

**THE PUBLIC GOVERNANCE CHALLENGES RAISED BY THE GLOBAL ECONOMIC CRISIS:
SOME COUNTRY RESPONSES**
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AUSTRALIA

What are the 2-3 top public governance challenges raised by the global economic crisis in your country?

The Prime Minister^{1*} has identified three critical challenges to government from the global economic crisis (GEC):

- To anticipate future events and, where possible, act ahead of the curve.
- To respond to unfolding events with early, decisive, strong action.
- To lay the underlying long term policy framework to build an economy which emerges from the current crisis stronger and more resilient for the future.

This means that public sector organisations need to support and respond to decisive policy action through a range of governance mechanisms, including strong leadership, clear accountability, working across agencies and jurisdictions, and investing in strategic planning. Cushioning the impact of the GEC will involve all levels of government, business and communities working together effectively.

What measures are being taken to address them?

The Government's objective is long-term, sustainable growth and increasing productivity, while supporting positive economic growth in the short term. The Government's productivity agenda of investing in infrastructure and skills and reforming regulation is a critical part of their strategy to get Australia through the GEC. These initiatives involve public sector agencies implementing the Federal Government's decisions in a timely and effective way. The pace of change and emphasis on working in partnership across government and with other sectors has had significant implications for the governance of public sector agencies. This means that public sector organisations need to continue to invest in the development of people with appropriate skills to respond to the reform agenda, with an emphasis on strategic thinking, relationship skills, and analytical thinking.

Implementing both short and long-term reforms in Australia involves both the Federal and State Governments working together to achieve outcomes across Australia. Working in a joined-up way has meant changes to public governance processes.

In the short term, the Federal Government has a program of reforms to financial accountability and transparency, called Operation Sunlight, which will impact on public governance.

1. Kevin Rudd (2008), Securing Australia's Economic Future – The Essence of Confidence Speech to Australia Unlimited Roundtable, Melbourne, 28 October 2008.

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Another challenge in public governance is the financial pressures faced by agencies as the Government cuts costs. Over \$4 billion over 5 years has been cut from the cost of running government by the Federal Government, not including cuts to programs. An additional two per cent efficiently dividend on government agencies (an election commitment made by the current Government rather than a response to the GEC) will save almost \$1.8 billion and the Federal Government's procurement reforms are saving about \$400 million.

How can the need for rapid action and responsiveness be balanced with the need for transparency, value for money and evidence-based decision making? Are there trade-offs to be considered?

The GEFC has seen public institutions increasing their exposure to risk, as part of a strategy to reduce the costs of risk and increase certainty for private market participants. Public governance has therefore, for some institutions, changed its focus from avoiding risk to, where appropriate, intentionally adopting risk but managing it effectively.

Institutions accustomed to careful planning and detailed assessments of options have had to act quickly and decisively; in circumstances characterised by information scarcity and increased lack of predictability of outcomes. They have had to ensure that, in that environment, the public is getting value for money and that arrangements are entered into to protect taxpayers' financial interests. Tight timelines for taking action must be followed while ensuring that due process is followed – including appropriate consultation.

Actions to achieve GEC-specific policy outcomes (such as facilitating the flow of credit) must be tempered with respect for other public policy outcomes. Decisions must be made in the context of achieving sustainable finances, efficient regulation and the avoidance of market distortions.

Public institutions have encountered greater difficulties in appropriately balancing policy objectives.

Institutions have needed to ensure that immediate and high profile considerations do not unduly outweigh other important, often long term, policy considerations. Public and political pressure to take (or not to take) certain actions needs to be managed, and, where appropriate, resisted.

A number of GFC related actions involve the provision of significant benefits to particular stakeholder groups in order to achieve larger objectives. A significant public governance challenge is to appropriately manage these processes to ensure an appropriate level of probity.

GEFC governance challenges include the need to appropriately balance transparency in respect of Government actions with the need to restrict the flow of information for commercial reasons (such as in order to respect commercial confidentiality of stakeholders' information and to respect corporate disclosure rules). While balancing transparency and confidentiality, public institutions must also take care in managing expectations and perceptions.

Public institutions must be aware of the problem of creating precedents that may potentially expose Government to greater costs down the track and that may make some future decisions more difficult to make or implement.

How can governments undertake effective short-term action without losing sight of long-term objectives (e.g.) sustainable finances, competition, better regulation)?

How can the crisis be harnessed to introduce necessary reforms?

In overall terms, the Federal Government is not slowing down on its reform agenda, both in the short and long term. Australia was in a good financial position before the GEC hit the country, and the Federal

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Government took early, decisive action to stabilise the financial system of Australia and stimulate the economy to provide support for jobs and businesses were not without risk. However support for short term stimulus has been accompanied by investment in long term infrastructure and continuing with work to get the balance right in the future between proper regulation and sufficient flexibility for the private economy grow.

The trade-offs that are made include reprioritising expenditure, finding savings and efficiencies in government spending, and planning the timing of implementation with modelling expenditure over the long-term to manage budget impacts.

Training and institution-building should proceed at the same time as the new regulatory framework is put in place. Can public administration acquire the necessary skills sufficiently quickly to properly regulate?

Australia already had a strong regulatory framework before the GEC hit the country, supported by appropriate training and institutional governance. The Federal Government does not want to increase the regulatory burden on business as a response to the GEC (except in specific areas) but instead wants a regulatory regime that's appropriate for 2010 and beyond.

As a result of reforms over the last decade, our public institutions are in a good position to be responsive and flexible to the new directions by the Government in responding to the GEC. Our public institutions have been successfully responding to new ways of working across different levels of government and across sectors, led by our public sector leaders who are guiding organisational renewal, workforce capacity and capability responses, and developing and sustaining a new generation of leaders.

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AUSTRIA

Measures of the Austrian Government to conquer the impending economic crisis.

Political Measures and investments

According to the Minister of Labour, Social Affairs and Consumer Protection Rudolf Hundstorfer, one of the groups affected most severely were young people. In March about 44,000 young people in the age group 15 to 24 years were jobless. This was a plus by 39% compared to March 2008. Thanks to restructuring the budget of the Public Employment Service, 120 million Euros had become available for this target group. The federal government wanted to use these funds for offering all young unemployed people an employment, a training program or a subsidized job within the next six months, said the minister.

The Council of Ministers approved the new framework for infrastructure projects (2009 to 2014). The volume of investments earmarked for road and rail construction projects totaled 22.5 billion Euros. In this way, annually 50,000 jobs were to be safeguarded, emphasized Federal Chancellor Werner Faymann. Vice Chancellor and Minister of Finance Josef Pröll want to provide impetus to banks in doing their job and that is to extend loans to companies. To this end, he announced plans to introduce a 10-billion-euro federal government guarantee. This amount will come out of the 100-billion-euro banking package and will be the earmarked for credit guarantees.

