

BUSINESSEUROPE



# **SMEs in the Crisis**

Monitoring economic recovery plans

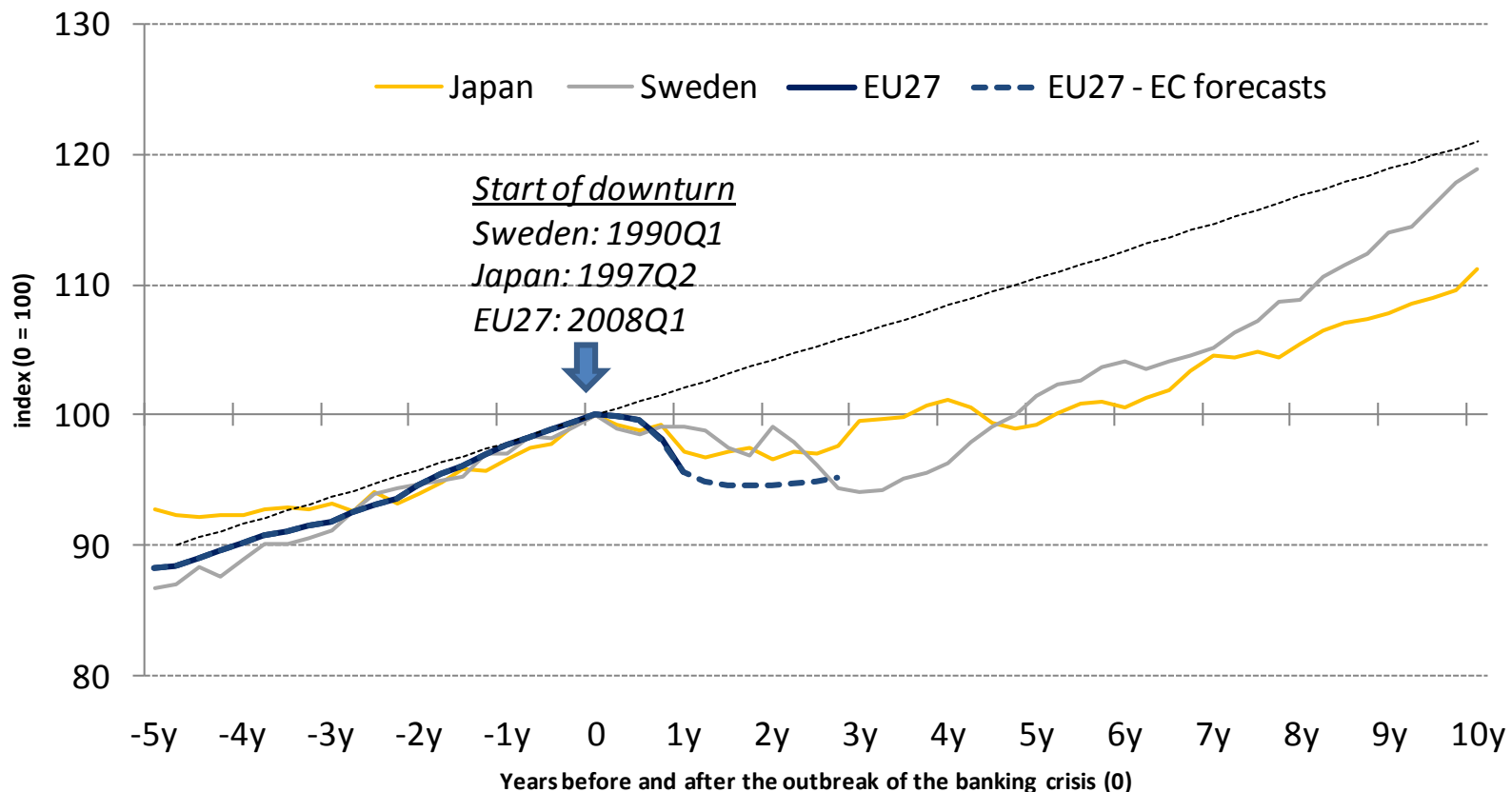
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# Lessons from the past: don't be complacent, act decisively

## Is Europe heading towards Swedish or Japanese experience?

Real GDP level before and after banking crises



# The EU did respond to the crisis

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- **European Investment Bank**
  - €70 billion of loans for 2009, pilot projects for risk-sharing schemes
  - Working capital: EIB steps in for SMEs
- **Central banks**
  - BoE expands quantitative easing strategy
  - ECB adopted non-conventional measures
- **European Commission**
  - State Aid rules and the crisis
  - Financial reforms
  - European Economic Recovery Plan



# The European Economic Recovery Plan - EERP

- Total amount : 200bn EUR (1.5% of EU GDP)
  - 30bn EUR from EU funds (budget and EIB)
  - 170bn EUR from member states
- some main areas for action in the recovery plan:
  - major European employment support initiative;
  - enhancing access to finance for business;
  - reduce administrative burdens, promote entrepreneurship;
  - investments to modernise Europe's infrastructure;
  - improve energy efficiency in buildings;
  - increase investment in R&D, innovation and education;
  - develop clean technologies for cars and construction;
  - provide access to high-speed internet



