

BUSINESSEUROPE



SMEs in the Crisis

Monitoring economic recovery plans

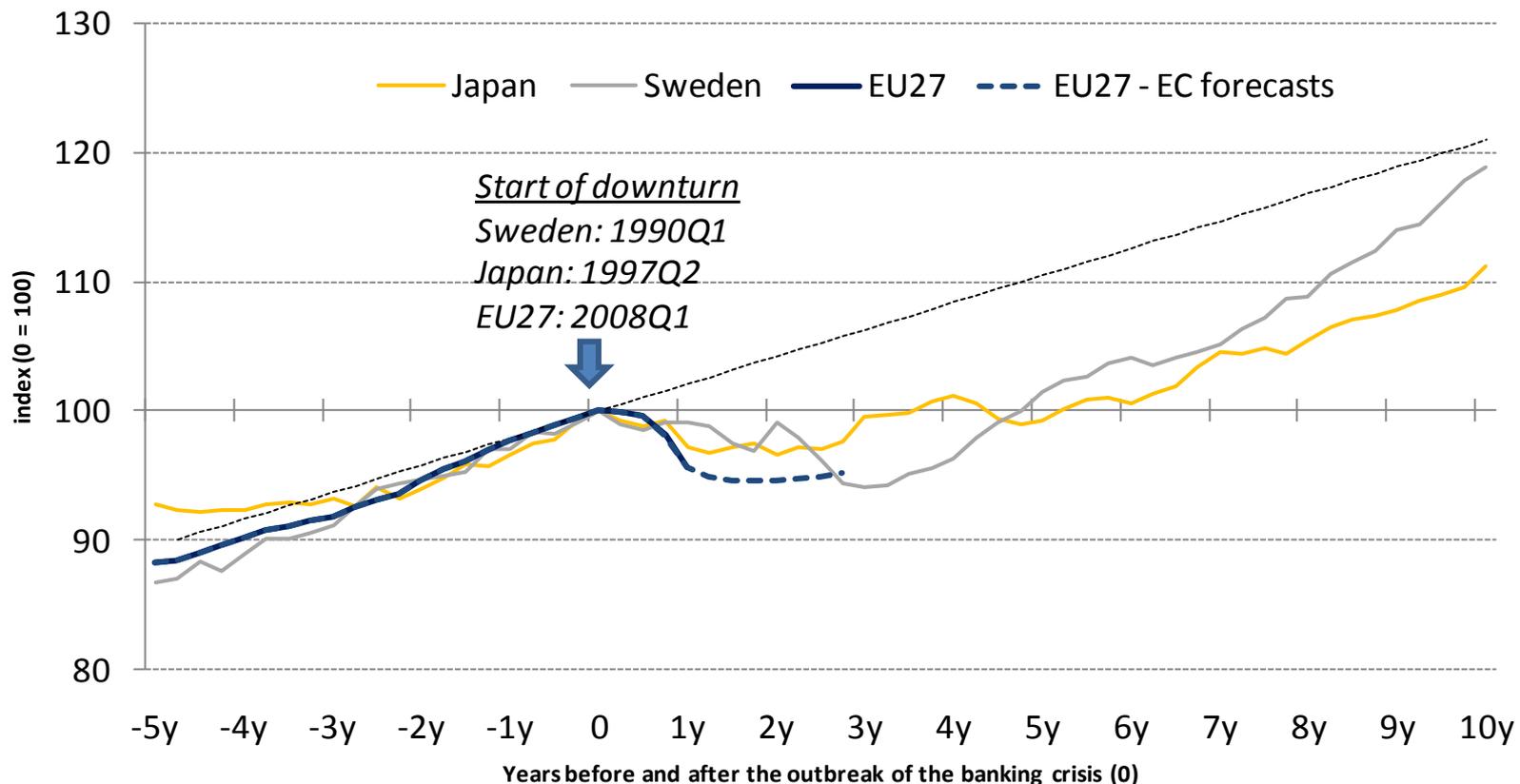
25 June 2009

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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

- **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 ...

Fiscal stimulus measures in the EU (% of EU GDP)	2009	2010
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	-
Total	1.1	0.7

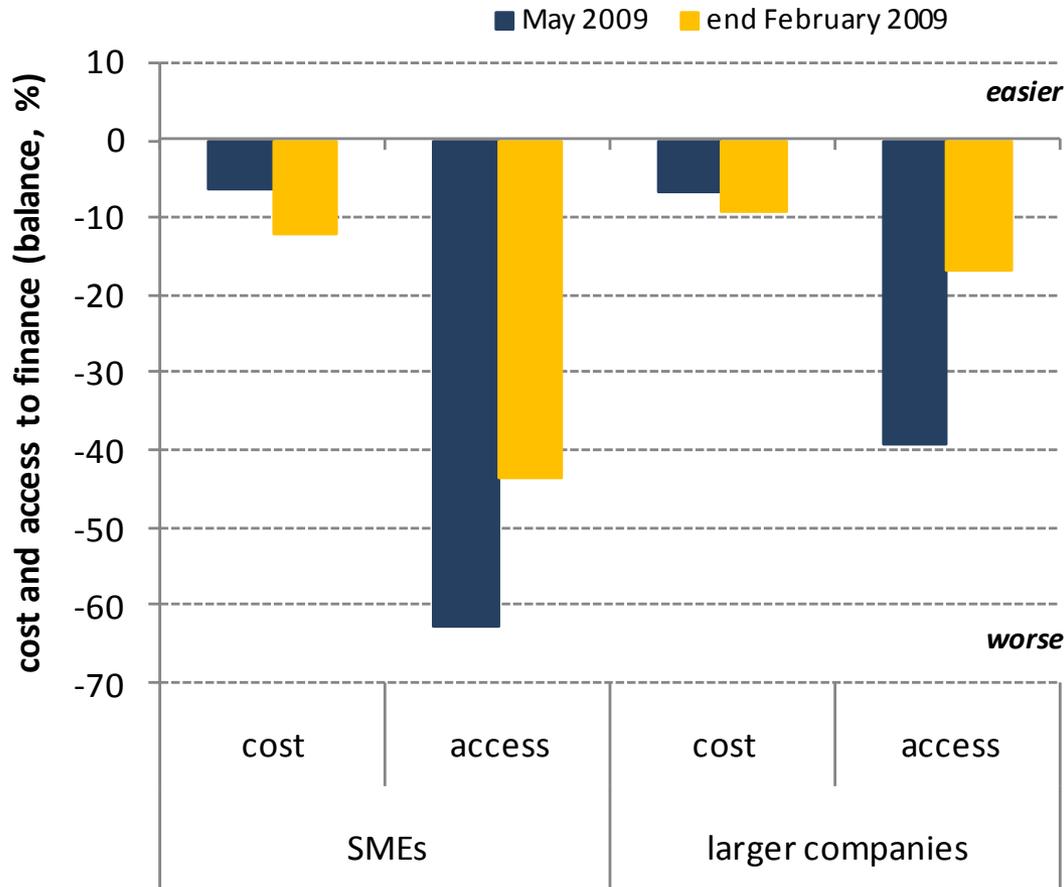
For BUSINESSEUROPE member federations

- 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

- 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

- 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

www.business europe.eu

