

**A summary of measures adopted in different jurisdictions
to assist SMEs during global financial crisis**

Australia
<p>A package launched by the Australian Prime Minister and the Minister for Small Business on 24 October includes:</p> <p><i>Direct lending through government funds</i></p> <ul style="list-style-type: none"> • Building on the Australian government's measures to strengthen the financial system, the government announced that it will provide small business support and advice during the financial crisis from Business Enterprise Centres and other registered business organisations, through a A\$4 million Government investment over 2008-09 and 2009-10. <p><i>Operational assistance by the government</i></p> <ul style="list-style-type: none"> • The Australian government (i) introduced a guarantee of on-time payment for new small business contracts with Commonwealth Government Departments – up to A\$1 million, from 1 December, within 30 days – otherwise small business will have the right to charge penalty interest; (ii) made a commitment to developing standard procurement documents for co-ordinated procurement and standard approaches to make it cheaper and easier for small business to sell to the Government.
China
<p><i>Liquidity provision</i></p> <ul style="list-style-type: none"> • On 29 August, the China Banking Regulatory Commission issued a notice to encourage banking financial institutions to increase credit support to small enterprises. The notice includes six guidelines: (i) the new credit lines recently approved by People's Bank of China to banking institutions should be reserved for lending to small enterprises; (ii) banking institutions should improve financial services to meet the demand for credit of small enterprises; (iii) banks should allow greater flexibility for financial innovation; (iv) banking institutions should measure non-performing loans accurately and prevent moral hazard and uphold to the sustainable business development principle; (v) commercial banks should realize synergy effects with other favourable policies and seize the opportunity of the current tax breaks for small enterprises to combine debt with equity and work out different solutions for businesses in different areas and different stages of development; and (vi) commercial banks should reach out to small businesses and better understand the needs of small entrepreneurs. • On 9 November, the Chinese government introduced a 4 trillion yuan stimulus package which includes (i) a comprehensive reform in value-added taxes, which would cut industry costs by 120 billion yuan;

and (ii) the abolishment of commercial banks' credit ceilings in order to channel more lending to priority projects, rural areas, small enterprises, technical innovation and industrial rationalisation through mergers and acquisitions.¹

Credit guarantee

- On 29 October, the Ministry of Finance announced that the Chinese government has allocated one billion yuan in credit guarantee for SMEs (totalling 1.8 billion yuan so far in 2008).

Moral suasion

- At a special working conference organised by the PBoC on 20 and 21 October, banks were asked to: (i) improve financial service system for SMEs; (ii) promote financial innovation to develop trade financing facilities and credit products for SMEs; and (iii) step up the development of customised credit reference, credit rating and information release systems for SMEs. In the next stage, the government will increase guarantee and subsidies provision to improve the credit environment for SMEs. PBoC required that nationwide banks should streamline the lending process, and establish a long-term mechanism of credit support for SMEs. Local banks, where appropriate, should fully capitalise on self-raised funds to provide credit support to local SMEs. PBoC also emphasised that banking financial institutions should make sure that capital supply to SMEs grows faster than that of the others.

Operational assistance by the government

- On 21 October, the Ministry of Finance announced the increase in export rebates for some export products. The increase would take effect on 1 November 2008.

Germany

Direct lending through government funds

- The German government approved on 5 November a stimulus package of EUR 23 billion (US\$30 billion), which includes, among other things, loans to SMEs.

Indonesia

Direct lending through government funds

- Media reported on 29 October that exporters will be allowed access to government-funded, post-shipment financing.

Operational assistance by the government

- Media reported on 29 October that export tax on crude palm oil would be

¹ Earlier in August this year, the PBC agreed to raise the 2008 credit quota by 5% for nationwide lenders and 10% for local ones in order to ease financing difficulties of SMEs.

