reform assessments are published on our website www.businessseurope.eu

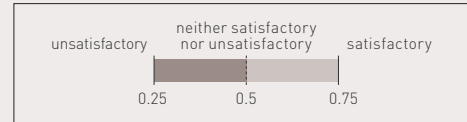
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Chart 1 Assessment of reform progress in 2008 ¹

Source: BUSINESSEUROPE 2008 Reform Barometer Survey

Scores in the table are based on the assessment of BUSINESSEUROPE's federations in seventeen individual policy areas, weighted by the level of priority given to each area.



	Overall	Labour market	Public finances	Innovation and research	Business environment
AT	0.51	0.54	0.25	0.75	0.49
BE	0.46	0.41	0.25	0.67	0.56
BG	0.56	0.38	0.63	0.21	0.67
CY	0.64	0.77*	0.63	0.63	0.59
CZ	0.54	0.48	0.75	0.50	0.56
DE	0.40	0.40	0.38	0.32	0.38
DK	0.55	0.31	0.63	0.75	0.77*
EE	0.30	0.49	0.12**	0.32	0.25
ES	0.36	0.43	0**	0.50	0.43
FI	0.58	0.59	0.37	0.75	0.75
GR	0.43	0.50	0.50	0.42	0.35
HU	0.41	0.25	0.50	0.60	0.45
IE	0.51	0.44	0.11**	0.75	0.62
IT	0.53	0.56	0.62	0.50	0.47
LU	0.52	0.43	0.29	0.92*	0.62
LV	0.51	0.27	0.50	0.50	0.67
MT	0.42	0.44	0.50	0.39	0.40
NL	0.67	0.59	0.64	0.75	0.75
PL	0.57	0.64	0.67	0.33	0.63
PT	0.54	0.41	0.75	0.63	0.52
SE	0.58	0.52	0.92*	0.51	0.59
SI	0.41	0.35	0.25	0.50	0.57
UK	0.43	0.47	0.25	0.52	0.41
NO	0.52	0.59	0.77*	0.56	0.35
EU	0.46	0.47	0.37	0.48	0.46

Note: * Progress close to "excellent"
 ** Progress "deteriorating"

1. France, Lithuania, Romania, and Slovakia were not able to respond to the survey.



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REFORMS ARE A VITAL PILLAR OF THE RECOVERY

The ongoing financial crisis is inflicting severe disruptions on the European economy. This is reflected in a sudden and deep recession, a retrenchment of global trade and investment flows, rising protectionism, higher unemployment and ballooning public indebtedness.

The business community has applauded the initiative taken by the Presidency of the European Council and the European Commission in orchestrating the emergency interventions to safeguard the banking sector in October, the G20 Summit on 15 November and the EU recovery plan in December. But the economic and financial situation

continues to evolve at an extraordinary pace and uncoordinated national responses risk damaging the European integration process and the chances of a sustained recovery.

Further initiatives will be needed in the short term to support financial and economic stability, restore credit flows and cushion the immediate impact of the crisis on growth and jobs. However, structural reforms have also a vital role to play in limiting the extent of the economic slowdown and fostering a faster and sustainable recovery. **The visible lack of an effective reform strategy in present circumstances is for us a vital flaw in the European response to the crisis.**

Chart 2

Government debt and budgetary balance

Source: European Commission Interim Forecast (January 09)

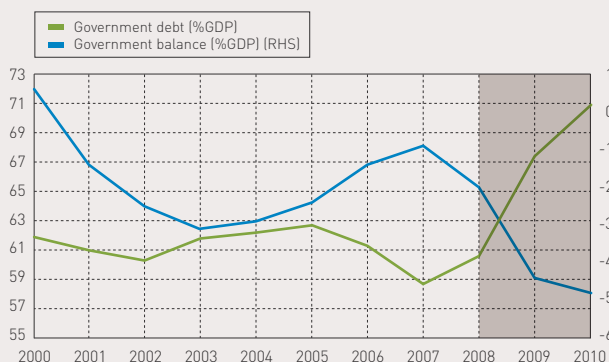
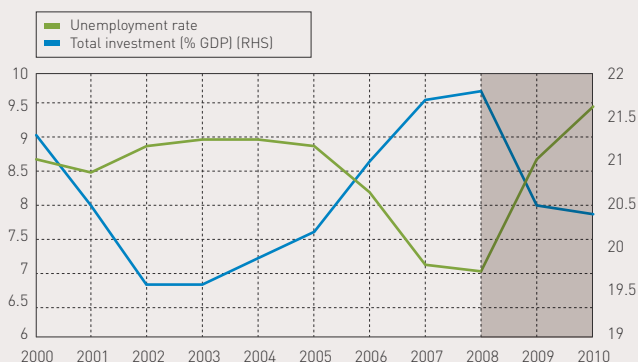


Chart 3

Unemployment and investment

Source: Eurostat, European Commission Interim Forecast (January 09) and BUSINESSEUROPE's own calculations



The ongoing crisis will in the next 2 years completely unwind the progress achieved in terms of budgetary consolidation, diminishing unemployment and rising investments since the start of the Lisbon Strategy in 2000 (see chart 2 and 3).