The central aspects of the Austrian package of measures for achieving stability in the financial markets include instruments for providing the required liquidity to the financial sector, securing the deposits of natural persons retrospectively from 1 October 2008 as well as the prohibition of speculative short sales of bonds and securities.

Instruments for providing the required liquidity for the financial sector: The Interbank Market Revival Act aims at reviving the Interbank market that is currently functioning only to a limited extent. For this purpose, the banks will form a separate company as a "Clearing House", through which they will carry out their business and in which insurance companies can also participate.

Securing the deposits of natural persons: Deposits of natural persons will be protected in their entirety with effect from 1 October 2008. This will benefit small depositors, ensure confidence in Austrian banks and avoid location-related handicaps as compared to other countries, especially Germany.

Prohibition of speculative short-selling of securities: Speculative short-selling of securities in large measure can have an additional negative effect on the stock markets and companies in times of crises.

Therefore, a change in the Stock Exchange Act of the FMA is proposed to create the option to decree the corresponding bans if required and to sanction violations with the maximum possible severity.

Budget negotiations for 2009/2013 were very restrictive:

In 2013 staff of the federal administration will be reduced by more than 2000 fulltime equivalents.

Speedier administrative procedures and less bureaucratic burden for citizens.

On 14 April 2009 the government decided to launch an anti-red-tape campaign to speed up administrative procedures. In taking the citizen's perspective, one realises how much time and effort are in fact needed for such applications and administrative procedures. What's more, this perspective also allows one to inquire into the expediency and necessity of traditional procedures and requirements.

The Office of the State Secretary for Civil Service and Administrative Reform, the Administrative Reform Department within the Federal Chancellery and the KDZ Centre for Public Administration Research have therefore decided to examine the following seven „life situations“ like: birth of a child; primary school registration; marriage; single parents; people with disabilities and people requiring care; pension; death.

In so doing, they surveyed the time expended by citizens on such „life situations“ and pointed out potential improvements for citizens and public authorities. Any administrative charges incurred in the process were also documented.

An initial general analysis indicates that citizens spend 10 million hours per year on the seven life situations. By inquiring into procedures and requirements, combining various administrative procedures and increasing the quality of service and administration, administrative relief in the range of 3.8 million hours or 38 percent could be achieved.

In a first step, a one-stop-shop procedure should be introduced for all contacts with the authorities concerning birth, marriage and death.

Automatic initiation of procedures

Many administrative procedures could be replaced through the „automatic initiation of procedures“, i.e. the authorities would no longer wait for applications but rather would proactively suggest to citizens that such procedures be implemented. This principle could be applied at several instances in the life situations we have looked at above; for instance, the automatic initiation of childcare allowance, automatic updates of benefits and technical aids for people with disabilities or persons requiring nursing care, automatic initiation of notification and marital status matters upon the birth of a child and in the case of death in the family.

Single point of contact for administrative procedures

People with disabilities and people requiring care are particularly reliant on official support. As a result they carry a very high administrative burden. In addition, the regulatory responsibilities are distributed among different authorities. The people concerned are not always clear about what services are provided at any given office and the persons to be contacted. While the Services Directive requires single points of contact for persons wishing to register a trade by the end of 2008, there will be no such single points of contact for people with disabilities and people requiring care. They must commute between the District Administrative Authorities.

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BELGIUM

What are the public governance challenges raised by the global economic crisis in your country and what measures are being taken to address them?

Belgium addresses the global economic crisis in focussing on public governance efficiency. To some extent a reduction of the expenses is also organized.

At the federal level, the government wishes to make a supplementary effort to reinforce the

effectiveness and the efficiency of the administration. A specific situation is given by the fact that 40% of

the civil servants will retire in the next ten years. They will be selectively replaced. The delivery of quality

services has to be consolidated so that it will be necessary to almost fully replace the civil servants with

high qualification. In services where processes have been computerized, a complete replacement of the

departures is probably not always necessary. The government considers he will so be in state to realize a

progressive but substantial saving.

The implementation of those measures will be organized through the new instruments that are the

strategic and the operational personnel plans. A centralized monitoring will be organized.

Regarding the region of Flanders, an efficient and effective public administration is one of the five

principal objectives of a global plan called Flanders in Action signed beginning this year by the

government and representatives of the economic and civil society. To that effect various evaluation and

upgrading mechanisms are worked out.

For the foreseeable future, the Flemish administration will work out a set of output-oriented indicators

to monitor and evaluate the quality and quantity, the efficiency, plus the relationship among all of the

dimensions of government interventions and, where required, make adjustments in consultation with the

parties involved. Flanders actively involves the civil society in its policy. The authorities and the social

partners support the principle of Socially Responsible Entrepreneurship.

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BRAZIL

What are the 2-3 top public governance challenges raised by the global economic crisis in your country?

1. As to other countries, the global economic crises raised – or stressed - to Brazil some important

challenges in terms of public governance, especially in the economic public policy field. The top economic

public governance challenges are:

a) dealing with the necessity of little changes in the macroeconomic policies to face the economic

crises while minimizing the loss of the positive characteristics of its successful status quo (the inflation

targeting framework for monetary policymaking, the Fiscal Responsibility legislation with primary fiscal

surplus and the floating exchange rate regime);

b) dealing with the effects of the economic crises, especially the economic slow-down and

consequently loss of jobs;

c) preserving of the social policies and the process of recuperation of the purchasing power of the

minimum wage started in 2003 and the implementation of social assistance programs to reduce wage

inequalities and monthly allowance programs to the poor as “Bolsa Família” that benefits more than 11

million families;

d) increasing the efficiency and effectiveness of public administration to assure the fulfilment of the

strategic targets under the government responsibility (specially the Growing Acceleration Program, started

in 2007);

e) implementation a better regulation strategy in order to increase market efficiency.

What central measures are being taken to address them?

2. The central measures that are being taken to handle the challenges are:

a) Mild reduction of the target for the public sector primary budget surplus in 2009 to the equivalent

of 2.5% of gross domestic product from the previous target of 3.8%, including the elimination of the participation of the state-owned enterprise Petrobras (PBR), a very important one to increase public inversion, from surplus calculations (0.5% of GDP);

b) Easy of the monetary policy by cutting the federal funds rate;

c) Expansion of the credit to the productive sector by the National Banc of Economic and Social

Development with a special credit line of US\$ 50 billion;

d) Reduction of taxation on consumption, for example reduction of the Federal Value-Added Tax on

Industrialized Goods - IPI (automobiles, refrigerators, ovens, domestic washers, etc.);

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e) Launch of a huge program of social housing (US\$ 15,2 billion) to increase the investment and level

of employment in this sector;

f) Increase the fiscal transfers for Municipalities in order to reduce the losses from the reduction of

taxation on consumption;

g) Extension of the period of payment of unemployment insurance for some sectors of the economy

(as automotive industry) to reduce the effects of unemployment;

h) Formulation of public management reform agenda to increase the value for money, accountability

and responsiveness and the efficiency in the public sector and to reduce the red tape;

i) Negotiation with Congress to approve important proposals of legislation (as the reform of the

regulatory agencies and the reform of the defense of competition system, the positive credit database,

etc..).

