XLR8 COMPANIES

ECONOMIC EFFECTS OF COVID-19

HOW THE WORLDS 15 LARGEST ECONOMIES CHANGED AFTER COMING INTO CONTACT WITH A GLOBAL PANDEMIC

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EXECUTIVE SUMMARY

The COVID-19 pandemic has spread with alarming speed, infecting millions, and bringing economic activity to a near-standstill as countries imposed tight restrictions on movement to halt the spread of the virus. As the health and human toll grows, the economic damage is already evident and represents the largest economic shock the world has experienced in decades.

The baseline forecast envisions a 5.2 percent contraction in global GDP in 2020, using market exchange rate weights—the deepest global recession in decades, despite the extraordinary efforts of governments to counter the downturn with fiscal and monetary policy support.

The crisis highlights the need for urgent action to cushion the pandemic's health and economic consequences, protect vulnerable populations, and set the stage for a lasting recovery. For emerging market and developing countries, many of which face daunting vulnerabilities, it is critical to strengthen public health systems, address the challenges posed by informality, and implement reforms that will support strong and sustainable growth once the health crisis abates.

The pandemic is expected to plunge most countries into recession in 2020, with per capita income contracting in the largest fraction of countries globally since 1870. Advanced economies are projected to shrink 7 percent. That weakness will spill over to the outlook for emerging market and developing economies, who are forecast to contract by 2.5 percent as they cope with their own domestic outbreaks of the virus. This would represent the weakest showing by this group of economies in at least sixty years.

Every region is subject to substantial growth downgrades. East Asia and the Pacific will grow by a scant 0.5%. South Asia will contract by 2.7%, Sub-Saharan Africa by 2.8%, Middle East and North Africa by 4.2%, Europe and Central Asia by 4.7%, and Latin America by 7.2%.

Emerging market and developing economies will be buffeted by economic headwinds from multiple quarters: pressure on weak health care systems, loss of trade and tourism, dwindling remittances, subdued capital flows, and tight financial conditions amid mounting debt. The pandemic and efforts to contain it have triggered an unprecedented collapse in oil demand and a crash in oil prices. While agriculture markets are well supplied globally, trade restrictions and supply chain disruptions could yet raise food security issues in some places.

INTRODUCTION

Coronavirus disease (COVID-19) is an infectious disease caused by a newly discovered coronavirus.
Most people infected with the COVID-19 virus will experience mild to moderate respiratory illness and recover without requiring special treatment. Older people, and those with underlying medical problems like cardiovascular disease, diabetes, chronic respiratory disease, and cancer are more likely to develop serious illness. (Organization 2020)

COVID-19 is currently considered a global pandemic and has passed 7,127,753 resulting in 407,159 deaths in over 2016 countries and territories. (Organization 2020) It has caused contractions in economies throughout the world as well as through the global economy.

This report delves into review of the effects of COVID-19 in the worlds fifteen largest economies in order to better understand the widespread effects of the virus medically and economically. Each case study covers how the country functioned before, during, and potentially after the virus past its peak within the country. This report focuses on governmental response, outside of citizen response.

It's important to note that this report was not written to sway or determine action for business or financial activity. However, the reports usage to determine business or financial action in a current / post pandemic world is strictly up to the reader. Xelerate Companies takes no responsibility for financial gains or losses with the report published.

METHODOLOGY

Before delving into the report and each case study, it's important to review methodology for how the report was created. Information for the report was drawn through released data and statistics from intergovernmental, supranational, and governmental organizations. Statistical Data will be last updated from the last draft of the report, in order to show the latest statistics and relevant information. Case study information for overviews were drawn from the CIA World Factbook, a reputed nonpartisan source simply stating general background information from the country. Case study overviews are only focused on economic background, and although political issues may be referenced, they are not explained in the report. In order to measure responses, government reports were mainly used, with information also being drawn from condensed news articles. In case of publishing or public use, this report has been accurately cited and referenced under the Chicago Manual of Style, 17th Edition.

United States Of America

Economic Background

The US has the most technologically powerful economy in the world, with a per capita GDP of $59,500. US firms are at or near the forefront in technological advances, especially in computers, pharmaceuticals, and medical, aerospace, and military equipment; however, their advantage has narrowed since the end of World War II. Based on a comparison of GDP measured at purchasing power parity conversion rates, the US economy in 2014, having stood as the largest in the world for more than a century, slipped into second place behind China, which has more than tripled the US growth rate for each year of the past four decades.

In the US, private individuals and business firms make most of the decisions, and the federal and state governments buy needed goods and services predominantly in the private marketplace. US business firms enjoy greater flexibility than their counterparts in Western Europe and Japan in decisions to expand capital plant, to lay off surplus workers, and to develop new products. At the same time, businesses face higher barriers to enter their rivals' home markets than foreign firms face entering US markets.

Long-term problems for the US include stagnation of wages for lower-income families, inadequate investment in deteriorating infrastructure, rapidly rising medical and pension costs of an aging population, energy shortages, and sizable current account and budget deficits.

The onrush of technology has been a driving factor in the gradual development of a "two-tier" labor market in which those at the bottom lack the education and the professional/technical skills of those at the top and, more and more, fail to get comparable pay raises, health insurance coverage, and other benefits. But the globalization of trade, and especially the rise of low-wage producers such as China, has put additional downward pressure on wages and upward pressure on the return to capital. Since 1975, practically all the gains in household income have gone to the top 20% of households. Since 1996, dividends and capital gains have grown faster than wages or any other category of after-tax income.

Imported oil accounts for more than 50% of US consumption and oil has a major impact on the overall health of the economy. Crude oil prices doubled between 2001 and 2006, the year home prices peaked; higher gasoline prices ate into consumers' budgets and many individuals fell behind in their mortgage payments. Oil prices climbed another 50% between 2006 and 2008, and bank foreclosures more than doubled in the same period. Besides dampening the housing market, soaring oil prices caused a drop in the value of the dollar and a deterioration in the US merchandise trade deficit, which peaked at $840 billion in 2008. Because the US economy is energy-intensive, falling oil prices since 2013 have alleviated many of the problems the earlier increases had created.

The sub-prime mortgage crisis, falling home prices, investment bank failures, tight credit, and the global economic downturn pushed the US into a recession by mid-2008. GDP contracted until the third quarter of 2009, the deepest and longest downturn since the Great Depression. To help stabilize financial markets, the US Congress established a $700 billion Troubled Asset Relief Program in October 2008. The government used some of these funds to purchase equity in US banks and industrial corporations, much of which had been returned to the government by early 2011. In January 2009, Congress passed, and former President Barack OBAMA signed a bill providing an additional $787 billion fiscal stimulus to be used over 10 years - two-thirds on additional spending and one-third on tax cuts - to create jobs and to help the economy recover. In 2010 and 2011, the federal budget deficit reached nearly 9% of GDP. In 2012, the Federal Government reduced the growth of spending and the deficit shrank to 7.6% of GDP. US revenues from taxes and other sources are lower, as a percentage of GDP, than those of most other countries.

Wars in Iraq and Afghanistan required major shifts in national resources from civilian to military purposes and contributed to the growth of the budget deficit and public debt. Through FY 2018, the direct costs of the wars will have totaled more than $1.9 trillion, according to US Government figures.

In March 2010, former President OBAMA signed into law the Patient Protection and Affordable Care Act (ACA), a health insurance reform that was designed to extend coverage to an additional 32 million Americans by 2016, through private health insurance for the general population and Medicaid for the impoverished. Total spending on healthcare - public plus private - rose from 9.0% of GDP in 1980 to 17.9% in 2010.

In July 2010, the former president signed the DODD-FRANK Wall Street Reform and Consumer Protection Act, a law designed to promote financial stability by protecting consumers from financial abuses, ending taxpayer bailouts of financial firms, dealing with troubled banks that are "too big to fail," and improving accountability and transparency in the financial system - in particular, by requiring certain financial derivatives to be traded in markets that are subject to government regulation and oversight.

The Federal Reserve Board (Fed) announced plans in December 2012 to purchase $85 billion per month of mortgage-backed and Treasury securities in an effort to hold down long-term interest rates, and to keep short-term rates near zero until unemployment dropped below 6.5% or inflation rose above 2.5%. The Fed ended its purchases during the summer of 2014, after the unemployment rate dropped to 6.2%, inflation stood at 1.7%, and public debt fell below 74% of GDP. In December 2015, the Fed raised its target for the benchmark federal funds rate by 0.25%, the first increase since the recession began. With continued low growth, the Fed opted to raise rates several times since then, and in December 2017, the target rate stood at 1.5%.

In December 2017, Congress passed and President Donald TRUMP signed the Tax Cuts and Jobs Act, which, among its various provisions, reduces the corporate tax rate from 35% to 21%; lowers the individual tax rate for those with the highest incomes from 39.6% to 37%, and by lesser percentages for those at lower income levels; changes many deductions and credits used to calculate taxable income; and eliminates in 2019 the penalty imposed on taxpayers who do not obtain the minimum amount of health insurance required under the ACA. The new taxes took effect on 1 January 2018; the tax cut for corporations are permanent, but those for individuals are scheduled to expire after 2025. The Joint Committee on Taxation (JCT) under the Congressional Budget Office estimates that the new law will reduce tax revenues and increase the federal deficit by about $1.45 trillion over the 2018-2027 period. This amount would decline if economic growth were to exceed the JCT's estimate. (Agency 2020)

Response

Medical Response

U.S. FEMA, Center for Disease Control, and the U.S Department of Health and Human Services have declared COVID-19 as a pandemic and national disaster, mobilizing the national guard, as well as other government entities. Department of Homeland Security raised Travel Restrictions to Level 4.

Continued introductions of SARS-CoV-2 from outside the United States contributed to the initiation and acceleration of domestic COVID-19 cases in March. After Chinese authorities halted travel from Wuhan and other cities in Hubei Province on January 23, followed by U.S. restrictions on non-U.S. travelers from China issued on January 31 (effective February 2), air passenger journeys from China decreased 86%, from 505,560 in January to 70,072 in February. However, during February, 139,305 travelers arrived from Italy and 1.74 million from all Schengen countries, * where the outbreak was spreading widely and rapidly.

Travelers from Italy and all Schengen countries decreased 74% to 35,877 and 50% to 862,432, respectively, in March. Genomic analysis of outbreak strains suggested an introduction from China to the state of Washington around February 1. However, examination of strains collected from northern California during early February to mid-March indicated multiple introductions resulting from international travel (from China and Europe) as well as from interstate travel.

Sequencing of strains collected in the New York metropolitan area in March also suggested origins in Europe and other U.S. regions. ** Returning cruise ship travelers also contributed to amplification during this time. Persons from many countries are in close contact on cruises, and crew members continue to work on ships for multiple voyages. As a result, passengers returning from cruises contributed to the early acceleration phase. For example, 101 persons who had been on nine separate Nile River cruises during February 11–March 5 returned to 18 states and had a positive test result for SARS-CoV-2, nearly doubling the total number of known COVID-19 cases in the United States at that time.

Public health steps to mitigate continued importations of the virus included travel restrictions for non-U.S. citizens or permanent residents arriving from China beginning in early February and later expanded to include other countries with widespread sustained transmission. Travel health notices were issued for countries with known outbreaks as the pandemic evolved, and ultimately warnings were issued to avoid nonessential international travel as well as all cruise ship travel. Quarantine measures were implemented for arriving international travelers with known exposure to locations and settings of concern, such as Hubei Province and the Diamond Princess cruise ship docked off the coast of Yokohama, Japan. Screening and public health risk assessment of travelers in selected U.S. airports, initiated on January 17, were also expanded. As of April 21, 2020, CDC staff members and U.S. Customs and Border Protection officers had screened approximately 268,000 returning travelers, among whom testing confirmed 14 COVID-19 cases. State and local health departments were advised to supervise self-monitoring of travelers who had been directed to stay home after returning from countries with widespread sustained transmission. On March 14, 2020, the CDC Director issued a No Sail Order for cruise ships, suspending operation in U.S. waters; the order was renewed April 9, effective April 15.

Various gatherings of persons from different locations, followed by return to their home communities, played a notable role in the early U.S. spread of COVID-19. During February 2020, the number of confirmed cases originating in the United States was low and appeared contained; thus, federal, and local jurisdictions did not recommend restrictions on gatherings. However, during the last week of February, several large events led to further spread of the disease.

These included Mardi Gras celebrations in Louisiana with more than 1 million attendees, an international professional conference held in Boston, Massachusetts, with approximately 175 attendees, and a funeral in Albany, Georgia, with more than 100 attendees. In the weeks after these events, amplifications in the host locations contributed to increasing U.S. case counts. Dougherty County, Georgia, a small rural county that includes Albany, had one of the highest cumulative incidences of COVID-19 (1,630/100,000 population) in the country. The substantial transmissibility of the virus and severity of COVID-19 triggered a series of recommendations, beginning in mid-March, to limit mass gatherings and travel.

Skilled nursing and long-term care facilities and hospitals are settings in which persons at higher risk for severe COVID-19 illness are in close contact with staff members, many of whom work at multiple facilities. Other workplaces also facilitated amplification of virus transmission, including critical infrastructure sectors, such as multiple meat packing facilities in rural areas. Clusters of causes related to religious service attendance have been reported within the United States and worldwide. Congregate, high-density settings also might contribute to the spread of COVID-19. For example, population density might account for the very high numbers of COVID-19 cases in the New York metropolitan area (Box). Public health actions aimed at reducing COVID-19 spread in high-risk settings have focused on infection control measures, including identifying and isolating ill persons, cleaning, and disinfection, restricting visitors, physical distancing through shift work, and appropriate use of personal protective equipment (Table). To protect health care capacity and slow community spread of COVID-19, local, state, and federal authorities issued stay-at-home orders, and closed schools and nonessential workplaces. On April 3, CDC issued guidance for use of cloth face coverings in public areas to reduce spread, based on increasing evidence of transmission in the absence of symptoms. (Control 2020)

Economic Response

The Fed has cut its target for the federal funds rate, the rate banks pay to borrow from each other overnight, by a total of 1.5 percentage points since March 3, bringing it down to a range of 0 percent to 0.25 percent. Using a tool honed during the Great Recession of 2007-2009, the Fed has offered forward guidance on the future path of its key interest rate, saying that rates will remain low "until it is confident that the economy has weathered recent events and is on track to achieve its maximum employment and price stability goals." The Fed has resumed purchasing massive amounts of securities, a key tool employed during the Great Recession, when the Fed bought trillions of long-term securities. Treasury and mortgage-backed securities markets have become dysfunctional since the outbreak of COVID-19, and the Fed's actions aim to restore smooth market functioning so that credit can continue to flow. The Fed initially said it would buy at least $500 billion in Treasury securities and $200 billion in government-guaranteed mortgage-backed securities over "the coming months." But, on March 23, it made the purchases open-ended. It also expanded purchases to include

commercial mortgage-backed securities. And, it issued forward guidance to reassure markets that it will "purchase Treasury securities and agency mortgage-backed securities in the amounts needed to support smooth market functioning and effective transmission of monetary policy to broader financial conditions and the economy." Through the Primary Dealer Credit Facility (PDCF), a program revived from the global financial crisis, the Fed will offer low interest rate (currently 0.25 percent) loans up to 90 days to 24 large financial institutions known as primary dealers. The dealers will provide the Fed with equities and investment grade debt securities, including commercial paper and municipal bonds, as collateral. The goal is to keep the credit markets functioning at a time of stress when institutions and individuals are inclined to avoid risky assets and hoard cash, and dealers may encounter barriers to financing rising inventories of securities they may accumulate as they make markets. To re-establish the PDCF, the Fed had to obtain the approval of the Treasury Secretary to invoke emergency lending authority under Section 13(3) of the Federal Reserve Act for the first time since the crisis.