To safeguard its credibility, the Lisbon Strategy must now prove its capacity to

adapt to a changing environment, focusing attention on reforms, responding to the need for economic stabilisation in the short term and setting the basis for high sustainable growth over the medium term. This is needed to help companies, workers and governments to contribute to a swift and balanced EU recovery.



- **Companies:** The financial and economic crisis represents, for companies, not only a life-threatening situation in the short term but it also raises concerns about the long-term profitability and viability of present and future investment, with negative repercussions for growth and innovation in the years to come. This must be addressed immediately by implementing reforms to improve the business environment, reduce unnecessary burdens on companies, uphold the internal market, encourage appropriate risk-taking and support innovation.

- **Workers:** The crisis will put tremendous pressure on labour market structures and social security systems, highlighting the urgent need to put flexicurity principles in place in order to limit unemployment during the downturn and to support investment in skills for the recovery.

- **Governments:** The capacity for governments to support their economies in the short term is currently being severely eroded by rising concerns about the sustainability of their public finances, implying higher costs of financing and in some cases limited access to capital markets. Speeding up reforms with cost-saving effects on public finances over the medium term would help regain market confidence and would build up additional room for manoeuvre in the short term.

With this publication, BUSINESSEUROPE wants to highlight how it sees reform priorities in the present circumstances and how vital they are for the effectiveness of recovery plans undertaken in each Member State and at EU level. Results presented here are derived from a survey of BUSINESSEUROPE member federations carried out in January and February 2009.

KEY RESULTS OF BUSINESSEUROPE'S 2008 SURVEY

1. Economic downturn halted reform progress during 2008

Regrettably, evidence gathered from several member federations already demonstrates a reform slowdown as the economy took a turn for the worse in the second half of 2008. Moreover, business federations from countries more severely exposed to the crisis, evaluate reform efforts by their governments more negatively and have also significantly lowered their assessment compared with last year's survey.

Reform progress was assessed to be particularly weak during 2008 in Estonia,

Spain and Germany, but also Slovenia, Hungary, Malta, UK and Greece. In Germany, in spite of good economic development in 2007 and at the beginning of 2008, the government did not prepare the country for the coming downturn. Furthermore, the discussion about minimum wages or the withdrawal of labour market reforms (unemployment benefit for older people) was counterproductive. Our German federations have nevertheless appreciated their government's efforts to tackle the consequences of the financial crisis.

In Belgium, Austria, Latvia, Ireland, Norway, Luxembourg, Italy, Czech Republic and Portugal reform progress was close to the EU average, which is a level considered neither satisfactory nor unsatisfactory. In the Czech Republic, after the government had launched reforms in 2008, capacity to progress was lost at the end of the year as a result of the debacle in the autumn regional elections, loss of confidence among citizens, disregard impacts

of the emerging economic recession and hesitation concerning anti-crisis initiatives.

On a more positive note, Denmark, Bulgaria, Poland, Finland, Sweden and Cyprus continue to make significant progress in most of the policy areas. Finally, the Netherlands ranks number one in our survey this year with small but concrete steps reflected in satisfactory progress in almost all individual areas.

Chart 4 Overall reform progress in 2008 and GDP growth estimates

Source: BUSINESSEUROPE 2008 Reform Barometer Survey and Spring Economic Outlook Survey for GDP growth.
 Note: Symbols presented in brackets refer to changes in the position of individual member states within the matrix compared with our previous survey.
 For instance, Ireland had in 2007 both a GDP growth and reform progress above EU average. In 2008 it has a reform progress close to EU average (one step down) and annual GDP growth below EU average [two steps down][reform progress/GDP Growth].