In terms of institutions, an interministerial committee leaded by the Civil House of the Presidency was

created to oversight and manage the implementation of the housing program. The Legislative branch

created committees to monitor the crisis and the measures adopted: the Federal Senate created a

Commission of Monitoring of the Financial and Employment Crises; the Chamber of Deputies created a

Special Commission to Study and Evaluate the Economic and Financial Crises and to propose measures to

the Executive, especially regarding the financial system and the market.

It's quite difficult to conciliate short-term action necessary to fight the economic crisis without losing

the efforts and motivation to tackle with the long-term objectives. May be to concentrate efforts to pass

some (only one or two related to better regulations) reform legislations, to signal that the long terms

objective are alive, should be seriously addressed by the Executive and Legislative branches. The approval

of these better regulation could change the mood of the economic agents, given more certainty to the markets, transforming these new regulations, therefore, into tangible instruments to improve the discipline and transparency of the economic agents.

In order to improve the managerial capacity of some strategic areas as regulation and infra-structure,

the Federal Government is also stressing measures to recruit and contract skilled civil servants to work in

public policy management and implementation by meritocratic means.

The leadership of the President of Republic is a very important aspect in this process, as it gives to

society, the market and the press the notion that the government as a whole is working and committed to

identify and take the correct and needed measures to face timely the crises and its effects.

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CZECH REPUBLIC

What are the 2-3 top public governance challenges raised by the global economic crisis in your country?

- reduction of costs
- improving effectiveness and efficiency of public administration

What central measures are being taken to address them?

- reduction of administrative burden
- emphasizing the overall quality of legislation
- continuing education of staff
- good governance and public management policy with putting citizens in the centre, namely

e-Government (data boxes, one-stop shops...)

- convergence of private and public sector
- anti-corruption effort and focus on transparency

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FINLAND

What are the public governance challenges raised by the global economic crisis in your country?

During the last years the productivity challenge has been at the core of Finnish public management

reforms. The ageing population means that the public sector has to be able to increase productivity in order

to be able survive with the diminishing work force.

The ageing population increases pressures on expenditure and the diminishing work force means

weakened possibilities for growth in the future. That is why the Government in this situation puts emphasis

on structural reforms that strengthen the sustainability of the public finances. This is done in the public

sector by continuing the state productivity programme and by enhancing productivity in the municipal

sector with the reform of municipalities and service structures.

Due to the current financial situation and the pressures that it brings on expenditure it is even more

important than previously that the productivity programme is carried through by saving operational costs

and where it is possible by reallocating expenditure. The enhanced use of IT is further strengthened by

today's situation and an extensive project to hasten reforms in the area of e-government, e-services and edemocracy

is under way. The productivity target has been built in also to all major re-forms like the large

regional administration reform programme that is going on. In the Finnish context one of the key

challenges is the public service production and the financing of the public services.

While the abovementioned

programmes are doing their share in tackling with this problem, also new initiatives, innovations and prioritisation are needed.

In the public service production Finland has some specific problems that result from our geography

and are highlighted by the pressures on financing public service production. For instance in some remoter

areas even though the state and municipalities would be able to organise the financing for the services,

there are not enough people living in that area to take care of the services needed. For instance in some

areas the age pyramid is such that there are no younger people to take care of the services needed for the

elderly. Also it is very hard to centralise functions and find economies of scale in areas like Lapland where

the population is small and distances are many hundreds of kilometres. Merging services, organisations or

municipalities becomes rather challenging, when for instance some of the nearest health services already

take several hours to reach.

The continuation of the productivity programme is perhaps a good example that in the Finnish context

the problem is not so much the long term and short term combination. The lesson learned from the 1990's

bad recession years in Finland was that it is necessary to keep the long term view. However what might be

more worrying is that the very silo-type administration might look for too individual answers for different

administrative fields when whole-of-government view is increasingly important. In Finland it is normally

very hard to reallocate resources from one sector to another. While a lot can be done internally in

administrative fields, true innovations and prioritisation needs action that cross the sectors.

In the productivity work IT-solutions have already for some years been an area to invest in. Now

when the financial situation is at hand also the productivity gains from the earlier investments should start

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to be harvested. For this the economic situation comes at a good time as the prognosis has been that

otherwise maybe more extra time would have been given to reach the promises. Now results need to be

reached fast. However this might also result in it being more difficult to get investment resources for some

truly valuable projects if they cannot show immediate gains. On the other hand one worry has risen that

projects that before have for good reason been rejected might now be taken on board in a hurry not paying

enough attention to the assessment of their true possibilities.

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GERMANY

What are the 2-3 top public governance challenges raised by the global economic crisis in your country?

- foster the economy (boosting economic growth)
- prevent unemployment
- rescue banks

The state and its administration is involved in each of these challenges to prevent the effects of the crisis.

What central measures are being taken to address them?

In November 2008, the Federal Government adopted an initial stimulus package containing 15

measures to boost investment on a scale of €30 billion.

The second stimulus package “The Pact for Employment and Stability”, which the Federal

Government adopted in January 2009, valued at €50 billion. It provides direct relief for individuals and

businesses. Its aim: to preserve jobs and stimulate economic growth.

During the next period of economic growth, the Federal Government will pay down its debt: This is

why it is paying for its investment in the future from a special investment and sinking fund with a legally

mandated repayment schedule.

For the long term, the Federal Government will continue to reduce the budget deficit. The Federal

Government therefore plans this year to adopt a constitutional amendment to limit new borrowing. That

means: starting in 2016 the federal budget deficit cannot exceed 0.35% of gross domestic product.

How can the need for rapid action and responsiveness be balanced with the need for transparency, value for money and evidence-based decision making? Are there trade-offs to be considered?

As the need for action is high and the pressure is rising, trade-offs are to be considered. But we do not

know what kind of trade-offs. We lack experience and information on this matter. Probably we will know

our "lessons learnt" only when the crisis has finished.

How can governments undertake effective short-term action without losing sight of long-term

objectives (e.g. sustainable finances, competition, better regulation)? How can the crisis be harnessed to

introduce necessary reforms?

The crisis can be used to foster better regulation. Redundant reporting requirement for the economy

have be further reduced.

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Training and institution-building should proceed at the same time as the new regulatory framework is

put in place. Can public administration acquire the necessary skills sufficiently quickly to properly

regulate?

We should not underestimate our administration, that is, in general flexible, effective and efficient.

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ICELAND

What are the 2-3 top public governance challenges raised by the global economic crisis in your country?

The public governance challenges we face are huge. The resolution of the global crisis, and in Iceland we

had on top of that a banking crisis, will result in a huge financial burden being placed on the public sector.

Therefore we will conduct a thorough analysis of on the one hand our fiscal framework and make

recommendations for improvement and on the other hand we will also have to analyse the "machinery of

government" and make recommendations for where to cut and how the rest can be streamlined.