The Fed has re-launched the crisis-era Money Market Mutual Fund Liquidity Facility (MMLF), which lends to banks against collateral they purchase from prime money market funds, the ones that invest in corporate short-term IOUs known as commercial paper, as well as in Treasury securities. At the outbreak of COVID-19, investors withdrew from money market funds in masse. To meet outflows, these funds sold securities, but disruptions in the financial markets made it difficult to sell, even if the securities were all of high quality and very short maturities. The Fed said that the facility "will assist money market funds in meeting demands for redemptions by households and other investors, enhancing overall market functioning and credit provision to the broader economy." The Fed invoked Section 13(3) and obtained permission from Treasury, which provided $10 billion from its Exchange Stabilization Fund to cover potential losses.

The Fed has vastly expanded the scope of its repurchase agreement (repo) operations to funnel cash to money markets and is now essentially offering an unlimited amount of money. The repo market is where firms borrow and lend cash and securities short-term, usually overnight. Disruptions in the repo market affect the federal funds rate, the Fed's primary tool for achieving its price stability and employment mandate. The Fed's facility makes cash available to the primary dealers in exchange for Treasury and other government-backed securities. Before coronavirus turmoil hit the market, the Fed was offering $100 billion in overnight repo and $20 billion in two-week repo. It has greatly expanded the program—both in the amounts offered and the length of the loans. It is offering $1 trillion in daily overnight repo, and $500 billion in one month and $500 billion in three-month repo. The Fed lowered the rate that it charges banks for loans from its discount window by 1.5 percentage points, from 1.75 percent to 0.25 percent, lower than during the Great Recession. These loans are typically overnight—meaning that they are taken out at the end of one day and repaid the following morning—but the Fed has extended the terms to 90 days. Banks

pledge a wide variety of collateral (securities, loans, etc.) to the Fed in exchange for cash, so the Fed is not taking on much risk in making these loans. The cash allows banks to keep functioning: depositors can continue to withdraw money, and the banks can make new loans. Banks are sometimes reluctant to borrow from the discount window because they fear that if word leaks out, markets and others will think they are in trouble. To counter this stigma, eight big banks agreed to borrow from the discount window.

The Fed is encouraging banks—both the largest banks and community banks—to dip into their regulatory capital and liquidity buffers, so they can increase lending during the downturn. The reforms instituted after the financial crisis require banks to hold additional loss-absorbing capital to prevent future bailouts. But these capital buffers can be used during a downturn to stimulate lending, and the Fed is encouraging that now, including through a technical change to its TLAC (total loss-absorbing capacity) requirement, which includes capital and long-term debt. (To preserve capital, big banks also are suspending buybacks of their shares.) The Fed also eliminated banks' reserve requirement—the percent of deposits that banks must hold as reserves to meet cash demand—though this is largely irrelevant because banks currently hold far more than the required reserves. The Fed also relaxed the growth restrictions previously imposed on Wells Fargo, as part of an enforcement action related to widespread consumer protection violations, so that the bank could increase its participation in the Fed's lending programs for small- and mid-sized businesses.

In a significant step beyond its crisis-era programs, which focused mainly on financial market functioning, the Fed on March 23 established two new facilities to support highly rated U.S. corporations. The Primary Market Corporate Credit Facility (PMCCF) allows the Fed to lend directly to corporations by buying new bond issuances and providing loans. Borrowers may defer interest and principal payments for at least the first six months so that they have cash to pay employees and suppliers. But during this period, borrowers may not pay dividends or buy back stocks. And, under the new Secondary Market Corporate Credit Facility (SMCCF), the Fed may purchase existing corporate bonds as well as exchange-traded funds investing in investment-grade corporate bonds. These facilities will "allow companies access to credit so that they are better able to maintain business operations and capacity during the period of dislocations related to the pandemic," the Fed said. Initially supporting $100 billion in new financing, the Fed announced on April 9 a massive expansion—the facilities will now backstop up to $750 billion of corporate debt. And, as with previous facilities, the Fed invoked Section 13(3) of the Federal Reserve Act and received permission from the U.S. Treasury, which provided $75 billion from its Exchange Stabilization Fund to cover potential losses. As with other non-bank lending facilities, the Fed invoked Section 13(3) and received permission from the U.S. Treasury, which put $10 billion into the CPFF to cover any losses.

The Fed's Main Street Lending Program, announced on April 9 and expanded on April 30, aims to support businesses too large for the Small Business Administration's Paycheck Protection Program (PPP) and too small for the Fed's two corporate credit facilities. Through three programs—the New Loans Facility, Expanded Loans Facility, and the Priority Loans Facility—the Fed will fund up to $600 billion in four-year loans. Businesses with up to 15,000 employees or up to $5 billion in annual revenue can participate. In the first two facilities, lenders retain 5 percent of the loans. The third and newest of the programs, the Priority Loans Facility, allows riskier companies to borrow but requires lenders to retain 15 percent of the loans. As with other facilities, the Fed invoked Section 13(3) and received permission from the U.S. Treasury, which through the CARES Act, put $75 billion in to the three Main Street Programs to cover losses. Borrowers are subject to restrictions on stock buybacks, dividends, and executive compensation. See here for additional operational details.

The Fed also announced the Paycheck Protection Program Liquidity Facility that will facilitate loans made under the PPP. Bank lending to small businesses can borrow from the facility using PPP loans as collateral. But, in the current crisis, the Fed is lending directly to state and local governments through the Municipal Liquidity Facility, which was created on April 9. The Fed expanded the list of eligible borrowers on April 27 and June 3. The municipal bond market was under enormous stress in March, and state and municipal governments found it increasingly hard to borrow as they battled COVID-19. The Fed's facility will offer loans to U.S. states, including the District of Columbia, counties with at least 500,000 residents, and cities with at least 250,000 residents. In June, Illinois became the first government entity to tap the facility. Under changes announced in June, the Fed will allow governors in states with cities and counties that don't meet the population threshold to designate up to two localities to participate. Governors also will be able to designate two revenue bond issuers—airports, toll facilities, utilities, public transit—to be eligible. The Fed will lend up to $500 billion to government entities that had investment-grade credit ratings as of April 8 in exchange for notes tied to future tax revenues with maturities of less than three years. The Fed invoked Section 13(3) with the approval of the U.S. Treasury, which will use the CARES Act to provide $35 billion to cover any potential losses.

The Fed is also using two of its credit facilities to backstop municipal bonds ("muni's"). It expanded the eligible collateral for the MMLF to include highly rated municipal debt with maturities of up to 12 months, and also included municipal variable-rate demand notes. It also expanded the eligible collateral of the CPFF to include high-quality commercial paper backed by tax-exempt state and municipal securities. These steps will allow banks to funnel cash into the municipal debt market, where stress has been building due to a lack of liquidity.

Using another tool that was important during the Great Recession, the Fed is making U.S. dollars available to other central banks, so they can lend to banks that need them. The Fed gets foreign currencies in exchange, and charges interest on the swaps. The Fed has cut the

rate it charges on those swaps with central banks in Canada, England, the Eurozone, Japan, and Switzerland, and extended the maturity of those swaps. It has also extended the swaps to the central banks of Australia, Brazil, Denmark, Korea, Mexico, New Zealand, Norway, Singapore, and Sweden. The Fed also is offering dollars to central banks that don't have an established swap line through a new repo facility called FIMA (for "foreign and international monetary authorities"). The Fed will make overnight dollar loans to the central banks, taking U.S. Treasury debt as collateral. (Jeffrey Cheng 2020)

Current / Post Pandemic Functionality

Figure 0-1

China

Economic Background

Since the late 1970s, China has moved from a closed, centrally planned system to a more market-oriented one that plays a major global role. China has implemented reforms in a gradualist fashion, resulting in efficiency gains that have contributed to a more than tenfold increase in GDP since 1978. Reforms began with the phaseout of collectivized agriculture, and expanded to include the gradual liberalization of prices, fiscal decentralization, increased autonomy for state enterprises, growth of the private sector, development of stock markets and a modern banking system, and opening to foreign trade and investment. China continues to pursue an industrial policy, state support of key sectors, and a restrictive investment regime. From 2013 to 2017, China had one of the fastest growing economies in the world, averaging slightly more than 7% real growth per year. Measured on a purchasing power parity (PPP) basis that adjusts for price differences, China in 2017 stood as the largest economy in the

world, surpassing the US in 2014 for the first time in modern history. China became the world's largest exporter in 2010, and the largest trading nation in 2013. Still, China's per capita income is below the world average.

In July 2005 moved to an exchange rate system that references a basket of currencies. From mid-2005 to late 2008, the renminbi (RMB) appreciated more than 20% against the US dollar, but the exchange rate remained virtually pegged to the dollar from the onset of the global financial crisis until June 2010, when Beijing announced it would resume a gradual appreciation. From 2013 until early 2015, the renminbi held steady against the dollar, but it depreciated 13% from mid-2015 until end-2016 amid strong capital outflows; in 2017 the RMB resumed appreciating against the dollar – roughly 7% from end-of-2016 to end-of-2017. In 2015, the People's Bank of China announced it would continue to carefully push for full convertibility of the renminbi, after the currency was accepted as part of the IMF's special drawing rights basket. However, since late 2015 the Chinese Government has strengthened capital controls and oversight of overseas investments to better manage the exchange rate and maintain financial stability.

The Chinese Government faces numerous economic challenges including: (a) reducing its high domestic savings rate and correspondingly low domestic household consumption; (b) managing its high corporate debt burden to maintain financial stability; (c) controlling off-balance sheet local government debt used to finance infrastructure stimulus; (d) facilitating higher-wage job opportunities for the aspiring middle class, including rural migrants and college graduates, while maintaining competitiveness; (e) dampening speculative investment in the real estate sector without sharply slowing the economy; (f) reducing industrial overcapacity; and (g) raising productivity growth rates through the more efficient allocation of capital and state-support for innovation. Economic development has progressed further in coastal provinces than in the interior, and by 2016 more than 169.3 million migrant workers and their dependents had relocated to urban areas to find work. One consequence of China's population control policy known as the "one-child policy" - which was relaxed in 2016 to permit all families to have two children - is that China is now one of the most rapidly aging countries in the world. Deterioration in the environment - notably air pollution, soil erosion, and the steady fall of the water table, especially in the North - is another long-term problem. China continues to lose arable land because of erosion and urbanization. The Chinese Government is seeking to add energy production capacity from sources other than coal and oil, focusing on natural gas, nuclear, and clean energy development. In 2016, China ratified the Paris Agreement, a multilateral agreement to combat climate change, and committed to peak its carbon dioxide emissions between 2025 and 2030.

The government's 13th Five-Year Plan, unveiled in March 2016, emphasizes the need to increase innovation and boost domestic consumption to make the economy less dependent on government investment, exports, and heavy industry. However, China has made more progress on subsidizing innovation than rebalancing the economy. Beijing has committed to

giving the market a more decisive role in allocating resources, but the Chinese Government's policies continue to favor state-owned enterprises and emphasize stability. Chinese leaders in 2010 pledged to double China's GDP by 2020, and the 13th Five Year Plan includes annual economic growth targets of at least 6.5% through 2020 to achieve that goal. In recent years, China has renewed its support for state-owned enterprises in sectors considered important to "economic security," explicitly looking to foster globally competitive industries. Chinese leaders also have undermined some market-oriented reforms by reaffirming the "dominant" role of the state in the economy, a stance that threatens to discourage private initiative and make the economy less efficient over time. The slight acceleration in economic growth in 2017—the first such uptick since 2010—gives Beijing more latitude to pursue its economic reforms, focusing on financial sector deleveraging and its Supply-Side Structural Reform agenda, first announced in late 2015. (Agency 2020)

Response

Medical Response

In mid-January, Chinese authorities introduced unprecedented measures to contain the virus, stopping movement in and out of Wuhan, the centre of the epidemic, and 15 other cities in Hubei province — home to more than 60 million people. Flights and trains were suspended, and roads were blocked. (Cyranoski 2020)

Soon after, people in many Chinese cities were told to stay at home and venture out only to get food or medical help. Some 760 million people, roughly half the country's population, were confined to their homes, according to The New York Times. (Raymond Zhong 2020) China's prevention efforts are being led by its myriad neighborhood committees, which typically serve as a go-between for residents and the local authorities. Supporting them is the government's "grid management" system, which divides the country into tiny sections and assigns people to watch over each, ensuring a tight grip over a large population. Zhejiang Province, on China's southeastern seaboard, has a population of nearly 60 million and has enlisted 330,000 "grid workers." Hubei Province, whose capital is Wuhan, has deployed 170,000. The southern province of Guangdong has called upon 177,000, landlocked Sichuan has 308,000 and the megacity of Chongqing has 118,000. The authorities are also combining enormous manpower with mobile technology to track people who may have been exposed to the virus. China's state-run cellular providers allow subscribers to send text messages to a hotline that generates a list of provinces they have recently visited.