		2008 annual GDP growth		
		below EU average	close to EU average	above EU average
reform progress in 2008	reform progress above EU average	Denmark [=/=]	Finland [↑/↓] Sweden [=/=]	Netherlands [=/↑] Poland [↑/=] Cyprus [=/=] Bulgaria [↑↑/=]
	reform progress close to EU average	Portugal [=/=] Ireland [↓/↓↓] Italy [↑/=] Latvia [↓/↓↓]	Belgium [=/=] Luxembourg [↓/↓]	Austria [↓/↑] Norway [=/=] Czech Republic [=/=]
	reform progress below EU average	Estonia [=/↓↓]	Spain [=/↓] Hungary [↓↓/↑] Germany [=/=] UK [↓/=]	Malta [↓↓/↑] Slovenia [↓↓/=] Greece [↓↓/=]

* Close to EU average stands for GDP growth rate of between 0.5 and 1.5%.

Compared with 2007, a reform slowdown was particularly visible in Slovenia, Hungary, Malta and Greece. For instance, the fact that the Greek government has not yet prioritised specific policies in the crisis was identified as the main cause behind a downgraded assessment in 2008. Ireland, which had the highest score in last year's Reform Barometer survey, has also been significantly downgraded this year.

Poor cyclical management and significant structural problems, together with virtually no progress on pensions and childcare can explain this significant shift. On the contrary, Italy's assessment of reform progress has been markedly upgraded in 2008, after having registered the weakest reform score in 2007. This is the result of more satisfactory progress in public finance and labour market reforms and of an improved business environment.



2. Crisis management implies new reform priorities for 2009

BUSINESSEUROPE members have reassessed the list of reform priorities to be implemented in response to the crisis (see

chart 5). Compared with our 2007 survey, we can observe an upward move of the [better regulation agenda](#) which now occupies the

Chart 5 Reform priorities

Source: BUSINESSEUROPE Reform Barometer Survey

Reform priorities		
	2009	2008
1	Improve business regulation	Improve incentives to work
2	Raise labour flexibility	Improve business regulation
3	Adapt education and training systems to labour market needs	Adapt education and training systems to labour market needs
4	Safeguard the sustainability of social security systems	Deliver on sound medium-term budgetary objectives
5	Deliver on sound medium-term budgetary objectives	Improve the efficiency of active labour market policies

first position in the ranking of priorities. In addition, the focus of labour market reforms shifted from supply-side to demand-side considerations, by placing higher emphasis on [labour adaptability](#) than on improving

incentives to work. To adapt [skills](#) to the needs of the market remains a key priority for the future. Finally, the importance of safeguarding the [sustainability of social security systems](#) becomes a high priority in the context of deteriorating public finances.

Chart 6 Recent reform progress in key priority areas for 2009

Source: BUSINESSEUROPE Reform Barometer Survey
 Note: The average total reform progress is the weighted average of the EU-27 reform progress across all individual policy areas

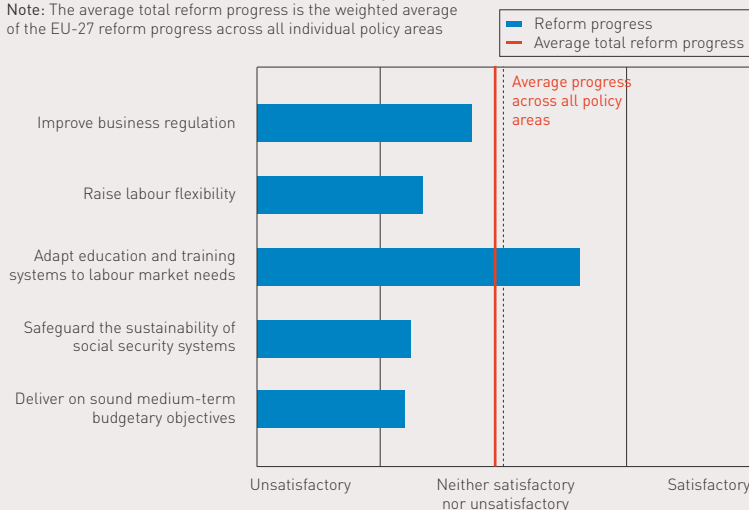


Chart 6 illustrates that BUSINESSEUROPE member federations consider that [reform progress in those areas identified as key priorities for the future have been rather slow recently](#). In fact, only reforms to adapt education and training systems to labour market needs seem to have progressed faster than the average across all individual policy areas. As in our previous survey, this result demonstrates that governments continue to avoid tackling those areas that entail more difficult reforms.

3. Commission takes a soft stance on Member States reforms

An effective use of coordination instruments, not only with regard to financial and economic stabilisation plans but also to reform programmes is vital to foster the recovery.

In the context of the Lisbon Strategy, we regret that the Commission appears to be taking a softer stance on its evaluation of

reform progress across the EU. In particular, it has abandoned its previous practice of providing an overall assessment of recent reforms undertaken in the various member states, while the business community has consistently argued that a real benchmarking culture is a necessary condition for the success of the Lisbon Strategy.