What central measures are being taken to address them?

We have not been able to address, as we would have liked, what central measures should be taken,

because of the political turmoil that followed in the wake of the crisis which hopefully will come to an end

when a new government will be formed following the newly held elections.

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IRELAND

What are the 2-3 top public governance challenges raised by the global economic crisis in your country? What central measures are being taken to address them?

Main Challenges/ Steps to be taken to address Ireland's Economic Crisis & Achieve Economic Renewal

1. We must stabilise our public finances. Until we put our own house in order, we cannot expect those

who have and those who might invest here to have confidence in us.

2. We must restore our damaged banking system. Credit is the life blood of the economy. Unless we

take radical and bold action to resolve the crisis that has staunched the flow of credit, the economy will not

recover.

3. We must regain the competitiveness lost through over-reliance on domestic spending. The future of

the economy lies in exports. We must work harder to gain market share. We must drive down our costs and

improve the quality of our products so that we are well placed to gain when the tide changes.

4. We must protect the jobs we have and invest in retraining those who have lost jobs. 80,000

additional people have gone on the live register already this year. The number of people in employment is

falling and we must take all possible and sensible measures to protect and support existing jobs.

5. We must support and stimulate economic confidence as much as we can within the resources

available.

6. We must restore our reputation abroad. We have been badly damaged by the actions of some in our

financial sector. We must show our EU partners that we want to remain at its centre. We must show the

world that our financial system is soundly based and governed by the highest standards of regulation.

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NORWAY

What are the 2-3 top public governance challenges raised by the global economic crisis in your country?

So far, Norwegian banks have fared better than banks in many other countries. This can be attributed

to a number of factors. Securities account for a small share of banks' assets, and Norwegian banks have not

invested in very high risk securities. Price losses on securities are therefore limited. In addition, banks have

experienced high profitability for several years. However, Norway and Norwegian banks are affected by

the international financial crisis. During the autumn of 2008, risk premiums increased and banks became reluctant to lend to each other. This resulted in higher money market rates. (The 3-months money market rate showed a significant rise in September 2008 by approx. 1.5 percentage points, and the difference between the 3-months money market rate and the Central Bank's key policy rate reached 2 percentage points, compared to a normal level of approximately ¼ percentage points.) In addition, Norwegian banks have tightened credit conditions to both households and businesses. The financial crisis and weaker international growth also affects the Norwegian real economy, with worst effects in the export industries. In the supplementary budget presented in January, the Ministry of Finance forecasted zero growth in mainland GDP in 2009, compared to an estimate of 1.9 per cent in the 2009 Fiscal Budget presented in October 2008. In the latest forecasts from Norges Bank and Statistics Norway, GDP of Mainland Norway is estimated to contract by 1 per cent and 1.7 per cent, respectively, in 2009.

Unemployment has increased since last autumn, from 2½ to 3 per cent of the work force, and is likely to increase further. This is a major concern for the Norwegian Government.

What central measures are being taken to address them?

Norges Bank (Norway's central bank) has reduced the key policy rate by 3.75 percentage points, to 2 pct., since October 2008. According to Norges Bank's Monetary Policy Report from April, the bank

forecast the key policy rate to be around 1 per cent at the end of 2009.

According to the fiscal guidelines, the budget policy shall contribute to a stable development in the

Norwegian economy. In a proposition to the Parliament the Norwegian Government in January proposed

amendments to the 2009 Fiscal Budget, which were adopted with only minor changes.

The change in the

structural (non-oil) deficit is now estimated at NOK 45 billion from 2008 to 2009. This is equivalent to a

demand impulse of 2.4 per cent of the GDP for mainland Norway.

On 12 October 2008 the Government presented a swap facility where banks may receive government

securities in exchange for covered bonds of amounts up to a total of NOK 350 billion.

The legislator

shortly after passed the necessary authorisation. Maturities may be up to five years. The purpose of this

swap arrangement is to secure banks' long-term funding. The government securities (T-bills) can be used

as collateral for loans from other banks or from Norges Bank, or be sold. So far the agreed amount of

swaps has been NOK 100 billion.

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The Government has increased the capital of Kommunalbanken Norway (the local government funding agency), it has increased the export guarantee scheme of GIEK (the central government export credit agency) and has offered state loans to Eksportfinans Norway (the credit institution for export financing).

The Norwegian Government proposed on 8 February 2009 to establish two new funds with a total capital of NOK 100 billion (Proposition to the Storting no. 40 (2008-2009), adopted by the Storting on 26 February 2009.

The State Finance Fund will temporarily provide tier 1 capital to financially sound Norwegian banks

in order to strengthen the banks' core capital and to improve their lending capacity. The State Finance

Fund is established as a separate legal entity, with NOK 50 billion in capital. The board of directors was

appointed primo March and the executive director was employed by 10 March.

The State Bond Fund with a capital of NOK 50 billion will contribute to improved capital market

liquidity by investing in a diversified manner at fair market prices in fixed income instruments issued by

companies domiciled in Norway. The fund will be built up the next year, then to be gradually reduced and

wound up in due course. The operational management of the fund will be undertaken by the dedicated

asset manager Folketrygdfondet, which will invest in the public fixed income market alongside other

investors.

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POLAND

What are the 2-3 top public governance challenges raised by the global economic crisis in your country?

The challenges within the scope of public administration in Poland that emerge in relation to the global

financial-economic crisis:

1) Development of tools that shall ensure flexible reaction towards the crisis-related threats and

reduce the negative consequences of crisis in financial and entrepreneurship sectors, as well as labour

market;

2) Modernization and improvement of the civil service effectiveness in the face of budgetary cuts

resulting from the economic crisis;

At the central level, the activities are undertaken that can help in meeting the above mentioned challenges

(working out new legal solutions and improving the already existing ones, improvement of activities

coordination, monitoring, and information flow).

Examples of activities:

In order to counteract effects of the global financial crisis, since 30 Nov. 2008, the Stability and

Development Plan has been executed in Poland. The Plan includes:

a) Introduction of tools that enable flexible reaction towards possible crisis-related threats to

the financial sector, including:

- limiting the state budget deficit in the budget act for 2009,
- establishment of legal basis and grounds for the activities of the Financial Stability Committee

(Minister of Finances, President of the National Bank of Poland and the Chairman of the Polish

Financial Supervision Authority meet within the Committee's work). Intensified frequency of

Committee's monitoring the situation on international markets and the domestic financial system,

as well as improved coordination of possible anti-crisis activities and/or measures;

- working out statutory solutions that ensure the support for the financial market institutions by

providing the guarantees for the institutions threatened with loss of financial liquidity by the State

Treasury, and solutions enhancing the recapitalization of domestic banks and insurance agencies

(the law is being revised by the Parliament);

- increased level of guarantees for bank deposits in order to restore and improve the trust towards

the Polish banking system,

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- implementation of the task-oriented budgeting, that should improve the efficiency of the general

government expenditures. The complete task-oriented plan of expenditures is assumed to

complement the traditional plan of expenditures in state budget act since 2013;

New law on public finance, strengthening the fiscal governance is currently discussed by the Parliament.

b) Investment support by developing the tools that would enable the following:

- increased access to the external financing, in particular establishment of secure, broad-scope

credit action, especially for small and middle enterprises, widening the catalogue of situations in

which the State Treasury is authorized to provide sureties, as well as increase in the limit of the

guarantees and sureties;

- increase of investment stimuli. The amendments introduced to the law allow for the improvement of the possibility to calculate the investment spending, especially on R&D activities, into the taxdeductible costs.