Economic Response

For firms that have trouble repaying debts on time due to the outbreak, banks were instructed by top authorities in Beijing to extend loan terms or rollover the debts. Micro- and small-sized firms, and firms in Hubei were allowed to postpone repayment dates to June 30. As of March 22, according to the China Banking and Insurance Regulation Commission (CBIRC), around 20% of loans borrowed by micro-, small-, and medium-sized firms have been extended. Penalty interests on overdue payments were exempted, and overdue debt caused by the outbreak would not be counted as a default (to avoid any negative impact on a firm's credit record). In the corporate bond market, the China Securities Regulatory Commission (CSRC) supported firms with normal operation, by relaxing the restrictions on issuing new bonds that repay maturing debts. Similarly, individuals were allowed to defer the repayments of personal loans (e.g., mortgages and credit card bills) and renegotiate interest rates. The terms of entrepreneurship loans borrowed by individuals infected by the coronavirus could be extended by another year. On the side of banks, in March the People's Bank of China (PBOC) cut the required reserve ratio of some commercial lenders, a monetary policy tool frequently used by China, to release 550 billion yuan to the real economy. Other regulatory requirements were also loosened to encourage commercial lenders to support their borrowers; for example, debts overdue for more than ninety days are no longer required to be classified as nonperforming loans. (He and Liu 2020)

By the end of 2019, 40.5% of publicly listed firms in China had share pledge loans—i.e., shareholders are borrowing money from other institutions (banks, trust companies, or security firms) using their floating shares as collateral. The liquidity pressure on these share pledge loans with an outstanding amount of about 2 trillion yuan at that time, is enormous. To cope with this pressure, the CSRC has allowed shareholders in Hubei to delay the repayment of share pledge loans to security firms by 6 months; the extension period in other provinces was 3–6 months. The CBIRC made similar arrangements on shares pledged to banks and trust companies. (He and Liu 2020)

On February 7, the PBOC set up a special "relending" program to provide low-interest loans to a group of shortlisted firms who are on the frontlines of the battle against the coronavirus (e.g., firms involved in the production, transport, and sales of epidemic-related medical supplies and daily necessities). According to the program, 300 billion yuan of funding from the PBOC were made available; it is called "relending" because the central bank first lends to various commercial banks that then lend to these shortlisted firms. The list of these favored "frontline" firms was mainly drawn up by the National Development and Reform Commission (NDRC) and the Ministry of Industry and Information Technology (MIIT), which included more than 1,600 large companies. Another ten hand-picked provincial and municipal governments were also allowed to compile their own lists of "frontline" firms. Though the names of "frontline" firms are not publicly disclosed, a significant number of privately owned enterprises made the shortlist. In terms of pricing, the PBOC put a ceiling of

100 bps below the prevailing one-year national LPR on the interest rates, and the Ministry of Finance (MoF) subsidized 50% of the borrowing cost. With these joint efforts, Beijing is pledging to cut the actual borrowing cost so that it is below 1.6% while the prevailing one-year LPR is about 4%. In practice, the cost is only 1.26% for loans made before March 22, based on the statistics released by CBIRC. (He and Liu 2020)

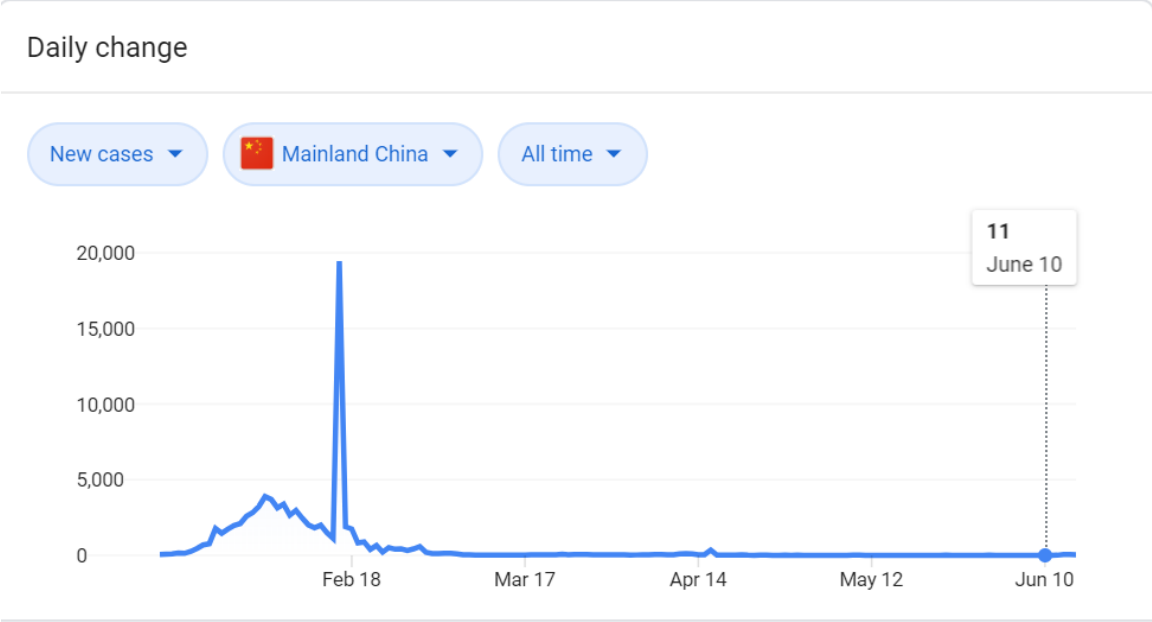
Soon after establishing the 300-billion-yuan special relending program, in an effort to help firms resume operation, the PBOC increased relending and rediscount quotas to banks by 500 billion yuan. Local banks were allowed to obtain funds from the central bank, and then extend loans to small- and medium-sized firms, the agricultural industry, and farmers using a market based approach—particularly, there was not a shortlist of "frontline" firms. With this initiative, loans of 130 billion yuan with average borrowing cost below 4.55% have been extended as of March 22. (He and Liu 2020)

In February 2020, the CSRC significantly revised the regulations on SEOs in the stock market to encourage equity financing. The SEO requirements for listed firms on the ChiNext market were considerably loosened, allowing more growth firms to raise capital. For instance, on February 7, via this relending program, Shanghai Rural and Commercial Bank issued a 19-million-yuan loan to Shanghai Kinfo, a privately owned company specializing in producing some critical materials for facial masks; and the China Construction Bank and the Industrial and Commercial Bank of China jointly issued a 15-million-yuan loan to Guangdong Huisheng Technologies. Restrictions on private placement of SEOs (e.g., pricing, lockup periods, number of investors) were also partially lifted. (He and Liu 2020)

To support firms and individuals in the wake of economic paralysis, the MoF, the State Taxation Administration (STA), the General Administration of Customs (GAC), the NDRC, and local governments set out a series of cuts and extensions in tax, social security payments, and fees. From March to May, Value-Added-Taxes for small-scale taxpayers in Hubei were exempted, and the tax rate was cut from 3% to 1% in other regions. ii. Social security paid by firms was exempted for up to 5 months for micro-, small-, and medium-sized firms, firms in Hubei, and self-employed business owners. Payments by large firms were cut by half. iii. Tariffs were exempted for the import of medicines, medical supplies, and other vehicles used to fight against the outbreak. iv. Road tolls were exempted; some service fees charged by ports, airports and railways were cut by 20%; and the price of electricity was cut by 5%. (He and Liu 2020)

Deadlines of tax and fee payments were generally negotiable and extended; the STA extended February's statutory tax filing deadline to February 28, and these deadlines could be further extended by local tax authorities. Additionally, firms were allowed to defer their social security payments by 6 months, and the due date for contributing to the "housing provident fund" was extended to June 30. (He and Liu 2020)

Current / Post Pandemic Functionality



Japan

Economic Background

Over the past 70 years, government-industry cooperation, a strong work ethic, mastery of high technology, and a comparatively small defense allocation (slightly less than 1% of GDP) have helped Japan develop an advanced economy. Two notable characteristics of the post-World War II economy were the close interlocking structures of manufacturers, suppliers, and distributors, known as keiretsu, and the guarantee of lifetime employment for a substantial portion of the urban labor force. Both features have significantly eroded under the dual pressures of global competition and domestic demographic change.

Measured on a purchasing power parity basis that adjusts for price differences, Japan in 2017 stood as the fourth-largest economy in the world after first-place China, which surpassed Japan in 2001, and third-place India, which edged out Japan in 2012. For three postwar decades, overall real economic growth was impressive - averaging 10% in the 1960s, 5% in the 1970s, and 4% in the 1980s. Growth slowed markedly in the 1990s, averaging just 1.7%, largely because of the aftereffects of inefficient investment and the collapse of an asset price bubble in the late 1980s, which resulted in several years of economic stagnation as firms sought to reduce excess debt, capital, and labor. Modest economic growth continued after 2000, but the economy has fallen into recession four times since 2008.

Japan enjoyed an uptick in growth since 2013, supported by Prime Minister Shinzo ABE's "Three Arrows" economic revitalization agenda - dubbed "Abenomics" - of monetary easing, "flexible" fiscal policy, and structural reform. Led by the Bank of Japan's aggressive monetary easing, Japan is making modest progress in ending deflation, but demographic decline – a low birthrate and an aging, shrinking population – poses a major long-term challenge for the economy. The government currently faces the quandary of balancing its efforts to stimulate growth and institute economic reforms with the need to address its sizable public debt, which stands at 235% of GDP. To help raise government revenue, Japan adopted legislation in 2012 to gradually raise the consumption tax rate. However, the first such increase, in April 2014, led to a sharp contraction, so Prime Minister ABE has twice postponed the next increase, which was scheduled for October 2019. Structural reforms to unlock productivity are seen as central to strengthening the economy in the long-run.

Scarce in critical natural resources, Japan has long been dependent on imported energy and raw materials. After the complete shutdown of Japan's nuclear reactors following the earthquake and tsunami disaster in 2011, Japan's industrial sector has become even more dependent than before on imported fossil fuels. However, ABE's government is seeking to restart nuclear power plants that meet strict new safety standards and is emphasizing nuclear energy's importance as a base-load electricity source. In August 2015, Japan successfully restarted one nuclear reactor at the Sendai Nuclear Power Plant in Kagoshima prefecture, and several other reactors around the country have since resumed operations; however, opposition from local governments has delayed several more restarts that remain pending. Reforms of the electricity and gas sectors, including full liberalization of Japan's energy market in April 2016 and gas market in April 2017, constitute an important part of Prime Minister Abe's economic program.

Under the Abe Administration, Japan's government sought to open the country's economy to greater foreign competition and create new export opportunities for Japanese businesses, including by joining 11 trading partners in the Trans-Pacific Partnership (TPP). Japan became the first country to ratify the TPP in December 2016, but the United States signaled its withdrawal from the agreement in January 2017. In November 2017, the remaining 11 countries agreed on the core elements of a modified agreement, which they renamed the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Japan also reached agreement with the European Union on an Economic Partnership Agreement in July 2017. (Agency 2020)

Response

Medical Response

The initial response of the Japanese government to the COVID-19 outbreak was a policy of containment that focused on the repatriation of Japanese citizens from Wuhan, the point of origin of the pandemic, and the introduction of new border control regulations.

On 24 January, Abe convened the Ministerial Meeting on Countermeasures Related to the Novel Coronavirus at the Prime Minister's Office with members of his Cabinet in response to a statement by the World Health Organization (WHO) confirming human-to-human transmission of the coronavirus. Abe announced that he would introduce appropriate countermeasures to the disease in coordination with the National Institute of Infectious Diseases (NIID).

On 27 January, Abe designated the new coronavirus as an "infectious disease" under the Infectious Diseases Control Law (感染症の予防及び感染症の患者に対する医療に関する法律), which allows the government to order patients with COVID-19 to undergo hospitalization. He also designated the disease as a "quarantinable infectious disease" under the Quarantine Act, which allows the government to quarantine people suspected of infection and order them to undergo diagnosis and treatment.

On 30 January, Abe announced the establishment of the "Novel Coronavirus Response Headquarters" (新型コロナウイルス感染症対策本部), which meets at the Prime Minister's Official Residence and is run by a task force led by Deputy Chief Cabinet Secretary for Crisis Management Okita Yoshiki.[27][7] The initial roster of the task force includes 36 high-ranking bureaucrats from several of the Ministries of Japan. The headquarters acts as the site of Abe's decision-making process on the country's virus countermeasures.

On 31 January, Abe announced that the government was prioritizing the repatriation of Japanese citizens from Hubei province. Officials negotiated with Chinese authorities to dispatch five chartered flights to Wuhan from 29 January to 17 February.

On 1 February, the Ministry of Health, Labour and Welfare instructed the municipal and prefectural governments to establish specialized COVID-19 consultation centres and outpatient wards at their local public health facilities within the first half of the month. Such wards would provide medical examinations and testing for suspected carriers of the disease to protect general hospitals from infection.

On 5 February, Abe announced that the government would begin preparations to strengthen COVID-19 testing capabilities at the NIID and 83 municipal and prefectural public health institutions that are designated by the government as official testing sites. Without a

uniform diagnosis kit for the disease, the government has relied on polymerase chain reaction (PCR) tests to check for infections. As few mainstream medical facilities in Japan can conduct PCR tests, Abe also promised to increase the number of institutions with such kits, including universities and private companies.

On 12 February, Abe announced that the government would expand the scope of COVID-19 testing to include patients with symptoms based on the discretion of local governments. Previously, testing was restricted to those with a history of travelling to Hubei Province. On the same day, the Ministry of Health and NIID contracted SRL Inc to handle PCR clinical laboratory testing. Since then, the government has partnered with additional private companies to expand laboratory testing capabilities and to work towards the development of a rapid testing kit.

On 14 February, Abe introduced the government's coronavirus consultation system to coordinate medical testing and responses with the public. The Ministry of Health, Labour and Welfare worked with local governments to establish 536 consultation centres (帰国者・接触者相談センター) that covered every prefecture within the country to provide citizens with instructions on how to receive COVID-19 testing and treatment. The general public needs to contact a consultation centre by phone to get tested at one of the government's specialized outpatient wards (帰国者・接触者外来).

On 16 February, Abe convened the government's first Novel Coronavirus Expert Meeting (新型コロナウイルス感染症対策専門家会議) at the Prime Minister's Office to draft national guidelines for COVID-19 testing and treatment.[190] The meeting was chaired by Dr. Wakita Takaji, Director of the NIID, who brought together ten public health experts and medical professionals from across Japan to coordinate a response to the virus with Abe and the government's coronavirus task force in a roundtable format. The main concern of the Japanese medical establishment was overcrowding of hospitals by uninfected patients with light cold symptoms who believed that they had COVID-19. Medical representatives claimed that such a panic would strain medical resources and risk exposing those uninfected patients to the disease itself.

On 17 February, the Ministry of Health, Labour, and Welfare released national guidelines for COVID-19 testing to each of the municipal and prefectural governments and their public health centres. It instructed doctors and public health nurses who staff the consultation centres to limit consultations to people with the following conditions: (1) cold symptoms and a fever of at least 37.5 °C (or need to take antipyretic medication) for over four days; and (2) extreme fatigue and breathing difficulties. The elderly, people with pre-existing conditions, and pregnant women with cold symptoms can receive consultation if they have had them for two days.

On 22 February, Health Minister Katsunobu Kato announced that the Japanese government was looking into the use of favipiravir, an anti-influenza medication developed by Fujifilm, to treat patients with COVID-19. The company responded by increasing production of the drug, providing technical support to clinical researchers, and distributing the drug to hospitals where its use has been approved by the government for emergency purposes.

On 25 February, the Abe Administration introduced the "Basic Policies for Novel Coronavirus Disease Control" (Japanese: 新型コロナウイルス感染症対策の基本方針) based on advice from the expert meeting. After a spike of infections in Italy, Iran, and South Korea, Abe decided that the government's disease countermeasures would prioritize the prevention of large-scale clusters in Japan. This included controversial requests to suspend such large-scale gatherings as community events and school operations, as well as to limit patients with light cold symptoms from visiting medical facilities to prevent them from overwhelming hospital resources.

On 27 February, Abe requested the closure of all schools from 2 March to the end of spring vacations, which usually conclude in early April. The next day, the Japanese government announced plans to create a fund to help companies subsidize workers who need to take days off to look after their children while schools are closed.

On 27 February, the Japanese government also announced plans to expand the national health insurance system so that it covers COVID-19 tests.