Chart 7 Was an update of the Council's country-specific recommendations needed in 2009?

Source: BUSINESSEUROPE 2008 Reform Barometer Survey
Note: weighted answers across EU 27

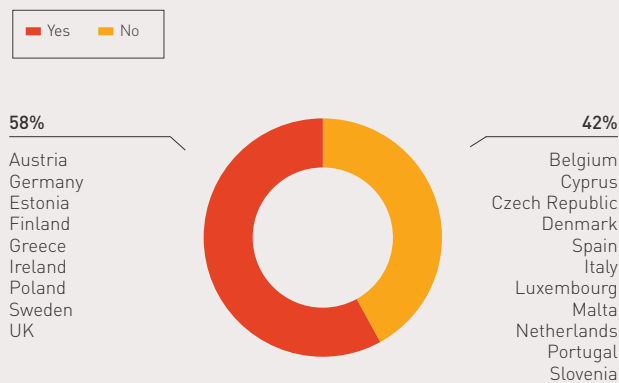
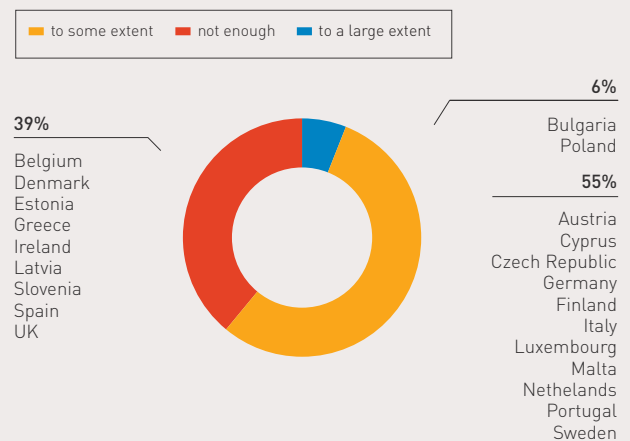


Chart 8 Were country-specific recommendations implemented in 2008?

Source: BUSINESSEUROPE 2008 Reform Barometer Survey
Note: weighted answers across EU 27



Regarding the country-specific recommendations issued by the Commission in advance of this year's Spring European Council, they still cover in our view key policy challenges for individual member states. However, these recommendations have been left largely unchanged since last year and hence do not always reveal the profound structural changes facing individual Member States since the onset of the crisis.

Nearly half of national business federations responding to our survey (representing 58% of the panel in GDP-weighted terms) affirm that an update of the country-specific

recommendations would have been needed in light of the crisis (see chart 7). This result is markedly different from last year, when only 10% called for a review.

At the same time, answers continue to be rather disappointing regarding the implementation of past recommendations: only Bulgaria and Poland reported that the 2008 country-specific recommendations have been implemented to a large extent while nearly half of the respondents replied that these have not been implemented enough (see chart 8).



KEY BUSINESSEUROPE RECOMMENDATIONS

Key policy areas

The key priorities for 2009 identified by our member federations have been regrouped in three main areas, for which we recommend the following:

1 Better regulation (priority 1): Quick wins to be harvested

BUSINESSEUROPE member federations make a strong call to focus on the reduction of administrative burdens and on better regulation, which can provide effective support for companies in this difficult period without putting additional pressure on public finances.

→ Key actions

- Report, compare and reinforce peer review of better regulation progress at the national level;
- Progress on simplification, impact assessment and transparency at EU level;
- Measure not only administrative costs, but also compliance and enforcement costs and take concrete actions to reduce them;
- Adapt, amend or suspend legislative projects creating unnecessary burden for companies, such as the revision of the maternity leave directive, the new anti-discrimination directive or the planned revision of the IPPC (Integrated Pollution Prevention and Control) directive. We also have serious questions about the idea of developing EU legislation on a trading scheme for SO₂ and NO_x emissions;
- Ensure correct implementation of internal market legislation into national law.

2 Labour market reforms (priority 2 and 3): Support employment and adaptability

The second priority area groups measures supporting employment and labour market transitions with a view to increasing adaptability and mitigating the social impact of the crisis. BUSINESSEUROPE places emphasis on both external and internal labour flexibility and on skills development. Retaining human capital and developing skills are considered by companies to be essential conditions for a swift economic recovery.

→ Key actions

- Introduce flexible working time arrangements (e.g. temporary unemployment schemes, accumulation of credit and debit hours over longer periods of time);
- Invest in education and training to improve skills and make the best of inactivity periods;
- Improve cooperation with universities and higher education institutions to better match skills development with labour market needs;
- Strengthen public employment services and reinforce active labour market policies to improve job search/job matching process;
- Make available a variety of contractual arrangements;
- Reduce non-wage labour costs.