- changes in the structure of the general government expenditures have been implemented - in the state budget act for 2009 the level of funds for science and education, R&D and development of infrastructure has been increased. Changes in the structure of the expenditures are also among top government priorities stated in the Convergence Programme Update 2008;

- supporting public investments. In order to accelerate and improve the public investments into the IT infrastructure, a special Interdepartmental Task Force for the execution of the “Polish Digit” Program was established;

- increasing the absorption of the EU funds to support infrastructural development and other public investment (the institutional system for certification of EU-financed spendings was established

and audited, amendments were introduced to particular laws in relation to the implementation of structural funds, the Interdepartmental Task Force for the Use of EU Structural Funds and the

Cohesion Fund was established).

c) Limiting and reducing the social consequences of the crisis by:

- establishing in the budget act for 2009 the Social Solidarity Reserve (the Reserve’s resources

shall be used for, inter alia, supporting the income of families with many children, financing the

costs of meals for children in schools and kindergartens);

- protecting the individual power/energy consumers by limiting the increase of energy supply tariffs;

- support in paying off the home loans (some solutions have been developed for those who, due to

the loss of job, are not able to pay the home loans instalments - the work on the final draft of the

law are being concluded);

- speeding up the payments out of the resources of the Guaranteed Employee Benefits Fund which

are paid to the employees in the event of the employer’s insolvency - the work on the final draft

of the law are being concluded.

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Moreover, a special Map of the Local Crisis Threats has been developed. It is a tool that enables the

identification and monitoring (on a local - poviats' scale) the threats related to the possible escalation of the economic slowdown in Poland.

Within the framework of the anti-crisis package, several activities have been undertaken in order to

maintain the existing workplaces and create new ones (for example, activities aimed at decreasing the work

costs and plans for introducing new legal solutions that would improve the working time flexibility, which

shall in turn enable subsidizing the workplaces as an alternative to the group lay-offs.

Plans of introducing

new solutions are the subject of consultations between the government and social partners).

What central measures are being taken to address them?

a) The activities have been undertaken in order to develop a human resources management strategy

which shall include the diagnosis of civil service, identification of the strategic goals, implementation

system and financial framework.

In line with the provisions of the Law on Civil Service of 21 November 2008, which entered into

force in March 2009, the human resources management strategy shall be adopted by the Council of

Ministers. The Head of Civil Service is responsible for the development thereof. It is planned that the

process of strategy development shall include experts and experienced persons specialised in management,

and the representatives of science. The project shall be subject to social consultations.

b) The activities have been undertaken in order to establish a special reserve in the state budget for

2010, which shall be used for modernization of the civil service; the reserve's sources would be spent for

the execution of the human resources management strategy, implementation of the human resources

management standards, guidelines on the observance of the civil service rules and ethical principles,

The conditions for granting the reserve monies to the state administration bodies shall be set out -

in line with the provisions of the Law - the Head of Civil Service in cooperation with the Head of the

Chancellery of the Prime Minister.

c) Activities have been undertaken in order to update and modernize the incentive scheme

(including the remuneration) in the civil service in the pro-effective direction.

The above constitutes one of the activities as set forth in the National Reform Programme

Implementation Document that aims at improving and strengthening human resources and modernization

of management in public administration.

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SLOVENIA**Roundtable on “Responding to the Public Governance Challenges Raised by the Global Economic Crisis”**

As soon as it took office in November 2008, the Government had to face a radically different financial and economic situation as a result of the global economic crisis. The new situation entailed a number of activities and immediate action with a view to mitigate the effects of the crisis as well as to ensure a longterm development breakthrough in the Slovenian economy and businesses. New commitments include focusing on long-term development programs, stimulating economic growth, increasing unemployment benefits (subsidising full-time work while ensuring part-time work, subsidising companies' pay costs for workers temporarily made redundant), creating new jobs and incentives for recruitment, investing in education and research activities (particularly information and communication systems), promoting tourism, enhancing the financial liquidity of enterprises, supporting small businesses, etc. A

proportionately larger part of funding is earmarked for investment, development, research and science (EUR 98 million for R&D in 2009 compared to EUR 24 million in 2008 which is more than 300% increase in investment).

For the public sector, the Government approved a series of saving measures which are divided into three parts:

- salary-related costs, organisational and human resources measures,
- measures aimed at lowering costs related to the material expenses of the government and public administration,
- cost-cutting measures proposed to other stakeholders.

Among the anti-crisis actions, the Agreement on measures pertaining to salaries in the public sector as a result of the different macro-economic situation for the period 2009–2010 is the most important. The agreement was made between the Government and public sector unions, and is a contribution of civil servants towards more sustainable public finance. As a result, government expenditure will be cut in 2009 by EUR 100 million.

In addition, the Government adopted an Action plan for optimisation of public sector divided into six parts: rationalization of public procurement, reduction of material expenses, efficient management of stateowned

real property, public employment reduction by 2% a year by natural attrition in 2009-2010, implementation of the reform of public sector wages based on a sustainable policy and rationalization of the public sector (new standards for internal organisation of the public sector, better regulation and reduction of administrative burdens). According to our estimates, these measures would save up to EUR 300 million.

We are well aware that the need for rapid action should be balanced with the need for transparency and evidence-based decision making. Therefore, the Government intensified social dialogue and civil society debates to increase the inclusion of social partners and the civil society in decision making process.

It is crucial for the Government to remain committed to social dialogue. A strong political will, needed for addressing the crisis, should not reduce democratic pluralism.

In Slovenia, the long-term objectives aimed at increasing state's institutional competitiveness and efficiency are in line with the short-term anti-crisis measures since they encompass private sector's

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management practices in the public sector (new public management), raise the standards of professionalism and transparency in the public administration, introduce performance and efficiency standards and comparison between different bodies, improve the quality of services and strengthen its consulting function.

We strongly believe that the crisis can be viewed as an opportunity to introduce more rapidly the

necessary structural changes in public governance and thus to emerge from the crisis stronger. Supported

by basic values such as solidarity, entrepreneurship, creativeness and assuming responsibilities we believe

that we can achieve this ambitious goal.

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SWEDEN

What are the 2-3 top public governance challenges raised by the global economic crisis in your country?