On 9 March, the Ministry of Health reconvened the Expert Meeting after the two week "critical moment." The panel of medical experts concluded that Japan was currently not on track to experience a large-scale cluster, but stated that there is a two-week time lag in analysing COVID-19 trends and that the country would continue to see more infections. Consequently, the participants asked the government to remain vigilant in quickly identifying and containing smaller clusters. With more COVID-19 outbreaks around the world, the panel also proposed that new infections from abroad could initiate a "second wave" of the disease in Japan.

On 9 March, the Health Ministry published a disease forecast for each prefecture and instructed local governments to prepare their hospitals to accommodate its patient estimates. It predicts that the virus peak in each prefecture would occur three months after the first reported case of local transmission. The Ministry estimates that at the peak Tokyo would see 45,400 outpatients and 20,500 inpatients per day, of whom 700 will be in severe condition. For Hokkaido, the figure is 18,300 outpatients and 10,200 inpatients daily, of whom about 340 will be in severe condition.

On 5 March, Abe introduced a draft amendment to the Special Measures Act to Counter New Types of Influenza of 2012 to extend the law's emergency measures for an influenza outbreak to include COVID-19. He met separately with the heads of five opposition parties

on 4 March to promote a "united front" in passing the reforms. The National Diet passed the amendment on 13 March, making it effective for the next two years. The amendment allows the Prime Minister to declare a "state of emergency" in specific areas where COVID-19 poses a grave threat to the lives and economic livelihood of residents. During such a period, governors of affected areas will receive the following powers: (1) to instruct residents to avoid unnecessary outings unless they are workers in such essential services as health care and public transportation; (2) to restrict the use or request the temporary closure of businesses and facilities, including schools, social welfare facilities, theatres, music venues and sports stadiums; (3) to expropriate private land and buildings for the purpose of erecting new hospitals; and (4) to requisition medical supplies and food from companies that refuse to sell them, punish those that hoard or do not comply, and force firms to help transport emergency goods.

On 25 March, the Ministry of Health, Labour and Welfare announced that the daily number of confirmed cases in Tokyo increased from 17 to 41 cases compared to the day before. Tokyo Governor Yuriko Koike held an emergency press conference in the late afternoon, stating that "the current situation is a serious situation where the number of infected people may explode." She requested residents to refrain from nonessential outings during the upcoming weekend.

On 26 March, the Ministry of Health reconvened the Novel Coronavirus Expert Meeting to review the new data. The panel of medical experts concluded that there was a "high probability of an expansion of infections" within the country due to an increase in the number of infected patients returning from Europe and the United States between 11 March and 23 March. In response to the statement, Abe instructed Economic Policy Minister Yasutoshi Nishimura to establish a special government task force to combat the spread of the virus. The move cleared a prerequisite toward declaring a state of emergency because any request for one by the Prime Minister would have to be approved by such a task force under the revised law.

On 30 March, Koike requested residents to refrain from nonessential outings for the next two weeks due to a continued increase in infections in Tokyo.[213] During a press conference held by the Japan Medical Association that same day, Kamayachi Satoshi of the government's panel of medical experts stated that his fellow panelists were divided over whether Abe should declare a state of emergency.

On 1 April, the Ministry of Health reconvened the Novel Coronavirus Expert Meeting to assess the current COVID-19 situation in Japan. The medical experts discussed the data and concluded that although such urban areas as Tokyo and Osaka were witnessing a rapid increase in infection rates, they were not on a trajectory to experience a large-scale cluster seen in Europe and the United States. Experts were still concerned that infected patients could overwhelm the medical service system before an explosive spread of the virus as COVID-19 designated hospitals in major cities reached near capacity. They requested the government to

secure more hospital beds for patients and transfer those with mild or no symptoms to outside housing facilities.

On 2 April, the Ministry of Health issued a notice that urged non-critical COVID-19 patients to move out of hospitals and stay at home or at facilities designated by local governments. Prefectural governors across the country began arranging accommodation for such patients through hotel operators and dormitories and issued official requests to the Japan Self-Defense Force for transportation services.

On 3 April, Professor Nishiura Hiroshi of the Ministry of Health's Cluster Response Team presented the initial findings of his COVID-19 epidemiological models to the public. He concluded that the government could prevent an explosive spread of the virus in Japan if it adopted strict restrictions on outings that reduced social interactions by 80 percent, while such a spread would occur if the government adopted no measures or reduced social interactions by only 20 percent. Nishiura added that Tokyo was about 10 days to two weeks away from a large-scale outbreak.

On 7 April, Abe proclaimed a one-month state of emergency from 8 April to 6 May for Tokyo and the prefectures of Kanagawa, Saitama, Chiba, Osaka, Hyogo and Fukuoka. He stated that the number of patients would peak in two weeks if the number of person-to-person contacts was reduced by 70 to 80 percent, and urged the public to stay at home to achieve this goal.

On 10 April, Koike announced closure requests for six categories of businesses in Tokyo. They include amusement facilities, universities and cram schools, sports and recreation facilities, theatres, event and exhibition venues. and commercial facilities. She also asked restaurants to limit opening hours to between 5 a.m. and 8 p.m. and to stop serving alcohol at 7 p.m. The request was to take effect on 12 April and promised government subsidies for businesses that cooperated with it.

On 11 April, Professor Nishiura presented the remaining findings of his COVID-19 epidemiological models. He determined that reducing social interactions by 80 percent would decrease the COVID-19 infection rate to a manageable level in 15 days; by 70 percent in 34 days; by 65 percent in 70 days; and by 50 percent in 3 months. Any rate below 60 percent would result in an increase in the number of cases.

On 16 April, Abe expanded the state of emergency declaration to include every prefecture within the country.

Later on 4 May, Abe expressed that Japanese Cabinet would expand the state of emergency declaration until end of May. Then on 14 May, Abe and his cabinet declared that Japanese Government decided to relieve the state of emergency declaration, excluding 8 prefectures

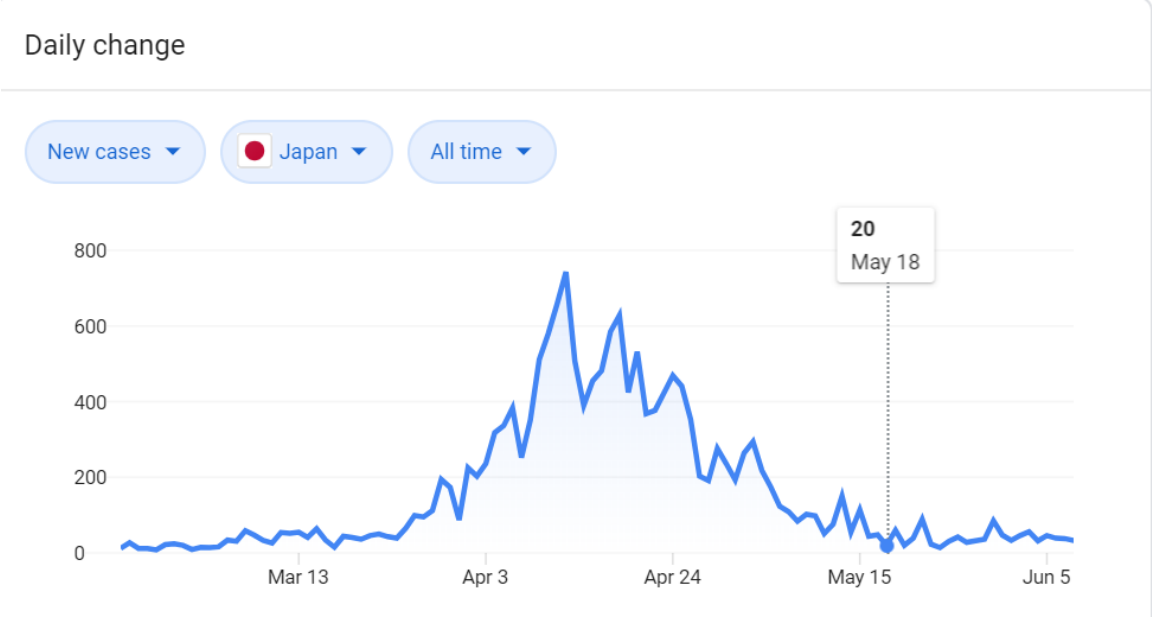
like Tokyo, Kyoto Prefecture. Some media expressed doubts about why only some of the easing standards were released under the name of comprehensive judgment.

On 21 May, the state of emergency is suspended in 3 prefectures in Kinki after they had cleared the threshold of having new infections below 0.5 per 100,000 people in the past week, resulting a total of 42 out of the 47 prefectures to be out of the state of emergency.

Economic Response

Economists predict that Japan's export-driven economy will shrink by around 3 percent this year, which would be its worst performance since 2008. The deep impact from the pandemic comes on the heels of an economic slowdown from a sales tax hike last fall. The virus has also forced the government to postpone the Summer Olympics until next year. The Japanese government has responded with a massive relief package, worth nearly $1 trillion, to help the country through one of its most challenging periods in recent memory. The headline figure is equal to about 20 percent of Japan's GDP, but analysts say the actual spending impact will be much smaller. "It is no exaggeration to say that Japan's economy, and the world economy, is facing the biggest crisis since [World War II] right now. We will protect employment and life at all costs," said Prime Minister Shinzo Abe. Bailout measures include cash payments to citizens and small and midsize businesses, interest-free loans, delayed tax payments, and travel and tourism coupons. Japan's central bank announced in late April that it was prepared to buy an unlimited amount of government debt and to double its purchases of corporate debt. However, some critics say the Bank of Japan has limited options after having kept interest rates next to zero for years. (Masters 2020)

Current / Post Pandemic Functionality



Germany

Economic Background

The German economy - the fifth largest economy in the world in PPP terms and Europe's largest - is a leading exporter of machinery, vehicles, chemicals, and household equipment. Germany benefits from a highly skilled labor force, but, like its Western European neighbors, faces significant demographic challenges to sustained long-term growth. Low fertility rates and a large increase in net immigration are increasing pressure on the country's social welfare system and necessitate structural reforms.

Reforms launched by the government of Chancellor Gerhard SCHROEDER (1998-2005), deemed necessary to address chronically high unemployment and low average growth, contributed to strong economic growth and falling unemployment. These advances, as well as a government subsidized, reduced working hour scheme, help explain the relatively modest increase in unemployment during the 2008-09 recession - the deepest since World War II. The German Government introduced a minimum wage in 2015 that increased to $9.79 (8.84 euros) in January 2017.

Stimulus and stabilization efforts initiated in 2008 and 2009 and tax cuts introduced in Chancellor Angela MERKEL's second term increased Germany's total budget deficit - including federal, state, and municipal - to 4.1% in 2010, but slower spending and higher tax

revenues reduced the deficit to 0.8% in 2011 and in 2017 Germany reached a budget surplus of 0.7%. A constitutional amendment approved in 2009 limits the federal government to structural deficits of no more than 0.35% of GDP per annum as of 2016, though the target was already reached in 2012.

Following the March 2011 Fukushima nuclear disaster, Chancellor Angela MERKEL announced in May 2011 that eight of the country's 17 nuclear reactors would be shut down immediately and the remaining plants would close by 2022. Germany plans to replace nuclear power largely with renewable energy, which accounted for 29.5% of gross electricity consumption in 2016, up from 9% in 2000. Before the shutdown of the eight reactors, Germany relied on nuclear power for 23% of its electricity generating capacity and 46% of its base-load electricity production. (Agency 2020)

Response

Medical Response

The virus and the resulting disease, Covid-19, have hit Germany with force: According to Johns Hopkins University, the country had more than 100,000 laboratory-confirmed infections as of Monday morning, more than any other country except the United States, Italy, and Spain. But with 1,584 deaths, Germany's fatality rate stood at 1.6 percent, compared with 12 percent in Italy, around 10 percent in Spain, France and Britain, 4 percent in China and nearly 3 percent in the United States. Even South Korea, a model of flattening the curve, has a higher fatality rate, 1.8 percent. There are several answers experts say, a mix of statistical distortions and very real differences in how the country has taken on the epidemic. The average age of those infected is lower in Germany than in many other countries. Another explanation for the low fatality rate is that Germany has been testing far more people than most nations. That means it catches more people with few or no symptoms, increasing the number of known cases, but not the number of fatalities. But there are also significant medical factors that have kept the number of deaths in Germany relatively low, epidemiologists and virologists say, chief among them early and widespread testing and treatment, plenty of intensive care beds and a trusted government whose social distancing guideline are widely observed. In mid-January, long before most Germans had given the virus much thought, Charité hospital in Berlin had already developed a test and posted the formula online. By the time Germany recorded its first case of Covid-19 in February, laboratories across the country had built up a stock of test kits. Germany is conducting around 350,000 coronavirus tests a week, far more than any other European country. Early and widespread testing has allowed the authorities to slow the spread of the pandemic by isolating known cases while they are infectious. It has also enabled lifesaving treatment to be administered in a timelier way. Medical staff, at particular risk of contracting and spreading the virus, are regularly tested. To streamline

the procedure, some hospitals have started doing block tests, using the swabs of 10 employees, and following up with individual tests only if there is a positive result. (Bennhold 2020)

Economic Response

Under Germany's system workers are sent home or see their hours slashed but are paid around two-thirds of their salary by the state. It used the scheme in the last crisis, with an average of 1.1 million people affected by Germany's economic contraction in 2009. While it cost the German government around 10 billion euros ($10.9 billion), by the end of that year the unemployment rate stood at 7.6%, lower than it was in 2008. Germany has now started to re-open certain businesses after enforcing a period of lockdown to contain the spread of the coronavirus like most countries around the world. (Mckeever 2020)