3 Public finances (priority 4 and 5): Reforms to complement recovery plans

The third area of recommendation concerns measures to enhance the sustainability of public finances. In fact, immediate and strong commitments to reduce long-term government liabilities, including by implementing the necessary reforms to social security systems, are a key factor supporting the capacity of public authorities to implement ambitious rescue plans in the short term and uphold the viability of the Stability and Growth Pact over the medium term.

→ Key actions

- Link budgetary adjustments required under the Stability and Growth Pact rules and structural reforms undertaken under the Lisbon Strategy (based on clear evaluation of the cost-saving effects of each measures);
- Implement reforms to reduce age-related expenditures (e.g. extension of the retirement age, health care system reforms);
- Improve the effectiveness of public administration (e.g. reducing costs, improving productivity and the quality of services). Develop performance benchmarks at EU level, exchange of best practices and peer pressure;
- Take better advantage of Public-Private Partnership solutions;
- But do not sacrifice growth-enhancing public investments (R&D, education, training, infrastructures).

Key actors

1. Member States: To pay greater attention to reforms with immediate effects on costs for companies, on labour market adaptability and on the sustainability of public finances, and implement them swiftly.

2. European Commission: To take ambitious steps to shore up the EU reform agenda, and give it a sense of urgency. The credibility of the Lisbon Strategy will be significantly hampered if it is perceived to be in a “business-as-usual” mode. The Commission must set clear priorities in the face of an unprecedented crisis, work together with Member States to ensure strong coordination and foster a real benchmarking culture.

3. European Council / Eurogroup: To support a strong peer review process so that structural reforms are pursued without any delay, placing particular emphasis on Member States’ strategy to rebalance their public finances after the crisis.

DETAILED EVALUATION

- LABOUR MARKET
- PUBLIC FINANCE AND SOCIAL SYSTEMS
- INNOVATION AND RESEARCH
- BUSINESS ENVIRONMENT

Labour market

Chart 9 Overall progress in labour market reforms in 2008 and distance to employment rate targets

Source: BUSINESSEUROPE 2008 Reform Barometer Survey and Eurostat for unemployment rates

Note: [reform progress/employment rate]

		Employment rate		
		below EU average (<65%)	close to EU average	above EU average (>70%)
reform progress in 2008	reform progress above EU average	Poland [*/=] Italy [*/=]		Finland [*/=] Cyprus [=/*], Austria [=/*], Norway [*/=] Netherlands [*/=]
	reform progress close to EU average	Greece [*/=] Malta [*/=] Luxembourg [=/*]	Estonia [*/=] Ireland [*/=] Spain [=/*] Czech Republic [=/*]	Sweden [=/*] UK [*/=]
	reform progress below EU average	Belgium [*/=] Hungary [=/*] Bulgaria [=/*]	Germany [=/*] Portugal [=/*] Slovenia [*/=] Latvia [*/=]	Denmark [=/*]

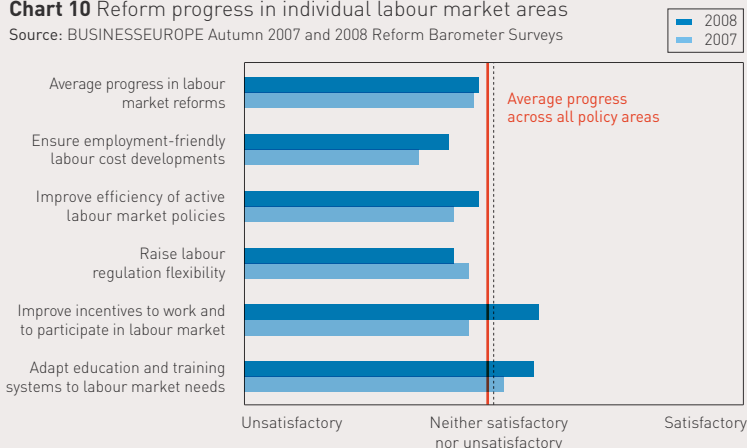
Labour market has been the **only policy area where Member States on average stepped up reform efforts during 2008**, when compared with our 2007 survey. Reform progress was assessed more positively in 2008 particularly with regard to measures supporting incentives to work and to participate in the labour market. **However, progress was rather disappointing in raising labour flexibility**, which is identified by our member federations as a key priority for 2009 (see chart 10).