cut from 2.5% to 0%.
Japan
As part of its economic stimulus package announced on 29 August:
<i>Operational assistance by the government</i>
<ul style="list-style-type: none"> • The Japanese government announced plans to: (i) strengthen protection of sub-contractors; (ii) strengthen support for industries with heavy outlays on fuel; and (iii) boost growth potential by raising productivity.
As part of its economic stimulus package announced on 30 October:
<i>Direct lending through government funds</i>
<ul style="list-style-type: none"> • The Japanese government will raise the emergency lending limit of government-affiliated financial institutions from 3 trillion yen to 10 trillion yen.
<i>Credit guarantee</i>
<ul style="list-style-type: none"> • The 6 trillion yen allocated in the first supplementary budget as the maximum level of emergency credit guarantee for SMEs will be raised to 20 trillion yen.
<i>Operational assistance by the government</i>
<ul style="list-style-type: none"> • Tax for medium- and small-sized companies in Japan would be reduced.
Malaysia
<i>Direct lending through central bank</i>
<ul style="list-style-type: none"> • On 4 November, Bank Negara Malaysia launched a RM200 million Micro Enterprise Fund in order to increase access to micro financing for micro enterprises with viable businesses. A significant percentage of SMEs in Malaysia are micro enterprises.²
Philippines
<i>Operational assistance by the government</i>
<ul style="list-style-type: none"> • On 31 October Filipino President Arroyo signed into law the Credit Information System (Republic Act 9510) that will reduce reliance on collaterals and credit facilities, and in turn broaden credit access for small and medium enterprises.

² The National SME Development Council defines micro enterprises as follows:

- Manufacturing and Manufacturing Related Service sectors (Businesses with less than RM250,000 annual sales turnover or 5 full-time employees)
- Primary Agriculture and Services Sectors (Businesses with less than RM200,000 annual sales turnover or 5 full-time employees)

South Korea

As part of a set of measures to overcome the ongoing economic difficulties announced on 3 November:

Direct lending through government fund

- The government announced plans to (i) provide 1.3 trillion Won to state owned banks so as to lend financial assistance to SMEs; (ii) increase financial aid through the Korean Exim Bank and expand FX insurance loans and export insurances by 3.5 trillion Won in order to ease financial distress of exporting SMEs.

Credit guarantee

- The Korean government announced plans to expand credit guarantees to SMEs by 6 trillion Won by contributing to the Korea Credit Guarantee Fund and the Korea Technology Guarantee Fund. An additional 1.5 trillion credit guarantees will be provided by the Regional Credit Guarantee Fund.

As a condition for bank recapitalisation or other assistances

- As a follow-up measure for the government guarantee on banks' external debt, the government will encourage banks to roll over loans for viable SMEs by signing MOUs.

Moral suasion

- The government announced that it would encourage card companies to lower credit card fees for small retailers.

Operational assistance by the government

- The Korean government announced that it will provide financial aid, education and consulting support and business start-up service.

Thailand

Liquidity provision

- Media reported on 9 October that Thailand's Finance and Industry ministries, in collaboration with the private sector, are expected to launch stimulus measures aimed at bringing relief to small and medium-sized enterprises suffering from low financial liquidity.

United Kingdom

Direct lending through external funds

- A GBP 4 billion (EUR 5.1 billion) credit line was secured from the European Investment Bank (EIB) for SMEs. Businesses will be able to tap into the credit through designated banks over the next four years. EIB has been making loans to SMEs in EU, and because of the financial crisis, devoted EUR30 billion of new loans to help SMEs in early

October. UK's credit line is part of the new loans provided by EIB.

As a condition for bank recapitalisation or other assistances

- As part of the rescue package of the UK government announced on 8 October, the government will use GBP 50 billion for recapitalisation of eight major lenders. It was by then reported that upon capital injection, the government could influence certain policies of the banks, including their commitment to lend to SMEs. Media quoted an official UK Treasury statement as saying that any capital investment in banks “will require a full commitment to support lending to small businesses and home buyers.”

Moral suasion

- UK Prime Minister, Gordon Brown, on a recent occasion in late October, urged banks not to change the terms and charges for existing lending to the SMEs.

United States

Direct lending through government funds

- New Jersey will set up a US\$50 million fund to provide loans to SMEs. The measure will appropriate money from the state's fund to establish the Main Street Business Association Programme.

Liquidity provision

- The Fed, via its Asset-backed commercial paper (ABCP) Liquidity Facility (which was announced on 19 September), extends non-recourse loans at the primary credit rate to US depository institutions and bank holding companies to finance their purchases of high quality ABCP from money market funds.

Sources: Media and official websites

*Hong Kong Monetary Authority
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