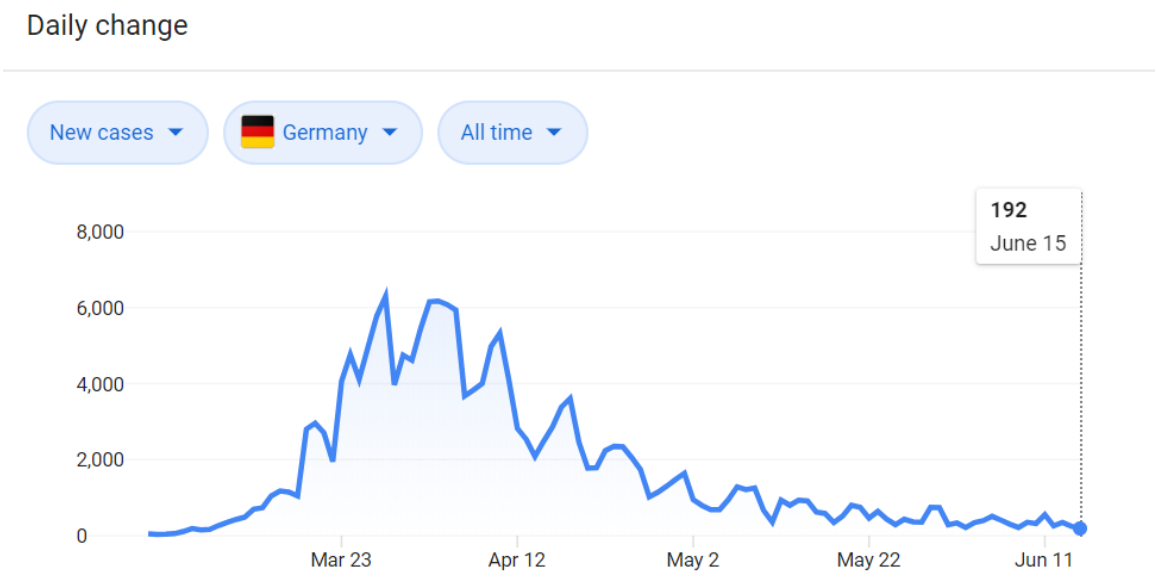
€100 billion to recapitalize and buy stakes in companies affected by corona via the Economic Stabilization Fund ('WSF'). €55 billion funds made available for further pandemic control projects, including an €2.8 fund for hospitals to cushion loss of revenue and higher costs. €50 billion in direct grants to distressed one-person businesses and micro-enterprises. €10 billion for keeping people employed, by expanding the reduced hours compensation benefit scheme ('Kurzarbeitergeld'). €7.7 billion to expand access to welfare payments such as child allowance and income support, removing means-testing rules and including self-employed workers. €5.2 billion. Additional expenditures for statutory health insurance and long-term care insurance. €3.7 billion for emergency measures, such as procuring protective suits and masks, fast-tracking work on a vaccine against corona and repatriating German holidaymakers stranded abroad. €3.1 billion per year between 2021 and 2024 of additional investments (compared to the previous plan) into the private sector (not included in total since only starting in 2021). €2 billion to expand venture capital financing to start-ups, new technology companies and small businesses during the coronavirus crisis (Note: this measure was announced after the cut off-date for the 2020 Stability Program). €25 billion to, re-start every company which had a revenue decline of more than 60% relative to 2019 will receive a compensation of up to 70% of their fixed costs of business. The benefit will be capped at €150.000 per company. €20 billion to cut the VAT tax rate from 19% to 16%, with the lower band going from 7% to 5% from 1 July until the end of the year. €15 billion to support climate-friendly mobility through grants for e-cars, an investment program for e-mobility manufacturers, expansion of e-charging facilities, investment grants for Deutsche Bahn rail network, federal investment grants for e-Busses and e-Trucks and climate-friendly power and fuel supplies for the shipping and aviation industries. €12.4 billion to municipalities: fiscal support from the federal budget amounting to an additional €4bn p.a. through a higher federal payment into social housing schemes. In addition, a Municipal Solidarity Pact 2020 will be launched to cover all losses in the corporate taxes accruing to municipalities, the estimated cost of this measure to the federal budget will be €5,9bn. Municipal public transport systems which suffered large revenue losses through passenger declines will receive additional grants

from the federal budget of €2.5bn. €11 billion to reduce electricity prices for consumers by reducing EEG, a levy on electricity prices to subsidize renewable energy sources wind and solar. €11 billion to fund additional artificial intelligence investments and to invest in quantum computing and 5G and 6G technologies and networks. €10 billion to promote investments into health systems, hospitals, health care personnel, medical supply production and Corona-related vaccine research. €10 billion to move forward public investment projects particularly in the areas of digitalization of the public administration, public security projects as well as defence projects with high domestic value-add. €9 billion to Hydrogen Strategy: making Germany a" supplier of the world "in green hydrogen technologies. Industrial-scale projects, including the required renewable energy sources of 5GW of power supply will be funded until 2030 with a goal of a further 5GWatts until 2035 and 2040. €6 billion to increase corporate depreciation rates for Capex through the introduction of a 2,5x higher degressive depreciation factor.

€5.3 billion to „Social Guarantee for 2021 to stabilize contributions into the social benefit systems at 40% – this will protect net incomes of employees and improve competitiveness of companies. It will also reduce uncertainty for both employers and employees. €4.3 billion for a Children's Bonus of €300 per child will be paid to all families. €3 billion to capacities in childcare facilities will be expanded to facilitate social distancing requirements with a program covering €1bn, daycare and full-day schooling investment programs will benefit from an additional €2bn. €2.5 billion to increase public investment, particularly for green and digital projects promoted with tax incentives, incentives for university research facilities and project-based research grants. €2 billion to a CO2 building refurbishment program to fund investments into energy-efficient buildings. €2 billion to increase corporates' ability to carry losses incurred in 2020 backward, up to €10 million per company. It will take effect retroactively for the 2019 tax bill through the creation of a Corona tax reserve. €1.01 billion to provide up to €80 million for the IMF's Catastrophe Containment and Relief Trust (CCRT), €700 million for GAVI, the Vaccine Alliance and €230 million for the Coalition for Epidemic Preparedness Innovations. €0.75 billion to single parents for additional relief and benefits. Public tender rules will be eased while maintaining EU standards and principles of budget efficiency. Germany also plans to use its upcoming EU Presidency to launch an initiative to accelerate public investment across the European Union. €18 billion grants and subsidies (Table 1 of 2020 Stability Programme) €34.1 billion Tax measures and other reductions in tax revenue (Table 1 of 2020 Stability Programme) €0.4 billion other (Table 1 of 2020 Stability Programme) €17 billion: housing and heating costs (€2.1 billion) and Tax measures and other reductions in tax revenue (€14.9 billion) (Table 1 of 2020 Stability Programme) €246 billion (Bruegel estimate) tax deferrals for businesses (direct corporate income tax; indirect taxes and social contributions, assuming 75% tax deferral over 6 months and 6.3% GDP loss in 2020). We note that no official estimates are available for the effects of tax deferrals, for example, such estimates are not included in the budget deficit projections of Germany's 2020 Stability Programme. €5 billion to promote employee share program €400 billion under the Economic Stabilization Fund (WSF) to provide guarantees and tackle liquidity problems €365.5 billion

to expand the existing federal guarantees through KfW and setup up new ones. €100 billion to refinance large KfW loans €63.2 billion expansion of guarantee frameworks (Table 2 of 2020 Stability Programme) €12.7 billion loans and holdings (Table 1 of 2020 Stability Programme) (Julia Anderson 2020)

Current / Post Pandemic Functionality



India

Economic Background

India's diverse economy encompasses traditional village farming, modern agriculture, handicrafts, a wide range of modern industries, and a multitude of services. Slightly less than half of the workforce is in agriculture, but services are the major source of economic growth, accounting for nearly two-thirds of India's output but employing less than one-third of its labor force. India has capitalized on its large educated English-speaking population to become a major exporter of information technology services, business outsourcing services, and software workers. Nevertheless, per capita income remains below the world average. India is developing into an open-market economy yet traces of its past autarkic policies remain. Economic liberalization measures, including industrial deregulation, privatization of state-owned enterprises, and reduced controls on foreign trade and investment, began in the early

1990s and served to accelerate the country's growth, which averaged nearly 7% per year from 1997 to 2017.

India's economic growth slowed in 2011 because of a decline in investment caused by high interest rates, rising inflation, and investor pessimism about the government's commitment to further economic reforms and about slow world growth. Investors' perceptions of India improved in early 2014, due to a reduction of the current account deficit and expectations of post-election economic reform, resulting in a surge of inbound capital flows and stabilization of the rupee. Growth rebounded in 2014 through 2016. Despite a high growth rate compared to the rest of the world, India's government-owned banks faced mounting bad debt, resulting in low credit growth. Rising macroeconomic imbalances in India and improving economic conditions in Western countries led investors to shift capital away from India, prompting a sharp depreciation of the rupee through 2016.

The economy slowed again in 2017, due to shocks of "demonetization" in 2016 and introduction of GST in 2017. Since the election, the government has passed an important goods and services tax bill and raised foreign direct investment caps in some sectors, but most economic reforms have focused on administrative and governance changes, largely because the ruling party remains a minority in India's upper house of Parliament, which must approve most bills.

India has a young population and corresponding low dependency ratio, healthy savings, and investment rates, and is increasing integration into the global economy. However, long-term challenges remain significant, including: India's discrimination against women and girls, an inefficient power generation and distribution system, ineffective enforcement of intellectual property rights, decades-long civil litigation dockets, inadequate transport and agricultural infrastructure, limited non-agricultural employment opportunities, high spending and poorly targeted subsidies, inadequate availability of quality basic and higher education, and accommodating rural-to-urban migration. (Agency 2020)

Response

Medical Response

The prime minister of India, Narendra Modi, announced that the lockdown currently in place to protect 1.3 billion people would remain in force until at least May 3. Dr. Srinavas Rajkumar, the general secretary of the Resident Doctors' Association at the All India Institute of Medical Sciences (AIIMS), one of India's top public hospitals based in New Delhi, directly appealed to Modi for better equipment for frontline doctors. In the video, he described

harrowing conditions for the medical workers dealing with India's nascent coronavirus epidemic.

"I, along with many other doctors here, and all over the country, are deployed in COVID duty with either insufficient or inadequate Personal Protective Equipment," he said. The equipment provided failed to meet worldwide safety standards he said, although doctors were continuing their duties "in spite of the imminent threat to themselves." A "best-case scenario," the director of the Center for Disease Dynamics, a public health research organization with offices in Washington and Delhi, said, would be 200 million infections. For a country of its size, India has an alarmingly low rate of doctors, by any reasonable metric. According to the latest statistics from the World Health Organization, the country has less than 0.8 doctors per 1,000 of the population. The United States has triple that amount. According to an analysis from the Brookings Institute, a think tank, of publicly available data, there are 0.55 beds per 1,000 of the population in India nationwide – a number they described as "abysmally low." China, the only country comparable country to India in terms of size, has around 4.2 beds per 1,000 people, according to World Bank data. While there is no publicly available data on the number of ventilators in India, Brookings estimates that there are between 17,800 and 25,600 ventilators in ICU wards there. India has among the lowest testing rates in the world, according to Chatterjee. That means that an accurate understanding of how far the coronavirus has already spread is difficult to come by. The Delhi State Cancer Institute temporarily shut, and has since reopened, after a number of doctors tested positive for the virus earlier this month, according to local media reports. The same temporary closures after COVID-19 diagnoses have happened in other hospitals in Mumbai and Delhi. The problem of lack of resources is especially acute in rural areas. Around two-thirds of the Indian population live in the countryside, and it is not uncommon for people to travel hundreds of miles for critical medical care in the better equipped urban hubs of Delhi and Mumbai. People in the further-flung regions of India dying without seeing a doctor is a fact of life for many and could be obscuring the true scale of the coronavirus in India thus far. (Davies and Banerjee 2020)

Economic Response

Liquidity measures

- Reduction of policy repo rate by 75 basis points (from current 5.15% to 4.40%)
- RBI will conduct auctions of TLTRO (Targeted Long Term Repo Operations) of up to three-year tenor of appropriate sizes for a total amount up to INR 2 lakh crore (~USD 26 billion) at a floating rate, linked to policy repo rate (50% corporates, 25% for development institutions for onward lending to Agri, housing and medium / small enterprises and 25% for NBFCs and MFI)

- CRR of all banks to be reduced by 100 basis points to 3% beginning March 28, for 1 year. This will release liquidity of INR 1,37,000 crore across the banking system MSF raised from 2% of SLR to 3% with immediate effect. Applicable up to June 30, 2020.

- Liquidity coverage ratio for banks reduced from 100% to 80% likely to release liquidity

- These liquidity measures will inject liquidity of INR 4.74 lakh crore (~USD 63 billion) to the system.

Relief for MSMEs

- INR3 Lakh crore (USD 39 bn) collateral free loan with 100% credit guarantee

- INR20k crore (USD 2.6 bn) subordinate debt for stressed MSMEs

- INR50k crore (USD 6.5 bn) equity infusion for MSMEs with growth potential and viability through Fund of Funds

- New definition of MSMEs – investment limit revised upwards; additional criteria of turnover introduced

- No global tenders for government contracts up to INR200 crore (USD 26 mn)

- E-market linkage to be promoted as replacement of trade fairs and exhibitions

- MSME dues to be cleared within 45 days

Relief for NBFCs

- INR30k crore (USD 3.9 bn) liquidity infusion for NBFCs/HFCs/MFIs

- INR45k crore (USD 5.9 bn) partial credit guarantee scheme for NBFCs

Relief for Power utilities

- INR90k crore (USD 11.7 bn) liquidity infusion to DISCOMs against receivables guaranteed by State government for exclusive purpose of discharging liabilities to power generating firms

Regulatory measures

- All lending institutions are being permitted to allow a moratorium of three months on repayment of installments for term loans outstanding as on March 1, 2020

- Lending institutions permitted to allow deferment of 3 months on payment of interest w.r.t all such working capital facilities o/s as of March 1, 2020
- Moratorium period to be excluded while computing 90 Day NPA norms for asset downgrade.
- Time period allowed under RBI framework for resolution extended by 90 days (210 + 90 days)
- Further deferring implementation of last tranche of 0.625 % of capital conservation buffer to Sept. 30, 2020

Real estate sector and EPC/Contractors:

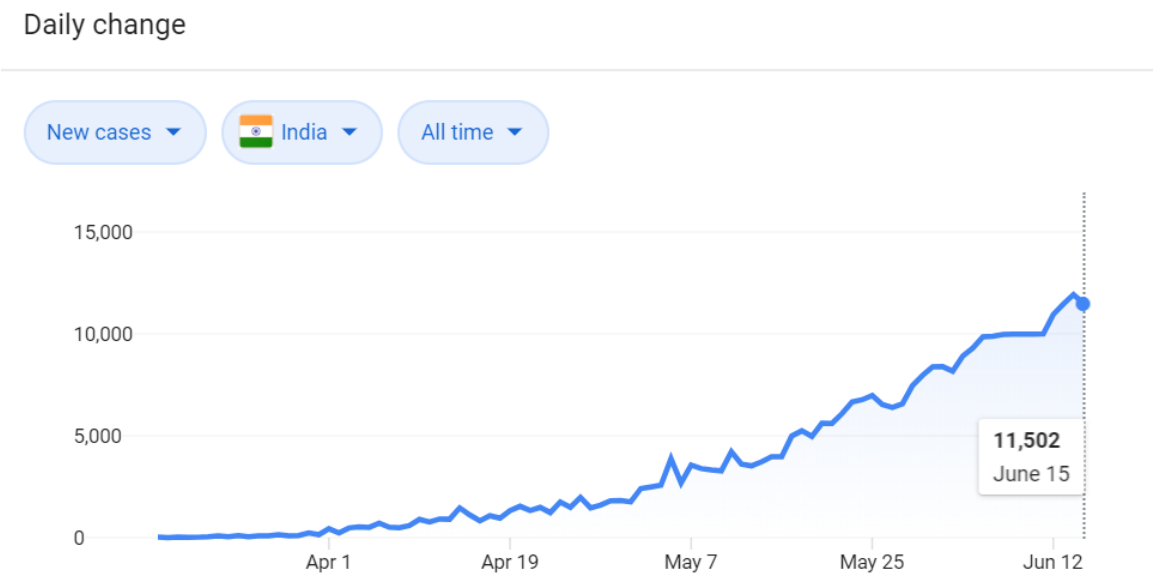
- Extension of up to 6 months to be provided by all Central Agencies (like Railways, Ministry of Road, Transport & Highways, Central Public Works Dept, etc.)
- Government agencies to partially release guarantees, to the extent contracts are partially completed
- Registration and completion timelines extended by up to six months for all registered real estate projects
- Concurrent extension of various statutory compliances under RERA

Insolvency and Bankruptcy Code (IBC):

- Threshold of default under section 4 of the IBC has been increased from Rs 100,000 to Rs 10 million with the intention to prevent triggering of insolvency proceedings against MSMEs.
- Fresh admission of Insolvency cases under IBC, 2016 suspended for 12 months in an effort to stop companies at large from being forced into insolvency proceedings in such force majeure causes of default.
- Loans for COVID-19 excluded from definition of default
- Government to proposed new guidelines for MSME

(KPMG 2020)

Current / Post Pandemic Functionality



United Kingdom

Economic Background

The UK, a leading trading power and financial center, is the third largest economy in Europe after Germany and France. Agriculture is intensive, highly mechanized, and efficient by European standards, producing about 60% of food needs with less than 2% of the labor force. The UK has large coal, natural gas, and oil resources, but its oil and natural gas reserves are declining; the UK has been a net importer of energy since 2005. Services, particularly banking, insurance, and business services, are key drivers of British GDP growth. Manufacturing, meanwhile, has declined in importance but still accounts for about 10% of economic output.