Hungary was the worst performer with poor overall progress in labour market reforms during 2008 and a particularly low employment rate. Weak progress was also registered in Latvia, Denmark, Slovenia, Bulgaria, Germany, Portugal and Belgium. In Germany unsatisfactory progress was registered in ensuring efficient active labour market policies and in ensuring employment-friendly labour costs and wage developments. From reform progress above the EU average

in 2007, Belgium performed below average in 2008 explained by unsatisfactory progress in ensuring employment-friendly labour cost developments, as well as in adapting education and training systems to new labour market needs.

Chart 10 Reform progress in individual labour market areas

Source: BUSINESSEUROPE Autumn 2007 and 2008 Reform Barometer Surveys



Luxembourg, Spain, Ireland, Malta, UK, Czech Republic, Estonia, Greece and Sweden present reform progress close to the EU average. Italy and Poland, although with employment rates below the EU average, post good scores in terms of reform progress in 2008. In Italy positive efforts to improve work incentives and labour flexibility explain the upward jump in reform progress when compared with last year's survey.

Austria, Finland, the Netherlands, Norway, and Cyprus made good progress in labour market reforms, with both an employment rate and reform progress above EU average in 2008. Finland in particular has made significant progress compared with our 2007 survey, resulting in particular from the general income tax reductions taking effect in 2009, and appointment of a committee to streamline social security and increase work incentives.

Public Finance and Social Systems

Chart 11 Overall progress in public finances reforms in 2008 and level of government expenditure

Source: BUSINESSEUROPE 2008 Reform Barometer Survey and Eurostat for public expenditure
Note: [reform progress/Government expenditure (as % of GDP)]

		government expenditure (% GDP)		
		above EU average (>49%)	close to EU average	below EU average (<45%)
reform progress in 2008	reform progress above EU average	Hungary [=/=] Sweden [=/=] Denmark [=/=]	Netherlands [=/=] Italy [↑/↑] Portugal [=/=]	Norway [=/=], Poland [↑/↑= Latvia [↑/↑], Greece [=/=] Czech Republic [↑/↑], Malta [=/=] Cyprus [=/=], Bulgaria [=/=]
	reform progress close to EU average		Finland [=/=]	Germany [=/↑] UK [↑/↑] Luxembourg[↑/↑= Slovenia [=/↑]
	reform progress below EU average		Belgium [=/=] Austria [↑/↑]	Ireland [↑↑/↑= Estonia [=/=] Spain [↑/↑]

Member federations have become more critical of their governments' commitment towards sustainable public finances in the course of 2008, and regret the missed opportunity to reinforce budgetary positions in better times. This is illustrated in a clear deceleration in the average progress in public finance reforms compared with last year's assessment.

Regarding policy areas, progress towards sound medium-term budgetary objectives has slowed down compared to the 2007 survey. In difficult circumstances, it is noteworthy that a slight improvement was achieved

on safeguarding the sustainability of social security systems. However, reform progress in this area is still way below the average progress across all individual policy areas (see chart 12).

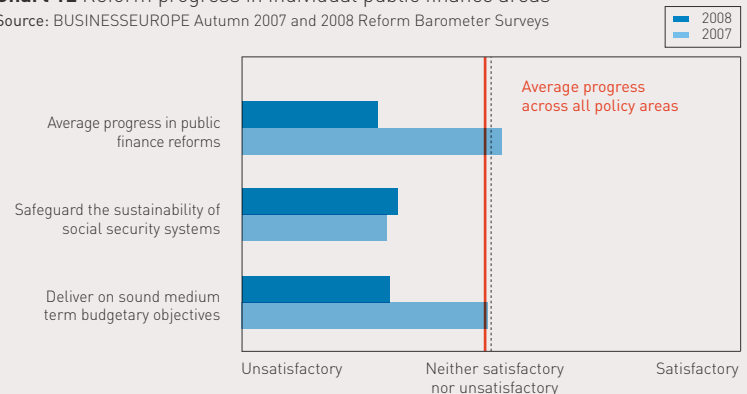
Progress in reforms supporting the long-term sustainability of public finances was assessed as particularly negative in Spain, Estonia, Ireland, Belgium and Austria. The situation in Spain is deteriorating overall, while in Ireland, serious structural problems have emerged given a revenue base overly reliant on a construction sector which has collapsed from an unsustainable level of activity.

In Slovenia, UK, Luxembourg, Finland and Germany progress has been close to the EU average. In Germany, sound developments have been witnessed with the annual budget deficit declining steadily. However, due to the ongoing financial crisis, the medium-term goal of consolidating the budget by 2011 will not be maintained. Reforms in the pension system have registered some progress (e.g. raising the age for claiming the standard old-age pension gradually from 65 to 67, encouraging company pension plans and private pensions). On the contrary, progress on healthcare reform has been slow and the sustainability of the long-term care insurance has declined due to the extension of benefits and services in the latest reform.