Sweden is in a relatively favourable situation due to having entered the crisis with a structural surplus

in the public finances and a relatively stable financial system; partly due to the serious national economic

crisis that the government had to handle during 1991 -1998. We are however still severely affected by the

drastic fall in foreign demand on our export products, although this has been somewhat dampened by the depreciation of our currency. Our financial sector is also very exposed to the markets in the Estonia, Latvia and Lithuania, and has to be prepared for substantial credit defaults in these countries. The main challenges involve economic and fiscal policy rather than public governance. It is necessary to limit the risk for serious problems in the banking sector, to handle the rising unemployment in an as constructive manner as possible, and to avoid having a worsening of the situation due be staff reductions in sub-national governments (that is in schools, health services and social services) that are legally obliged to balance their budgets. If the crisis turns out to be extended, additional social challenges will appear as large groups lose their unemployment benefits (these are of limited duration). The need for increased expenditure (unemployment benefits, transfers to local governments) has already led to a 3-percent cyclical budget deficit and a political debate about the expenditure ceiling set before the global economic crisis exploded. The questions are if the ceiling can be cancelled without compromising the budget system, and if it can be retained without functioning as a strait-jacket that prevents the government from meeting the crisis in an appropriate way.

What central measures are being taken to address them?

The surveillance of the financial sector has been intensified. The government has set up credit lines for financial institutions and for subcontractors in the vehicle sector. The government will provide additional financial transfers to sub-national governments during the autumn. The national employment services are increasing their capacity to handle the increased case load. Corporate governance features have also come under discussion. It seems clear that inappropriate performance bonus systems have provided incentives for executives and traders to take unacceptable risks leading to an unhealthy exposure to certain markets. One condition for assessing the new credits lines is that the enterprises concerned abolish all performance bonuses for executives. The government has also signalled that they expect other enterprises to abolish inappropriate bonus systems.

How can the need for rapid action and responsiveness be balanced with the need for transparency, value for money and evidence-based decision making? Are there trade-offs to be considered?

Sweden has not yet seen a need to consider trade-offs between these factors. This is partly due to the relatively limited challenges so far, and to a relatively good level of preparedness in the institutions

concerned. Still, it is of course always possible to discuss if the formal details for the new credit lines were designed in an optimal way.

A more general answer is that it is even in a crisis necessary to find out what needs doing before

acting. At the same time it is often more important to take an immediate acceptable decision than to spend

time searching for the best possible decision. The only way of improving the outcome in these situations is

to prepare for them in advance. This should include recurring crisis management exercises in strategic

parts of the public administration.

How can governments undertake effective short-term action without losing sight of long-term

objectives (e.g. sustainable finances, competition, better regulation)? How can the crisis be harnessed

to introduce necessary reforms?

Sweden has not yet seen a need to consider a trade-off between short-time action and long-term

objectives. Our structural budget surplus and relative low public debt means that the government has so far

had the necessary freedom of action. The above-mentioned debate about the expenditure ceiling is however

a sign that the government may have to weigh the short-term need for maintaining domestic demand

against the long-term need to avoid endangering the sustainability of the public finances.

There are some specific risks that have to be considered. One such is the moral hazard involved in

extending credit lines to banks, whose problems have mainly been caused by reckless lending in the

neighbouring emerging economies. There may also be moral hazards in other credit lines and transfer

increases, if these lead to recipients abstaining from own necessary measures.

Again, the general answer is that the best way of handling this type of issues is to prepare for them.

The question of harnessing the crisis to introduce necessary reforms implies that there is a political or

administrative inertia that has prevented the country from acting in due time. It is evident that this would

have led to the country being less well prepared to meet and handle the economic crisis and to force it to

act under the gallows. Even in these situations, it is however necessary to have a clear idea of what needs

to be done before acting – not at least since all crisis will lead to organised interest groups asking for

measures that would benefit them, but which would not necessarily benefit the society or be appropriate in

the existing situation.

Training and institution-building should proceed at the same time as the new regulatory framework is put in place. Can public administration acquire the necessary skills sufficiently quickly to properly regulate?

The only area where the crisis calls for new legislation is the financial markets. The public

organisations in these sectors have long been exposed to an intensive competition for skilled labour, but

have so far managed to acquire staff with the necessary skills,

Sweden experienced a similar crisis in 1991-98, when two of the five commercial banks had to be

taken over by the government and a third had to undergo a forced reconstruction. The government had then

to quickly create new public institutions in order to restructure and stabilize the two failed banks and to

expand the capacity for monitoring and regulating the financial markets. At that time, it proved possible

find staff which both had the necessary skills and were untainted by the near-collapse of the financial system.

The decentralised remuneration policy aided, since it meant that the public institutions were able to

pay the market wages necessary to get the staff they needed. We have no reason to doubt that it will be

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possible this time as well. The existence of a sophisticated and fragmented (i.e. not dominated by a limited

number of actors) financial sector also helped.

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SWITZERLAND

What are the 2-3 top public governance challenges raised by the global economic crisis in your country?

Suite au durcissement de la crise conjoncturelle partout dans le monde, les perspectives économiques se

sont considérablement assombries pour la Suisse également. Le Groupe d'experts de la Confédération pour

les prévisions conjoncturelles table désormais sur un recul de l'activité économique de 2,2 % en 2009. A la

condition d'un apaisement progressif de la crise financière internationale ces prochains mois et d'une lente

amorce de reprise de l'économie mondiale, l'économie suisse devrait retrouver une croissance légèrement

positive en 2010 (+0,1 %). Toutefois, la situation du marché du travail devrait continuer à se détériorer en

2010.

En outre, les fortes turbulences qui ont secoué les marchés financiers mondiaux ont frappé de plein fouet

les deux grandes banques suisses, qui sont engagées sur le marché américain.

What central measures are being taken to address them?

2.1 Mesures destinées à stabiliser l'économie suisse :

Dès le mois de novembre 2008, alors que la majeure partie des indicateurs économiques de la Suisse

étaient encore bons mais que les perspectives s'assombrissaient rapidement, le Conseil fédéral a déclenché

un premier train de mesures. Lors de sa session de décembre 2008, le Parlement a levé le blocage de

crédits (205 millions de francs) et procédé à des investissements supplémentaires ciblés en augmentant le

budget 2009 (136 millions de francs). Il a également augmenté de 86 millions de francs les fonds affectés à

l'assainissement énergétique des bâtiments. Parallèlement, le Conseil fédéral a décidé de libérer les

réserves de crise au 1er janvier 2009, pour une somme de 550 millions de francs.

La situation économique ayant continué à se détériorer depuis le mois de novembre, le Conseil fédéral a

décidé le 11 février 2009 de lancer la deuxième phase des mesures de stabilisation. Cette deuxième phase

consiste en diverses mesures, dont certaines appellent la modification de lois fédérales.