In 2008, the global financial crisis hit the economy particularly hard, due to the importance of its financial sector. Falling home prices, high consumer debt, and the global economic slowdown compounded the UK's economic problems, pushing the economy into recession in the latter half of 2008 and prompting the then BROWN (Labour) government to implement a number of measures to stimulate the economy and stabilize the financial markets. Facing burgeoning public deficits and debt levels, in 2010 the then CAMERON-led coalition government (between Conservatives and Liberal Democrats) initiated an austerity program,

which has continued under the Conservative government. However, the deficit still remains one of the highest in the G7, standing at 3.6% of GDP as of 2017, and the UK has pledged to lower its corporation tax from 20% to 17% by 2020. The UK had a debt burden of 90.4% GDP at the end of 2017.

The UK economy has begun to slow since the referendum vote to leave the EU in June 2016. A sustained depreciation of the British pound has increased consumer and producer prices, weighing on consumer spending without spurring a meaningful increase in exports. The UK has an extensive trade relationship with other EU members through its single market membership, and economic observers have warned the exit will jeopardize its position as the central location for European financial services. (Agency 2020)

Response

Medical Response

For the foreseeable future, workers should continue to work from home rather than their normal physical workplace, wherever possible. This will help minimize the number of social contacts across the country and therefore keep transmissions as low as possible. All those who work are contributing taxes that help pay for the healthcare provision on which the UK relies. People who are able to work at home make it possible for people who have to attend workplaces in person to do so while minimizing the risk of overcrowding on transport and in public places.

All workers who cannot work from home should travel to work if their workplace is open. Sectors of the economy that are allowed to be open should be open, for example this includes food production, construction, manufacturing, logistics, distribution, and scientific research in laboratories. The only exceptions to this are those workplaces such as hospitality and non-essential retail which during this first step the Government is requiring to remain closed.[22] As soon as practicable, workplaces should follow the new "COVID-19 Secure" guidelines, as set out in the previous chapter, which will be published this week. These will ensure the risk of infection is as low as possible, while allowing as many people as possible to resume their livelihoods.

It remains the case that **anyone who has symptoms, however mild, or is in a household where someone has symptoms, should not leave their house** to go to work. Those people should self-isolate, as should those in their households.

Schools

The rate of infection remains too high to allow the reopening of schools for all pupils yet. However, it is important that vulnerable children (including children in need, those with an Education, Health and Care plan and those assessed as otherwise vulnerable by educational providers or local authorities) and the children of critical workers are able to attend school, as is currently permitted. Approximately 2% of children are attending school in person, although all schools are working hard to deliver lessons remotely.

But there is a large societal benefit from vulnerable children, or the children of critical workers, attending school: local authorities and schools should therefore **urge more children who would benefit from attending in person to do so**.

The Government is also amending its guidance to clarify that paid childcare, for example nannies and childminders, can take place subject to being able to meet the public health principles at Annex A, because these are roles where working from home is not possible. This should enable more working parents to return to work.

Travel

While most journeys to work involve people travelling either by bike, by car or on foot, public transport takes a significant number of people to work across the country, but particularly in urban centers and at peak times. As more people return to work, the number of journeys on public transport will also increase. This is why the Government is working with public transport providers to bring services back towards pre-COVID-19 levels as quickly as possible. This roadmap takes the impact on public transport into account in the proposed phased easing of measures.

When travelling **everybody (including critical workers) should continue to avoid public transport wherever possible**. If they can, people should instead choose to cycle, walk, or drive, to minimize the number of people with whom they come into close contact. It is important many more people can easily travel around by walking and cycling, so the Government will increase funding and provide new statutory guidance to encourage local authorities to widen pavements, create pop-up cycle lanes, and close some roads in cities to traffic (apart from buses) as some councils are already proposing.

Social distancing guidance on public transport must be followed rigorously. As with workplaces, transport operators should follow appropriate guidance to make their services COVID-19 Secure; this will be published this week.

Face-coverings

As more people return to work, there will be more movement outside people's immediate household. This increased mobility means the Government is now advising that people should aim to wear a face-covering in enclosed spaces where social distancing is not always possible and they come into contact with others that they do not normally meet, for example on public transport or in some shops. Homemade cloth face-coverings **can help reduce the risk of transmission in some circumstances**. Face-coverings are not intended to help the wearer, but to protect against inadvertent transmission of the disease to others if you have it asymptomatically.

A face covering is not the same as a facemask such as the surgical masks or respirators used as part of personal protective equipment by healthcare and other workers. These supplies must continue to be reserved for those who need it. Face-coverings should not be used by children under the age of two, or those who may find it difficult to manage them correctly, for example primary age children unassisted, or those with respiratory conditions. It is important to use face-coverings properly and wash your hands before putting them on and taking them off.[25]

Public spaces

SAGE advise that the risk of infection outside is significantly lower than inside, so the Government is updating the rules so that, as well as exercise, people can also now spend time outdoors subject to: not meeting up with any more than one person from outside your household; continued compliance with social distancing guidelines to remain two meters (6ft) away from people outside your household; good hand hygiene, particularly with respect to shared surfaces; and those responsible for public places being able to put appropriate measures in place to follow the new COVID-19 secure guidance.

People may **exercise outside as many times each day as they wish.** For example, this would include angling and tennis. You will still not be able to use areas like playgrounds, outdoor gyms, or ticketed outdoor leisure venues, where there is a higher risk of close contact and touching surfaces. You can only exercise with up to one person from outside your household - this means you should not play team sports, except with members of your own household.

People may drive to outdoor open spaces irrespective of distance, so long as they respect social distancing guidance while they are there, because this does not involve contact with people outside your household.

When travelling to outdoor spaces, it is important that people respect the rules in Scotland, Wales and Northern Ireland and **do not travel to different parts of the UK** where it would be inconsistent with guidance or regulations issued by the relevant devolved administration.

These measures may come with some risk; it is important that everyone continues to act responsibly, as the large majority have done to date. The infection rate will increase if people begin to break these rules and, for example, mix in groups in parks, which will trigger the need for further restrictions.

Protecting the clinically vulnerable

It remains the case that some people are more clinically vulnerable to COVID-19 than others. These include those aged over 70, those with specific chronic pre-existing conditions and pregnant women. **These clinically vulnerable people should continue to take particular care to minimize contact with others outside their households, but do not need to be shielded.**

Those in the clinically extremely vulnerable group **are strongly advised to stay at home at all times and avoid any face-to-face contact**; this is called 'shielding'. It means not leaving the house or attending gatherings at all, with very limited exceptions. **Annex B** sets out more detail on the guidance applicable to different vulnerable groups at this time. The Government knows people are taking shielding advice seriously and is acutely aware of the huge commitment and resolve it requires to keep away from family and friends. Unfortunately, the current level of transmission of the virus is such that the Government needs to continue to ask that the guidance is followed. In recognition of the challenge faced by those shielding, the Government is:

- **Providing essential food to those unable to leave their home**. Over one million food boxes have now been delivered in England by wholesalers to those shielding who asked for help with food, with hundreds of thousands more to follow in the coming weeks.[27] The Government has also arranged priority access to supermarket deliveries for those who have said they need it.

- **Facilitating volunteer support**. Up to 200,000 calls a day have been made to the shielded in England to confirm their support needs, and councils are helping to support them in other ways - including, in some cases, organizing regular calls from volunteers to those isolated. Those who are shielding can also directly request the support of NHS Volunteer Responders.

The Government is also aware that when – in time – other members of society return to aspects of their normal daily lives, the challenge for those being asked to shield may deepen. The Government will continue to review the support needs of those shielding and the Government will continue to provide support to individuals for as long as they need its direct help.

Along with the support the Government is providing to those shielding, it will provide vital support for other vulnerable people, such as those at risk of loneliness. The Government

is continuing to work to further support these groups, including by providing vital financial support to frontline charities working in these areas. The GOV.UK website provides information about the huge range of support that is available including from local authorities and the voluntary and community sector. The Government will continue to update GOV.UK as new services and support become available.

As the UK recovers, the Government will ensure people with disabilities can have independent lives and are not marginalized. This will include making sure that they can access public services and will consider their needs as the Government creates safe work environments and reopen the transport system. The Government will ensure their overall health outcomes do not suffer disproportionately.

Enforcement

The Government is examining more stringent enforcement measures for non-compliance, as it has seen in many other countries. The Government will impose higher fines to reflect the increased risk to others of breaking the rules as people are returning to work and school. The Government will seek to make clearer to the public what is and is not allowed.

Parliament

It is vital that Parliament can continue to scrutinize the Government, consider the Government's ambitious legislative agenda, and legislate to support the COVID-19 response. Parliament must set a national example of how business can continue in this new normal; and it must move, in step with public health guidance, to get back to business as part of this next step, including a move towards further physical proceedings in the House of Commons.

International travel

As the level of infection in the UK reduces, and the Government prepares for social contact to increase, it will be important to manage the risk of transmissions being reintroduced from abroad.

Therefore, in order to keep overall levels of infection down and in line with many other countries, the Government will introduce a series of measures and restrictions at the UK border. This will contribute to keeping the overall number of transmissions in the UK as low as possible. First, alongside increased information about the UK's social distancing regime at the border, the Government will require all international arrivals to supply their contact and accommodation information. They will also be strongly advised to download and use the NHS contact tracing app.

Second, the Government will require all international arrivals not on a short list of exemptions to self-isolate in their accommodation for fourteen days on arrival into the UK.

Where international travelers are unable to demonstrate where they would self-isolate, they will be required to do so in accommodation arranged by the Government. The Government is working closely with the devolved administrations to coordinate implementation across the UK.

Small exemptions to these measures will be in place to provide for continued security of supply into the UK and so as not to impede work supporting national security or critical infrastructure and to meet the UK's international obligations. All journeys within the Common Travel Area will also be exempt from these measures.

These international travel measures will not come into force on 13 May but will be introduced as soon as possible. Further details, and guidance, will be set out shortly, and the measures and list of exemptions will be kept under regular review.

Economic Response

Coronavirus Business Interruption Loan Scheme for smaller businesses (for Businesses with turnover of up to £45m)

- Under the Coronavirus Business Interruption Loan Scheme (CBILS) UK businesses with annual turnover of no more than £45m can borrow up to £5m interest-free for 12 months under a British Business Bank (BBB) scheme where the Government provides the lender with a guarantee for 80% of each loan (subject to a per-lender cap on claims) and covers the cost of the first 12 months of interest.

- Financing can be provided under CBILS for up to 6 years through term loans, overdrafts, invoice finance and asset finance.

- The £45m turnover threshold applies to group turnover, rather than at individual company turnover level.

- Access to CBILS is through circa 40 BBB accredited lenders. The number of providers of the CBILS continues to grow and new alternative finance lenders are being accredited under the scheme creating more choice and diversity of supply for smaller businesses.

- Businesses should speak to their existing bank lender(s) if they wish to access CBILS. On 3 April. the Government introduced certain structural enhancements to the Scheme guidelines which are expected to improve and accelerate its use by eligible SMEs.

Coronavirus Large Business Interruption Loan Scheme (for Businesses with turnover of more than £45m)

- On 3 April 2020, the Chancellor announced that a new scheme, Coronavirus Large Business Interruption Loan Scheme (CLBILS) is to be introduced. Similar to the SME CBILS scheme this involves a government guarantee of 80% to enable banks to make loans of up to £25 million (CBILS was capped at £5 million) to businesses with an annual turnover of between £45 million and £250 million. Firms with a turnover of more than £250 million can borrow up to £50 million from lenders.

- This is intended to give banks the confidence to lend to more businesses which are impacted by coronavirus but which they would not lend to without CLBILS. This Scheme is for businesses that were viable pre COVID-19, experiencing cashflow shortfalls and who would be able to trade out of difficulty with the additional funding. CLBILS loans will be through commercial banks and commercial rates of interest will be charged.

COVID-19 Corporate Finance Facility (CCFF)

- The CCFF has been created to provide funding to large businesses through the purchase of short-term corporate debt in the form of commercial paper. The Bank of England have published guidance on the facility including details of eligibility and how to apply.

- Funding is open to companies (1) making "a material contribution to the UK economy"; (2) able to demonstrate they were in sound financial health prior to the pandemic; and (3) with a short term or long term investment grade credit rating or otherwise able to demonstrate financial strength equivalent to investment grade.

- The scheme will operate for at least 12 months and for as long as steps are needed to relieve cash flow pressures. Businesses seeking to make an application should discuss their eligibility with their bank.

- The CCFF launched on 23 March 2020 and Bank of England data released on 2 April 2020 showed that £1.9 billion of commercial paper has been purchased under this facility already and according to a HM Treasury release on 3 April 2020 a further £1.6 billion has been committed.

£750m coronavirus fund for frontline charities

- The UK government has announced £750m of funding for frontline charities across the UK – including hospices and those supporting domestic abuse victims. £60m of this will be provided to Scotland, Wales, and Northern Ireland.

- £360 million will be directly allocated by government departments to charities providing key services and supporting vulnerable people during the crisis – including hospices and domestic abuse victims. £370m will go to small and medium-sized charities, including through a grant to the National Lottery Community Fund for those in England.

Future Fund for high-growth companies

- On 20 April, the government announced that it will be establishing a £500m loan scheme aimed at ensuring that high-growth companies in the UK receive the investment they need to continue during the crisis.

- The scheme will be delivered in partnership with the British Business Bank and is due to launch in May.

- It will provide UK-based companies with between £125,000 and £5m from government, with private investors at least matching the government's commitment. (The £500m fund is comprised of £250 million from government combined with equal match funding from private investors.)