Greece, Latvia, Hungary, Malta, Italy, Denmark, Bulgaria, Cyprus, the Netherlands, Poland, Portugal, Czech Republic, Norway and Sweden have performed above the EU

Chart 12 Reform progress in individual public finance areas

Source: BUSINESSEUROPE Autumn 2007 and 2008 Reform Barometer Surveys



average. Poland made a significant jump in the reform progress in this area when compared with our previous survey, mainly due to satisfactory progress in safeguarding the sustainability of social security systems.

Innovation and Research

Chart 13

Overall progress in innovation and research reforms in 2008 and level of R&D spending

Source: BUSINESSEUROPE 2008 Reform Barometer Survey and Eurostat for R&D Spending

Note: [reform progress/spending on R&D (as % of GDP)]

		Spending on R&D (% GDP)		
		below EU average (<1%)	close to EU average	above EU average (>2%)
reform progress in 2008	reform progress above EU average	Hungary [=/\] Cyprus [*/=]	Belgium [*/=], Norway [*/=] Portugal [=/\], Ireland [=/\] Luxembourg [=/\] Netherlands [=/\]	Austria [=/\] Finland [=/\] Denmark [=/\]
	reform progress close to EU average	Latvia [*/=] Greece [=/\]	UK [=/\] Czech Republic [*/=] Spain [=/\], Italy [*/=] Slovenia [*/=]	Sweden [*/=]
	reform progress below EU average	Poland [*/=] Malta [*/=] Bulgaria [=/\]	Estonia [*/=]	Germany [=/\]



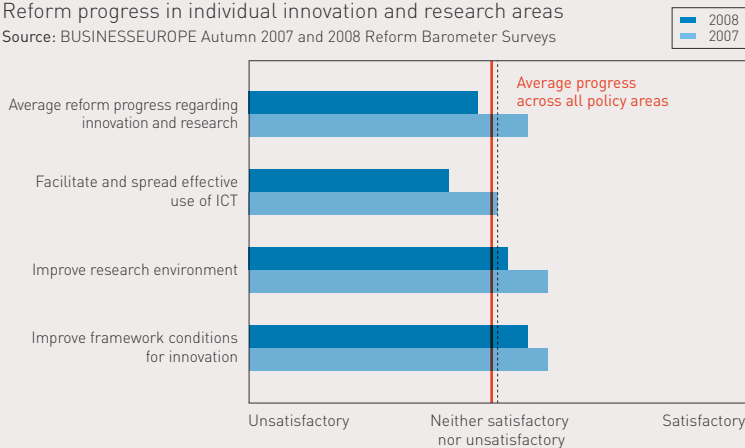
Although reforms supporting innovation and research have continued at a satisfactory pace in 2008, a certain slowdown is reported in our survey compared with last year. Deceleration is particularly evident in reforms to facilitate and spread effective use of ICT (see chart 14).

also present reform progress below the EU average, contrary to what occurred in 2007 in the last two countries. Poland is suffering from a particular lack of Foreign Direct Investment (FDI) to improve framework conditions for innovation while restricted access to technological credits is restraining improvements to the research environment in Malta.

Chart 14

Reform progress in individual innovation and research areas

Source: BUSINESSEUROPE Autumn 2007 and 2008 Reform Barometer Surveys



Greece, Spain, Italy, Slovenia, Czech Republic, Latvia, Sweden and UK present reform progress close to EU average. Czech Republic, Italy and Slovenia improved their reform progress last year. In the Czech Republic, slight improvements in all individual innovation and research policy areas are a result of a stronger role by the state, although there is the need to stimulate researchers mobility and participation of the business sector.

Norway, Hungary, Portugal, Cyprus, Poland, Belgium, Netherlands, Austria, Finland, Denmark, Ireland and Luxembourg made progress above the EU average. In Belgium, reduction on taxes for researchers and for patents as well as improved cooperation between universities explains the satisfactory progress registered in this area. Norway made very good progress when compared with 2007. This has been particularly satisfactory in terms of the spread of ICT among business and households, although it needs greater improvements in relation to the public sector.