Le message global prévoit tout d'abord un supplément au budget 2009, qui consiste à utiliser le volant

budgétaire restant de quelque 700 millions de francs pour 2009. Il prévoit, comme deuxième mesure,

d'adapter provisoirement les instruments de l'Assurance suisse contre les risques à l'exportation, afin de

soutenir les exportateurs confrontés à des problèmes de liquidités; ceci requiert une nouvelle loi fédérale.

Le message propose ensuite une modification de la loi fédérale encourageant la construction et l'accession

à la propriété de logements (LCAP) permettant une remise anticipée des avances versées au titre de

l'abaissement de base, ce qui débouchera sur des rénovations supplémentaires. Enfin, la prolongation de 12

à 18 mois de l'indemnité en cas de réduction de l'horaire de travail fait également partie du train de

mesures. Les Chambres fédérales ont porté le supplément à 710 millions de francs (10 millions

supplémentaires pour le photovoltaïque) et ont adopté le deuxième programme conjoncturel lors de la

session de printemps. Les mesures prendront effet au 1er avril.

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Dans une optique à plus long terme, il y a lieu de mentionner les projets de compensation rapide de la

progression à froid et d'allégement fiscal pour les familles avec enfants. Ces deux projets fiscaux auront, à

partir de 2011, des effets positifs sur le revenu disponible des ménages.

Dans le cas d'une «récession grave», le frein à l'endettement prévoit la possibilité de déroger au cadre

conçu pour faire face aux fluctuations conjoncturelles en temps normal. Dans ce cas, le Conseil fédéral

proposera de relever le plafond de dépenses pour 2010 et éventuellement 2011, et de lancer ainsi la phase

3.

2.2 Mesures destinées à renforcer le système financier :

En raison des fortes turbulences qui ont secoué les marchés financiers mondiaux, et qui, en Suisse, ont

surtout frappé de plein fouet les deux grandes banques engagées sur le marché américain, le Conseil

fédéral a approuvé, le 5 novembre 2008, le message concernant un train de mesures destinées à renforcer le

système financier suisse. Deux mesures principales sont prévues. La première relève de la Banque

Nationale Suisse. Il s'agit de transférer, dans une société à but spécial, des actifs illiquides de l'UBS pour

un montant pouvant atteindre 60 milliards de dollars américains au maximum. La deuxième mesure a pour

but d'augmenter les fonds propres de l'UBS et consiste en la souscription, par la Confédération, d'un

emprunt à conversion obligatoire de l'UBS pour un montant de 6 milliards de francs.

1. En outre, le Conseil fédéral a décidé, le 5 novembre 2008, de soumettre rapidement au Parlement

des mesures efficaces pour renforcer la protection des déposants. La révision proposée par le Conseil

fédéral par le biais du message concernant la modification de la loi fédérale sur les banques et les caisses

d'épargne comprend cinq volets. Le montant des dépôts protégés sera relevé de 30 000 à 100 000 francs.

Les banques seront désormais astreintes à disposer en permanence de créances couvertes en Suisse ou

d'autres actifs localisés en Suisse, en proportion des dépôts privilégiés de leur clientèle.

Un remboursement

immédiat plus substantiel est en outre prévu, pour les dépôts garantis, tiré des moyens disponibles de la

banque en difficulté. La limite supérieure du système de protection des déposants passera de 4 milliards de

francs aujourd'hui à 6 milliards de francs. Enfin, le Conseil fédéral propose que les dépôts ouverts auprès

de fondations de prévoyance soient privilégiés par un dispositif séparé de celui qui s'applique aux dépôts

bancaires déjà garantis aujourd'hui.

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TURKEY

What are the public governance challenges raised by the global economic crisis in your country?

The global economic crisis has its effects on Turkey like in all other countries. The decrease in

foreign demand and export has resulted in an economic recession and increasing unemployment. Due to

economic recession and rising unemployment, it is possible to expect challenges in the public

administration as well as in the social and economic activities.

There is not a specific study on the effects of the crisis on the public administration yet.

Due to the

less flexible structure of the public administration the unfavourable effects of the crisis may be experienced

in the mid or long term. Considering that these effects will be felt on inputs, processes and outputs, the

following can be expected;

- increase in demand to civil servant posts due to the increase in unemployment,
- economic recession may decrease tax revenues and disrupt budget discipline,
- a decrease in the public investments or public service quality due to decreasing tax revenues and

increasing borrowing costs,

- decrease in the funds transferred to the local governments due to decreasing tax revenues which

will result in financial deficits in local governments.

The measures taken by the Government to minimize the negative effects of the crisis can be

summarized in 4 main headings.

1- Measures in the Finance and Capital Markets: The positive consequences of the measures taken

following the 2001 crisis have proven to be successful in the current crisis. Thanks to the measures taken in

the banking sector which triggered the 2001 crisis, no unfavourable event has been witnessed in the

banking sector and there has not been any bankruptcy or confiscation. The Central Bank and Banking

Regulatory and Supervision Agency follow up the national and international developments and take

necessary precautions.

2- Socio-Economic Measures: Although the increase in unemployment and decrease in production level

have been higher than other countries the social structure of the Turkish society prevents social explosions.

Family aids and social solidarity reduce the social effects of the crisis. Moreover, temporary

unemployment compensation for the workers dismissed due to the economic crisis and aids in kind and

cash provided by the local governments for people or families in need of help reduce the negative effects

of the crisis.

In order to overcome the crisis the Government introduces economic packages to increase

employment in the real sector. The aims of the packages are to increase total expenditure through tax reductions and to prevent layoffs by assisting employers through subsidies in social security payments.

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Moreover, credit facilities have been improved to support SMEs with liquidity shortages due to increasing borrowing costs and shrinking demand through KOSGEB (SME Administration) and public owned banks -

Halkbank and Ziraat Banks - and works on establishing a “Credit Guarantee Mechanism” that will provide

a certain level of guarantee for the credit institutions have been initiated.

3- Measures in the Public Finance: Within the framework of transparency and accountability of the budget,

the Public Financial Management and Control Law No. 5018 provides regular reporting within the

framework of transparency and accountability of the budget. Compensatory measures are taken against

possible drawbacks through this system which is supported by e-Budget tools.

4- Institutional Structuring: Economy Coordination Board has been established with the amendment of 18

February 2009 in the Law on Organisation of the Prime Ministry. The Economy Coordination Board,

which is composed of ministers determined by the Prime Minister, holds meetings with the participation of

related ministers, public officials and representatives from the private sector, non-governmental

organisations and universities. With the introduction of such a body, a new instruments has been created

for the participation of stakeholders in the decision-making processes. The main duties of the Economy

Coordination Board are as follows:

a) to follow up and evaluate developments concerning economic stability,

b) to provide coordination in defining, implementing and updating the plans and policies

concerning money, credit, finance, borrowing, revenue and other economy policies,

c) to follow up, evaluate and to conduct to cause to be conducted researches on developments in

global and national economy

ç) to provide coordination in defining, implementing and updating the principles and procedures

concerning economic safety and security,

d) to evaluate options to decrease income or increase expenditure, to perform or to cause to be

performed impact analysis on approved options,

e) to provide coordination in defining, implementing and updating public aids policies,

f) to follow up, evaluate and the implementation stages of the Board decisions and to report the

results to related ministries, public institutions and agencies and to the Prime Minister.