- These loans will automatically convert into equity on the company's next qualifying funding round, or at the end of the loan if they are not repaid.

- The scheme is open to unlisted UK registered companies that have previously raised at least £250,000 in equity investment from third party investors in the last five years.

- Further detail on eligibility criteria and fund operation will be published in due course.

Support for SMEs focused on research and development

- On 20 April, as part of its wider package of support for innovative firms hit by the COVID-19 outbreak, the government announced £750m of targeted support for small and medium sized businesses focusing on research and development.

- Innovate UK, the national innovation agency, will accelerate up to £200 million of grant and loan payments for its 2,500 existing Innovate UK customers on an opt-in basis.

- An extra £550 million will also be made available to increase support for existing customers and £175,000 of support will be offered to around 1,200 firms not currently in receipt of Innovate UK funding.

- The first payments will be made by mid-May.

Bounce Back loan scheme for small businesses

- On 27 April, the government announced a fast-track finance scheme for small businesses, allowing firms to apply for Bounce Back loans worth up to 25% of turnover, with a maximum payment of £50,000, and access the cash within days.

- The government will provide lenders with a 100% guarantee for the loan and pay any fees and interest for the first 12 months. No repayments will be due during the first 12 months.

- The government has said that it will work with lenders to agree 'a low standardized level of interest' for the remaining period of the loan.

- The government has said that for most firms, loans should arrive within 24 hours of approval. Loans can be applied through a short, standardized online application.

Start-ups

UK has loans but venture backed startups can't get them - Support for businesses through the Coronavirus Business Interruption Loan Scheme supports SMEs with access to loans, overdrafts, invoice finance and asset finance of up to £5 million and for up to 6 years.

- Business Interruption Payment to cover the first 12 months of interest payments and any lender-levied fees, so smaller businesses will benefit from no upfront costs and lower initial repayments.

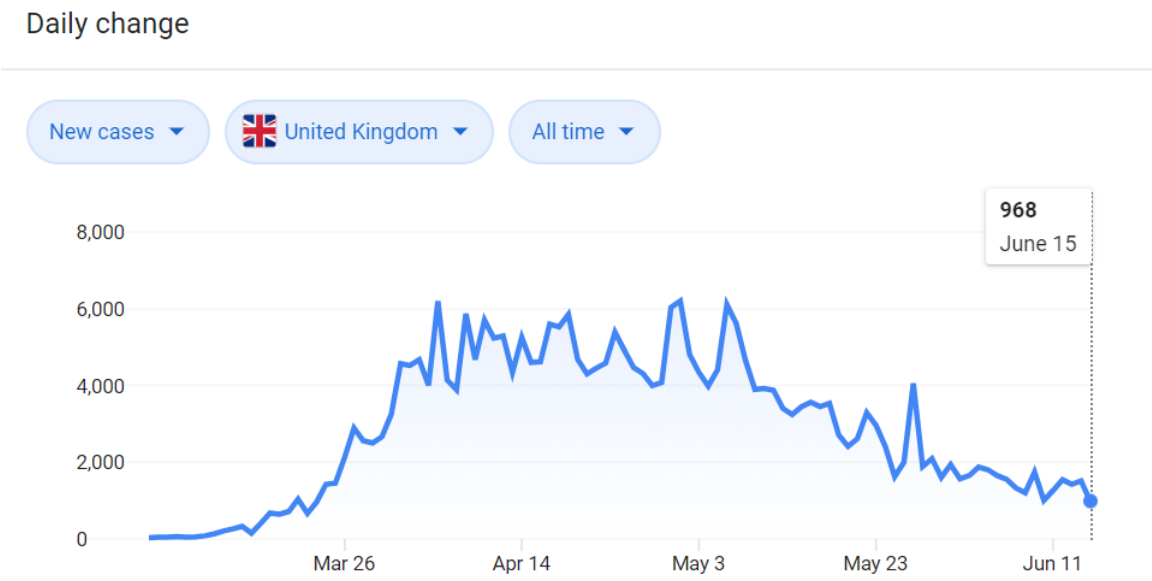
- Lenders with a guarantee of 80% on each loan (subject to pre-lender cap on claims) to give lenders further confidence in continuing to provide finance to SMEs.

A £1.25 billion plan to support start-ups was put in place on 20 April. It is divided into two funds:

- A £500 million fund called "Futur Fund" for high-growth companies affected by the crisis, made up of public and private financing (previously detailed)

- A £750 million fund of grants and loans for R&D-oriented SMEs. (previously detailed)

Current / Post Pandemic Functionality



France

Economic Background

The French economy is diversified across all sectors. The government has partially or fully privatized many large companies, including Air France, France Telecom, Renault, and Thales. However, the government maintains a strong presence in some sectors, particularly power, public transport, and defense industries. France is the most visited country in the world with 89 million foreign tourists in 2017. France's leaders remain committed to a capitalism in which they maintain social equity by means of laws, tax policies, and social spending that mitigate economic inequality.

France's real GDP grew by 1.9% in 2017, up from 1.2% the year before. The unemployment rate (including overseas territories) increased from 7.8% in 2008 to 10.2% in 2015, before falling to 9.0% in 2017. Youth unemployment in metropolitan France decreased from 24.6% in the fourth quarter of 2014 to 20.6% in the fourth quarter of 2017.

France's public finances have historically been strained by high spending and low growth. In 2017, the budget deficit improved to 2.7% of GDP, bringing it in compliance with the EU-mandated 3% deficit target. Meanwhile, France's public debt rose from 89.5% of GDP in 2012 to 97% in 2017.

Since entering office in May 2017, President Emmanuel MACRON launched a series of economic reforms to improve competitiveness and boost economic growth. President MACRON campaigned on reforming France's labor code and in late 2017 implemented a range of reforms to increase flexibility in the labor market by making it easier for firms to hire and fire and simplifying negotiations between employers and employees. In addition to labor reforms, President MACRON's 2018 budget cut public spending, taxes, and social security contributions to spur private investment and increase purchasing power. The government plans to gradually reduce corporate tax rate for businesses from 33.3% to 25% by 2022. (Agency 2020)

Response

Medical Response

The country's health care system is consistently ranked among the best in the world, yet France has experienced shortages of hospital beds, masks, and other critical products. As the number of confirmed cases and deaths continues to rise, popular food markets have been turned into makeshift morgues and high-speed trains have become Covid-19 patient transport vehicles. On January 24, France's then-Health Minister Agnès Buzyn announced that two people in the country tested positive for the coronavirus, becoming the first known cases in all of Europe. It wasn't until March 3 that France took real action. The government shuttered 120 schools in two regions, one of them an area north of Paris, as they had become among the hardest-hit areas in the country. But even as tens of thousands of students were told to stay home, Education Minister Jean-Michel Blanquer tried to downplay the move. "It wouldn't make sense to confine everyone at home, to paralyze the country," he told a local television station. Indeed, the government still allowed gatherings of up to 1,000 people to proceed. Macron, for his part, attended a theater performance on March 6, partly to show that life could continue unperturbed. He also visited a retirement home that same day, even as the number of coronavirus infections in the country was at least doubling. To make matters worse, France couldn't get a clear picture of the growing problem due to a lack of tests. As Politico reports, the country doesn't manufacture its own testing kits, but rather "relies on China for their main components." With China paralyzed by its coronavirus outbreak at the time, France was unable to quickly get more tests. That severely limited the country's ability to do widespread testing early on, which public health experts say is critical to slowing an outbreak. The problem was compounded by a dearth of masks, leading the government to say only medical workers should wear them, not the general public. (Ward 2020)

Economic Response

Tax measures

Companies that encounter cash flow problems will be eligible to the following tax measures:

- Deferred payment and payment extensions for tax deadlines
- Direct tax rebates will be granted to businesses facing severe financial difficulties. These rebates will be granted on a case-by-case basis.
- Deferral of all or part of employee and employer contributions via the URSSAF website for employers and self-employed workers. The deferral applied to all social taxes and contributions which were to be paid to the URSSAF by March 15th, 2020 and in particular:
    - Social security contributions (sickness, maternity, invalidity and death, old age, family, work accidents and work diseases).
    - Autonomous solidarity contribution ("CSA").
    - Social contributions ("CSG" and "CRDS").
    - Unemployment insurance contribution.
    - Salary guarantee contribution.
- The deferral terms are as follows:
    - As of right and not sector-based (no justification to be provided to the URSSAF).
    - Deferral will be possible up to 3 months without penalty or late payment fee.
- Recourse to 'part-time activity' will be made possible and easier for businesses in order to offset the slowing down of business activities. Companies may apply for the part-time activity scheme under exceptional circumstances (Article R.5122-1 of the French Labor Code), specifying the reasons justifying the recourse to part-time activity, the foreseeable period of under-activity and the number of employees concerned.
- Very Small Enterprises (VSEs) facing economic hardship can postpone the payment of utility bills (water, gas, electricity) and rental payments.

Business cash-flow measures

- The French President has announced an exceptional State guarantee system to support corporate financing, up to €300 billion. This will allow banks to grant cash loans to companies of all sizes, enabling them to have the cash necessary to continue their activity and preserve employment. This is temporary, since it will only cover than loans made from March 1 to December 31 of this year.

- The Paris Region, in partnership with Bpifrance, has designed a regional emergency plan for businesses. This plan entails accelerated payment to businesses (i.e. within 30 days), an easier access to bank loans of over €1 billion through the Bpifrance Guarantee Fund, €700 million in new loans up to 7 years, 80% guaranteed up to a maximum of €6 million. The Paris Region has asked Bpifrance to pass on this loan at zero interest, as opposed to 3.8% today. The aim is to help 5,000 small and medium-sized businesses very quickly.

- SMEs affected by the coronavirus, which anticipate a fall in turnover of at least 20% can benefit from the Paris Region's "BACK-up Prévention plan".

- The Paris Region has implemented a Relocation pack dedicated to supporting SME's with specific assistance in finding sites in the Paris Region, in their recruitment processes, and financial help through regional aid schemes such as PM'up and Innov'up.

- The Minister of Economy and Finance announced the creation of a solidarity fund of €1bn to support small, independent, and micro-enterprises affected by regulatory activity restrictions and experiencing a significant drop in turnover.

This solidarity fund will operate at 2 levels. On the one hand, eligible companies will benefit from fast, simple, and unitary support of €1,500. It will also offer a safety net for artisans, traders and small entrepreneurs particularly affected by the current situation. In addition, further support may be granted on a case-by-case basis, to avoid bankruptcy.

Part-time activity and social contributions

- A simplified and reinforced use of the part-time activity scheme is available to companies experiencing severe economic difficulties. This system, also called "partial unemployment", enables companies to receive financial aid to offset the loss of income caused by the reduction in the working time of their employees.

- Companies may only apply for the part-time activity scheme specifying the reasons justifying the recourse to part-time activity, the foreseeable period of under-activity and the number of employees concerned.

Compensated part-time activity

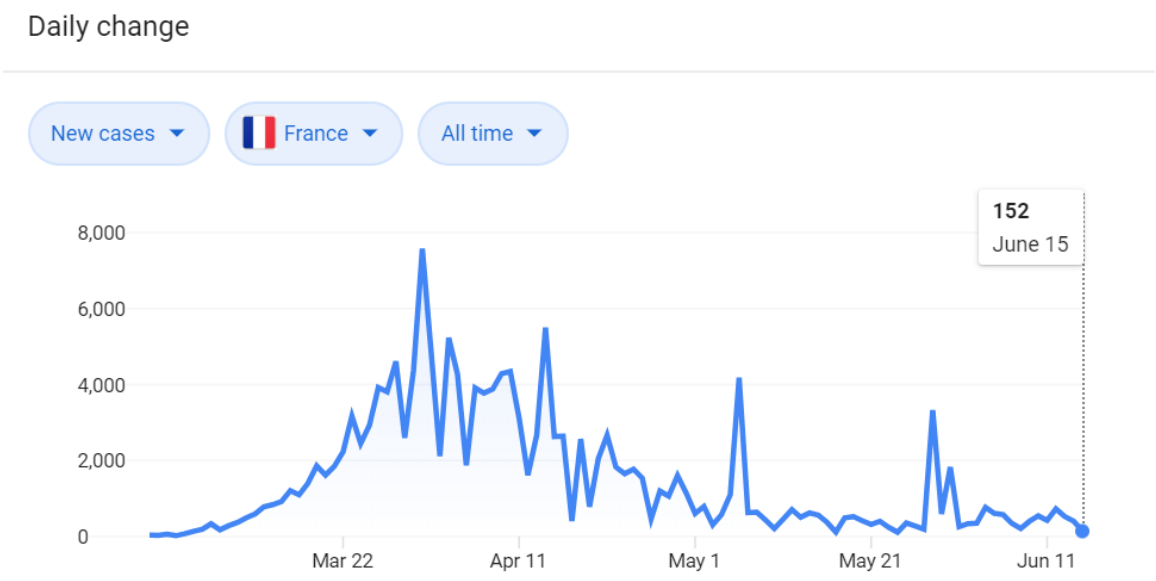
- On March 17th, 2020, the French Government announced that part-time activity would be compensated up to 84% of the net salary of employees, although a ceiling is not excluded for the highest salaries. In addition, the French Government indicated that the employer who is required to pay for the allowance will be refunded within 10 days.

Social contributions

- Deferred payment of social charges and contributions to be paid to the URSSAF (employers' and employees' contributions) is possible without prior authorization or penalty fees.

(Region 2020)

Current / Post Pandemic Functionality



Brazil

Economic Background

Brazil is the eighth-largest economy in the world but is recovering from a recession in 2015 and 2016 that ranks as the worst in the country's history. In 2017, Brazil`s GDP grew

1%, inflation fell to historic lows of 2.9%, and the Central Bank lowered benchmark interest rates from 13.75% in 2016 to 7%.

The economy has been negatively affected by multiple corruption scandals involving private companies and government officials, including the impeachment and conviction of Former President Dilma ROUSSEFF in August 2016. Sanctions against the firms involved — some of the largest in Brazil — have limited their business opportunities, producing a ripple effect on associated businesses and contractors but creating opportunities for foreign companies to step into what had been a closed market.

The succeeding TEMER administration has implemented a series of fiscal and structural reforms to restore credibility to government finances. Congress approved legislation in December 2016 to cap public spending. Government spending growth had pushed public debt to 73.7% of GDP at the end of 2017, up from over 50% in 2012. The government also boosted infrastructure projects, such as oil and natural gas auctions, in part to raise revenues. Other economic reforms, proposed in 2016, aim to reduce barriers to foreign investment, and to improve labor conditions. Policies to strengthen Brazil's workforce and industrial sector, such as local content requirements, have boosted employment, but at the expense of investment.