Although with spending on R&D (as a % of GDP) above EU average, Germany exhibits weak reform progress in this area. According to our survey, reform measures like the high-tech strategy arrived too late and too hesitantly. Additionally, the country lacks researchers and engineers while women's participation in this area is considered to be too low. Bulgaria, Estonia, Poland and Malta

Business Environment

Chart 15 Overall progress in business environment reforms in 2008 and World Bank ranking

Source: BUSINESSEUROPE 2008 Reform Barometer Survey and World Bank ("Doing Business 2009")

Note: [reform progress/"Doing Business"]

		Bank ranking		
		below EU average (<41%)	close to EU average	above EU average (>21%)
reform progress in 2008	reform progress above EU average	Slovenia [=/=], Bulgaria [≠/=] Poland [≠/=], Portugal [≠/≠] Czech Republic [=/=] Luxembourg [=/=]	Latvia [=/=] Netherlands [=/=]	Finland [=/=] Sweden [=/=], Ireland [=/=] Cyprus [=/=], Denmark [=/=] Belgium [≠/≠]
	reform progress close to EU average	Italy [≠/=] Hungary [=/=] Spain [≠/≠]	Austria [=/=]	UK [=/=]
	reform progress below EU average	Greece [≠/=]	Estonia [≠/≠] Germany [=/≠]	Malta [=/=] Norway [=/=]

In 2008, reform progress to improve the business environment has decelerated compared with 2007. Again, Member States that witnessed the best reform progress are those already scoring the highest on the World Bank's "Doing Business" indicator.

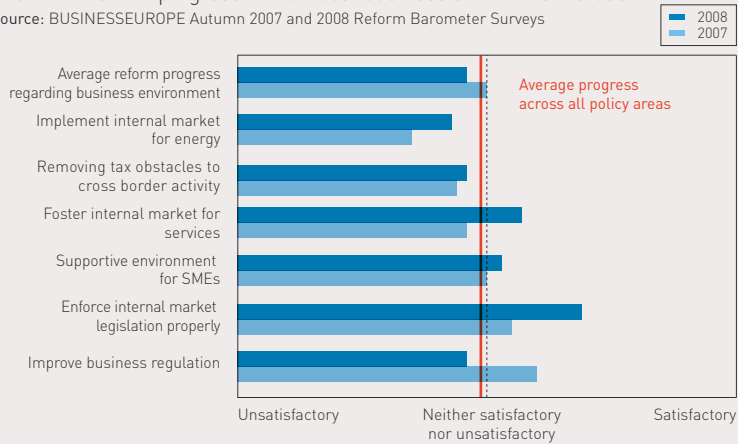
As regards policy development in specific policy fields, progress has been achieved in most areas. The biggest leap has been made regarding the internal market. Both enforcement of existing internal market legislation and fostering of the internal market for services score above average. Progress on implementing the internal market for energy has also progressed faster than in 2007, but it is still considerably below the average across all policy areas.

Reform progress supporting the environment for SMEs has improved somewhat this year. However, the simultaneous fall in reform progress to improve business regulation is a source of concern. Therefore, adoption of the Small Business Act in 2008 must boost the implementation of its key principles and should be a catalyst for better reform progress in 2009.

Estonia, Greece, Norway, Germany, Malta and UK have progressed at a pace below the average. Estonia has witnessed a sharp drop in reform progress when compared with the 2007 survey, mainly explained by a deteriorating situation on the implementation of the internal market for energy and unsatisfactory progress in improving business regulation. UK, Spain, Hungary, Italy and Austria made reform progress close to the EU average.

Chart 16 Reform progress in individual business environment areas

Source: BUSINESSEUROPE Autumn 2007 and 2008 Reform Barometer Surveys



A large number of countries have made progress above the EU average: Portugal, Czech Republic, Belgium, Slovenia, Sweden, Cyprus, Ireland, Luxembourg, Poland, Latvia and Bulgaria. Finland, Netherlands and Denmark clearly lead the league in terms of attractiveness as business locations and their drive to continue reforms. Belgium and Poland have stepped up their reform efforts, propelling them to the top third. In both Member States, reform progress has been particularly impressive as regards the proper enforcement of internal market regulation, fostering the internal market for services and creating a more supportive environment for SMEs.

BUSINESSEUROPE

**MEMBERS ARE 40 LEADING
NATIONAL BUSINESS FEDERATIONS
IN 34 EUROPEAN COUNTRIES**



Austria



Belgium



Bulgaria



Croatia



Cyprus



Czech Republic



Denmark



Denmark



Estonia



Finland



France



Germany



Germany



Greece



Hungary



Iceland



Iceland



Ireland



Italy



Latvia



Lithuania



Luxembourg



Malta



Montenegro



Norway



Poland



Portugal



Portugal



Rep. of San Marino



Romania



Slovak Republic



Slovenia



Spain



Sweden



Switzerland



Switzerland



The Netherlands



Turkey



Turkey



United Kingdom