# The EERP – an important step ...

<b>Fiscal stimulus measures in the EU (% of EU GDP)</b>	<b>2009</b>	<b>2010</b>
Supporting household purchasing power	0.5	-
Labour market	0.1	-
Measures aimed at companies (excl. investment incentives)	0.2	-
Increasing/bringing forward investment	0.3	-
<b>Total</b>	<b>1.1</b>	<b>0.7</b>

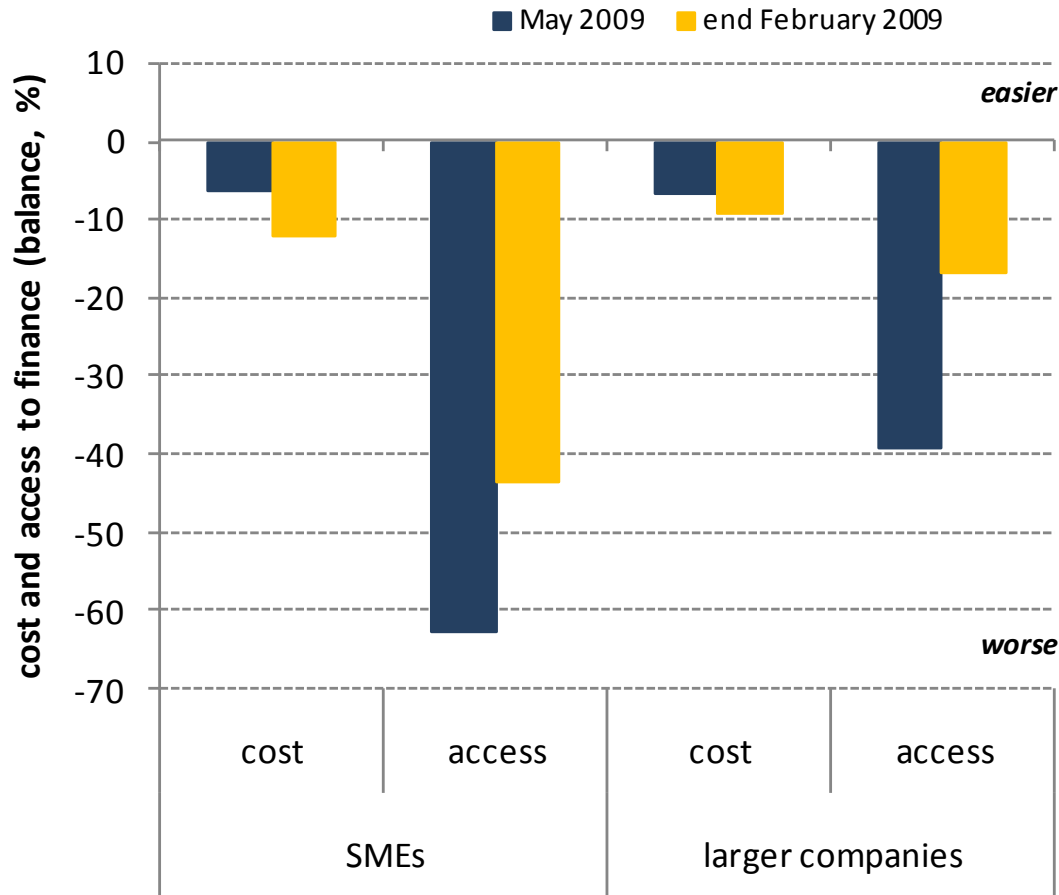
## For BUSINESSEUROPE member federations

- amounts dedicated are appropriate
  - 1.8% of GDP in MS discretionary measures
  - 5% of GDP in automatic stabilisers
- targets identified are appropriate in principle



# ... but more needs to be done

- Companies' key concern: Access to finance!



# Important areas of work

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- Restore functioning of financial markets
  - Assess banks' solvency by common approach
  - Reflect on possible bank restructuring
  - Role of capital markets
  - Further scope for ECB action – beyond 442bn EUR tender of funds with one-year maturity?
  - How to deal with banks' high risk-aversion?
- Provide trade finance and credit insurance
  - Member states should make better use of possibilities under temporary state aid framework
  - Need for consistent EU framework to avoid protectionism



# Additional room for improvement

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- Elements of national recovery plans need to be coordinated better at the European level
  - avoid damages to the internal market
  - create real synergies
- Principles in the Small Business Act need to be implemented without delay to improve SMEs' situation
- Programmes with limited impact on public finances but significant results should be prioritised, e.g.
  - reduce payment delays, especially for public authorities
  - make rapid progress as regards Better Regulation





# Don't lose sight of the medium- and longer term

- Recovery plans have been good to “fight the fire” ...
- ...but this is no excuse to forget about
  - the need for Lisbon-type structural reforms
    - Increase labour-market flexibility (flexicurity approach)
    - Boost investment in R&D and innovation
  - realistic exit strategies from government interventions
  - ways to maintain sustainability of public finances
    - Stability and Growth Pact and demographic challenges
    - Growth enhancing tax reforms instead of tax hikes
  - steps to complete the internal market
  - ways to combine competitiveness and sustainability



# Further information

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[www.business europe.eu](http://www.business europe.eu)