Deep economic crisis provide significant opportunities for reformist governments. Bitter recipes introduced during these terms are adopted more easily by the society. However, to minimize the political and moral risk and to ensure justice a great deal of attention should be paid for the transparency and accountability of these mechanisms and the rule of law should be upheld. Another important issue is the coherence and close cooperation between the actors steering the economy. In this context, it can be expected that single party governments have a better chance of success than coalition governments in times of crisis

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EUROPEAN COMMISSION

New challenges for public governance in the context of the global economic crisis

The financial and economic crisis has presented a formidable challenge to the system of governance of the European economies. All EU Member States of EU have felt the effects of the crisis but their capacity to respond varies across different national contexts. The EU has thus to elaborate a complex response to the crisis by ensuring a coordinated and determined collective response while respecting the Member States' need to develop solutions adapted to their own specific social and economic contexts. The European Commission has developed a plan of action which is set out in a Communication of 4

March 2009. The main challenges addressed in the Communication are:

•*Restoring and maintaining a stable and reliable financial system*

In order to address the crisis it is indispensable to rebuild confidence in the stability of the financial sector, to restore liquidity and to remedy the weaknesses and vulnerabilities of the international and European financial markets through robust reform ensuring the long-term viability of the financial system.

Actions:

The Commission has already presented legislative proposals to improve protection for bank depositors, to make credit ratings more reliable, to get the incentives right in securitisation markets, to reinforce the solidity and supervision of banks. Taking into account the report prepared by the High level Group chaired by Jacques de Larosière the Commission is also preparing an ambitious new reform programme with five key objectives:

1. Providing the EU with an improved supervisory framework: a European financial supervision package will be presented by the end of May 2009.

2. Filling gaps in European or national regulation: There will be proposals for: a comprehensive legislative instrument for hedge funds, private equity and other important market players (April 2009); a White Paper on tools for early intervention to prevent financial crisis; appropriate initiatives to increase transparency and ensure financial stability and the quality and quantity of prudential capital; measures to address liquidity risk and excessive leverage (between June 2009 and Autumn 2009).
 3. Improving confidence of European investors, consumers and SMEs in financial markets: The Commission will come forward with: a Communication on retail investment products to strengthen the effectiveness of marketing safeguards (April 2009); measures to reinforce bank depositor, investor and insurance policy holder protection and measures on responsible lending and borrowing (Autumn 2009).
 4. Improving Risk Management and align pay incentives with sustainable performance. The Commission will: strengthen its 2004 Recommendation on remunerations of directors (April 2009) and bring forward a new Recommendation on remuneration in the financial services sector (April 2009).
 5. Ensuring more effective sanctions. A review of the Market abuse directive and proposals on enforcing the sanctions will be presented in Autumn 2009.
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•Supporting the real economy

The global economy is in the midst of the worst recession in decades and the EU economy could not escape the worldwide downturn. The challenge consists in arresting the pace of the downturn, creating the conditions for an upturn and, at the same time to take the most of future opportunities.

Actions:

The first step was agreement on a European Economic Recovery Plan (EERP) reached at the December 2008 European Council. The EERP promotes a combined effort of the EU and its Member States to give Europe's economy an immediate fiscal boost, while targeting investments at strengthening the European economy for the long-term challenges ahead. Most Member States have adopted or announced fiscal stimulus packages, meeting the overall target of 1.5% of the Union's GDP. Taking into account the effects of the automatic stabilisers, fiscal support of some 3.3% of GDP has been made available for the recovery. This amounts to more than €400 billion. The Single Market ensures that all

Member States will benefit directly and indirectly from investments resulting from the stimulus packages.

The Commission has ensured that Member States can take full advantage of the flexibility available

under existing Community rules. The use of the accelerated public procurement procedure means public

investment contracts can be signed within one month. The temporary framework for state aid measures

helps companies to access finance in the face of restrictive bank lending. The Commission has presented

guidance on measures for the automotive industry to help Member States as they provide support for the

restructuring of this sector.

At the same time, the EU needs to continue its own work to improving the business environment and

to support small and medium sized enterprises. The Commission has presented proposals to reduce

accounting burdens on microenterprises, with potential savings for business of around € 6 billion, and will

continue to carefully weigh the burden of new initiatives. The timely transposition of the Services

Directive will contribute to promoting new economic activities. Maintaining openness within the internal

market, ensuring non-discrimination, continuing to remove barriers, keeping the single market open to our

trade partners and respecting our international commitments, in particular those made in the WTO, are key

principles shaping any actions to support the real economy.

•Supporting people through the crises

The economic slowdown has a considerable impact on households and workers in the EU. Having

performed well in recent years, the labour market situation is now deteriorating rapidly and significantly.

The Commission expects employment growth to be negative for the next two years. Unemployment can be

expected to rise steeply. Although the picture varies across Member States, overall employment is

expected to contract by 1.6% this year - some 3.5 million jobs – and unemployment in the EU could reach

10% in 2010.

Actions:

Most Member States have introduced employment and social measures in order to support people and

alleviate the human cost of the crisis. Member States have focused their measures on four broad types of

priorities: (1) maintaining existing jobs: short-time working allowances, reduced social security

contributions, wage subsidies and support to SMEs; (2) ensure rapid (re-) integration into the labour

market: vocational training and support for the disadvantaged, changes in sickness or disability benefits, and new eligibility rules for unemployment benefits; (3) support the most vulnerable: increase in minimum income/wage, extended coverage or duration of unemployment benefits, higher housing or family allowances, tax rebates or exemptions, and measures against over-indebtedness or repossession; (4)

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strengthen social protection and invest in social and health infrastructure: investments in housing, hospitals, primary care, long-term care infrastructure and schools, and actions to help pension funds meet their long term liabilities.

Whilst Member States are in the forefront of tackling these challenges, European policies add value

by helping them design and implement effective responses to the jobs and social cohesion challenge. To

support Member States' efforts the available EU financial instruments are being strengthened.

The ongoing renewal of the European Globalisation Adjustment Fund will allow it to be quickly

activated to support workers hit by significant job cuts and their communities.

The current European Social Fund (ESF) programmes support 9 million workers each year. €10.8

billion in grants are available through the ESF in 2009 alone. The proposed simplification of the rules for

the ESF will allow an immediate increase of advance payments of €1.8 billion. Where the ESF

programming needs to be adapted, the Commission will ensure that programme changes are completed in

the shortest possible time.

Furthermore the EU will address the employment dimension of the crisis at a European Employment

Summit in May. The Summit will provide the opportunity to take stock of the developing situation, and to

advance on further, concrete measures.