Brazil is a member of the Common Market of the South (Mercosur), a trade bloc that includes Argentina, Paraguay, and Uruguay - Venezuela's membership in the organization was suspended In August 2017. After the Asian and Russian financial crises, Mercosur adopted a protectionist stance to guard against exposure to volatile foreign markets and negotiated Free Trade Agreements with the European Union and Canada. (Agency 2020)

Response

Medical Response

- Government postpones pharmaceutical drugs readjustment for two months amid the coronavirus pandemic.
- The government published on Tuesday (31) a PM (provisional measure) that reduces by 50% the contributions to be paid by companies to entities in the S System by the end of June.
- On 31 March, the president of the STF (Supreme Federal Court), Dias Toffoli, prepared a bill taken by the Senate to suspend everything from the payment of rents to the return of goods purchased over the internet during the coronavirus pandemic.

- The Foreign Trade Secretariat published a decree creating the Special Export License for Combat Products from COVID-19, which must be presented for the completion of exports in the case of the products deemed essential to combat the COVID-19.

- The Ministry of Science and Technology signed an agreement with five major telecommunications operators to obtain information from anonymized data from cell phones and monitor agglomerations during the coronavirus pandemic.

- On 01 April, the board of the National Agency of Petroleum, Natural Gas and Biofuels (ANP) approved the temporary suspension of the 17th Bidding Round for areas for exploration and production of oil and gas, under the concession regime, initially foreseen for this year.

- Corporations may, exceptionally, postpone their annual general meeting for seven months counting from the end of its fiscal year. Exceptionally during the year of 2020, the Securities and Exchange Commission (CVM) may extend the deadlines for publicly held companies to present the financial statements.

- ANATEL (National Telecommunications Agency), which took over a claim from the companies and suggested to the government the creation of a monthly voucher so that customers with a lower purchasing power can maintain their cell phone accounts. The proposal is for this monthly voucher to be R $ 30, effective for the next three months, and to be funded with funds from FISTEL (Telecommunications Inspection Fund).

- ANEEL (National Electric Energy Agency) authorized the transfer of US$ 400 million (R$ 2.022 billion) to guarantee liquidity to companies in the electricity sector during the crisis generated by the coronavirus pandemic. The funds will come from a reserve fund composed of charges charged to the electricity bill.

- On 15th April, the Brazilian Federal Government passed a Provisional Measure (MP n°951) which amends Law No. 13,979 and disposes the following administrative measures to support COVID-19 fighting efforts:

    - Enables the use of the price registration system in the event of waiver of bidding for the acquisition of goods, services and inputs intended to face the public health emergency arising from the coronavirus, when whether it is a purchase or contract by more than one body or entity.

    - Authorizes the federative entity to choose to apply the federal regulation on price registration, if there is no specific regulation.

    - Establishes that it is up to the Registration Authorities of the Brazilian Public Key Infrastructure - ICP-Brazil, entities operationally linked to a certain

Certification Authority, to identify and register users, forward certificate requests to the CAs and keep records of their operations.

- On 15 April, the External Financing Commission (COFIEX), coordinated by the Special Secretariat for Foreign Trade and International Affairs of the Ministry of Economy, streamlined procedures for the evaluation and authorization of public sector projects and programs.
    - The objective is to accelerate the release of resources from international organizations such as the World Bank, New Development Bank, Inter-American Development Bank (IDB), Latin American Development Bank (CAF) and others. This measure supports actions by municipalities, states and the Federal District aimed at preventing and combating the new coronavirus and its economic effects.
    - Under this streamlined process, COFIEX will resolve within ten days on each claim received. In addition, analysis criteria have been simplified, which for now will stick to the Payment Capacity and a technical analysis.
- Regulatory Agencies of the Transportation Sector (ANTT, ANTAQ and ARTESP) relaxed the terms for complying with contractual and regulatory obligations due to the COVID-19 pandemic. Among the extended deadlines, there are authorizations and licenses for the transport of goods and passengers by road (ANTT), charter services in the State of São Paulo (ARTESP) and submission of financial statements by agents who have a lease, transition, or ticket (ANTAQ).
- On May 28, the National Civil Aviation Agency (ANAC) announced that it will postpone the payment of fixed and variable licenses for 6 airports in the country: Confins (MG), Galeão (RJ), Fortaleza (CE), Salvador (BA)), Florianopolis (SC) and Porto Alegre (RS). Grants due in May be paid on December 18.
- On May 21, the Ministry of Health together with the national councils of Health Secretaries (CONASS) and Municipal Health Secretariats (CONASEMS), allocated States and municipalities to have R $ 2.2 billion for COVID-19, R $ 2 billion for the holy, non-profit philanthropic hospitals and hospitals that are affiliated with SUS to combat COVID-19. The rest is intended for the accreditation of community health agents, family health teams, oral health teams and river health teams.
- On May 07, the President Jair Bolsonaro sanctioned Law No. 13,995 / 2020, which can release up to US$ 400 million (R$ 2 billion) in federal aid to holy houses and non-profit philanthropic hospitals, which act in a complementary way to the Unified Health

System (SUS). The money should be used in actions to combat the Covid-19 pandemic. The Law is also signed by the Minister of Economy, Paulo Guedes, and by the Minister of Health, Nelson Teich.

- MP No. 961/2020 applies to contracts made during the state of public calamity recognized by Legislative Decree No. 6, of March 20, 2020, valid until December 31, 2020, and to contracts signed in that period, as well as their extensions.

Economic Response

PROGER/FAT: credit for Micro and Small Enterprises (USD 1 billion).

Caixa Econômica Federal (CEF): The state-owned Federal Savings Bank will extend USD 14.9 billion in credit lines to small-and medium-sized enterprises aimed at working capital, purchase of payroll loan portfolios from medium-sized banks and agribusiness. The bank also cut interest rates on some types of credit and offered clients a grace period of 60 days.

Banco do Brasil announced a USD 20 billion increase in its credit lines, aimed at working capital, investments, prepayment of receivables, agribusiness, and credit to individuals. The bank also increased the credit limit for 13 million customers.

BNDES: opening of a working capital loan line for small and medium-sized firms of tourism and service sectors.

Credit contracting requirements: simplification and waiver of documentation (CND) for credit renegotiation.

Capital charge relief: Lending and credit support through capital charge relief to loans secured by commercial real estate; and credit charge relief to retail exposures, to non-significant investment in the capital of financial institutions and insurance entities and to exposures secured by covered bonds issued by the own bank.

Restructured loans: Increased flexibility of the provisioning rules for a period of 6 months.

Conservation Capital Buffer (CCB): reduction from 2.5% to 1.25% for 1 year and setting a transitional arrangement to restore the original 2.5% CCB in the subsequent year.

FEBRABAN: The Brazilian Federation of Banks announced an agreement by which the five largest banks in the country (BB, Caixa, Itaú Unibanco, Bradesco and Santander) are willing to respond to requests for a 60-day extension for the debt maturity of individual and SMEs.

On 18 March, Brazil's Central Bank lowered the benchmark interest rate SELIC by 50 bps to a historical minimum of 3.75%. This follows a reduction of the countercyclical capital buffer requirements.

On 23 March, the Brazilian Central Bank announced new measures to inject resources into the financial system, which are part of a set of actions taken to minimize the effects of the coronavirus pandemic on the Brazilian economy. The measures for the financial market are:

Additional release of US$ 13 billion in compulsory deposits, in addition to the amount of US$ 26 billion announced in February

BC loan permission study to banks backed by Financial Letters (Letras Financeiras) of securitized credit portfolios (potential impact of US$ 129 billion)

Flexibilization of the rules of the LCA (Financial Letter for Agribusiness), giving more freedom to the institutions to define the destination of the funds raised with this role

Provisional repurchase of foreign debt securities

New Time Deposit with Special Guarantees (NDPGE) for bank borrowings

Loan backed by debentures (corporate debt security)

On 23 March, the government presented a plan of R$ 88.2 billion for states and municipalities to cope with the health demands and economic impacts of the coronavirus. The package measures include:

Transfer of US$1.5 billion to health expenses

Transfer of US$387 million to social assistance expenses

Recompositing in the amount of US$3.1 billion for the State Participation Fund (FPE) and Municipal Participation Fund (FPM)

Suspension of the debts of the states to the Union (US$2.4 billion)

Renegotiation of state and municipal debt with banks (US$1.8 billion)

Loan facilitation operations, in the amount of US$7.7 billion

On 26 March, the National Monetary Council (CMN) authorized the permission for the transfer of funds from the National Bank for Social Development (BNDES) to SMEs with through financial service technology companies, the so-called "fintechs".

On 26 March, Caixa Economica Federal (Federal Savings Bank) announces further reductions in interest rates on overdraft and credit card instalment fees will be 2.9% per month, from the previous 4.9% per month. Caixa also announced an increase from 60 to 90 days in the pause period for loan agreements for individuals and companies, including housing contracts.

On 27 March, the Brazilian Federal Government (Ministry of Economy, BNDES, Caixa and Bank of Brazil) announced an emergency credit line for SMEs to finance salaries for a period of two months. The program will make available a maximum of US$ 3.8 billion/month, with an overall stimulus package of US$ 7.7 billion in two months. Also, according to the Ministry of Economy:

> Financing will be available to companies with revenues between US$ 70 thousand and US$ 1.9 million per year.
>
> Money will be exclusive for payroll.
>
> The company will have a 6-month grace period and 36 months to repay the loan.
>
> Interest will be 3.75% per year

In addition, companies that hire this credit line will not be able to fire employees for a period of two months.

On 29 March, BNDES (Brazil's Development Bank) announced two support measures for the airlines and healthcare industry:

> Financial support for airlines: through a system that involves convertible debentures and can contribute capital to these companies through the purchase of shares to sustain their operations through the pandemic.
>
> New credit line for the healthcare & life science manufactures to produce 15 thousand ventilators, 5 thousand health monitors, 80 million medical masks and 3 thousand new ICU units.

On 29 March, Paulo Guedes, Brazil's Minister of Economy defended an emergency law approval to make Fiscal Responsibility Law more flexible during a meeting with the National Front of Mayors.

The government and Congress are discussing the creation of a new management tool for the volume of money in circulation in the economy, as it seeks to control the interest rate. The proposal allows banks to voluntarily transfer funds to the Central Bank (BC), in the form of demand or time deposits. With this, the financial institution that has excess cash will be able to deposit a part in the BC.

Service Guarantee Found – FGTS, labor obligation due by employers (indemnity fund), is suspended from March to May 2020. The suspended contributions may be paid in installments without the impact of monetary adjustments, fines, interests, or other charges.

On 02 March, the Minister of Tourism, Marcelo Álvaro Antônio, announced lines of credit to serve businesspeople in. he tourism sector, which is strongly impacted by the new coronavirus pandemic. Credit lines will be offered by public banks such as BNDES and Caixa Econômica Federal. The project awaits new regulatory frameworks

On 06 April, the National Monetary Council authorized that banks participating in the companies' payroll financing program, a measure launched by the government to mitigate the effects of the new coronavirus crisis, could reduce the value of loans in compulsory term deposits. The measure will take effect as of the next 20th. The volume that can be deducted may reach R $ 6 billion, about 5% of the current amount of the reserve requirement on time deposits.

Also, on 06 April, the National Monetary Council authorized that temporarily prohibited the distribution of profits and increased remuneration for bank and other financial institutions. The objective is to prevent important resources for maintaining credit from being used in other expenses in the midst of the Covid-19 pandemic.

On 08 April, Brazil's Ministry of Agriculture announced a US$100 million (R$ 500 million) relief plans for small agricultural producers and family owned farms.

On 08 April, the Minister of Economy, Paulo Guedes, announced that Brazil's Treasury is preparing a new financing relief plan for Small and Medium Enterprises (SMEs) with yearly revenues up to US$72 thousand (R$ 360 thousand)/year. The Ministry estimates a relief plan of US$2 billion (R$ 10 billion), which will be deployed with the support from SEBRAE (Brazilian Micro and Small Businesses Support Service).

Also, on 08 April, the Federal Government extinguished the PIS-Pasep (Social Integration Program and the Civil Servant Heritage Training Program) and released the withdrawal of US$ 200 (R$ 1.045) on account of the FGTS (Guarantee Fund for Time of Service) as of June 15. From June 15 to December 31, the withdrawal of up to US$ 200 (R$ 1.045) per worker is available due to facing the state of public calamity and the public health emergency of international importance resulting from the coronavirus pandemic.

On 15 April, The Supreme Federal Court ruled that, in addition to the federal government, state and municipal governments have the power to determine rules for isolation, quarantine and restriction of transport and transit on highways due to the coronavirus epidemic.

On 15 April, the Federal Government asked the Congress for permission to more than double the deficit forecast of public accounts in 2021. The figures are included in the draft Budget Guidelines Law, presented on Wednesday (15). In the text, the Ministry of Economy asks for permission for a primary deficit of U$ 30 billion (R$ 149.6 billion) in 2021, about 1.86% of the Gross Domestic Product (GDP).

On 15 April, the Federal Court granted an injunction prohibiting the institutions of the National Financial System from taking measures to increase the interest rate or intensify the requirements for the granting of credit. According to the Federal Court, due to the global pandemic caused by Covid-19, the Brazilian economy was severely affected, which led the Central Bank of Brazil to adopt measures such as the release of banks' cash flow. However, the lawsuit says, banks do not use this asset release to make more credit available to the domestic market.

On 16 April, the Brazilian Federal Government is working together with private banks, investment funds and the BNDES (National Bank for Economic and Social Development) a relief plan of at least R$ 48 billion to large companies affected by the coronavirus crisis as Airlines, energy companies and large retailers. Under this plan, debt-convertible instruments will be offered to companies that are publicly traded on the stock exchange.

On April 17, a month after the creation of the Crisis Office of the Ministry of Economy to face the effects of the Covid-19 pandemic, the Ministry presented a balance of the measures adopted by the economic team so far: the Health Plan Economical. The initiative has already reached a total of US$ 233.8 billion (R$ 1.169 trillion), with a fiscal impact of US$ 61.5 billion (R$ 307.9 billion) and a primary impact of US$ 57 billion (R$ 285.4 billion). The fiscal cost to confront Covid-19 in the country reaches about 3.8% of GDP. Of this total relief package US$ 233.8 billion (R$ 1.169 trillion), up to US$ 42.5 billion (R$ 212.4 billion) were allocated to the most vulnerable population and workers; up to US$ 22,6 billion (R$ 133.4 billion) for support to states and municipalities; US$ 4.9 (R$ 24.3 billion) to combat the pandemic, such as sending resources and measures to ensure supplies, treatment and protection for people; US$ 104.8 (R$ 524.4 billion) in cash flow measures and employment programs for companies, in addition to US$ 54.8 (R$ 274.1 billion) in credit measures that reach from companies to the health sector and public pension retirees.

On April 20, Caixa Econômica Federal and the Brazilian Micro and Small Business Support Service (Sebrae) announced a US$ 1.5 billion (R$ 7.5 billion) credit line for micro and small companies and individual micro entrepreneurs (MEIs)). The objective is to support small businesses in the face of the crisis caused by Covid-19. In practice, the initiative will allow a reduction of about 40% in the fees charged today from this public.

On April 23, the Attorney General's Office (AGU) gave a favorable opinion to the concessionaires of infrastructure and public services to carry out the economic and financial rebalances of the contracts due to the understanding that the pandemic can be classified as a force majeure event or fortuitous event, which attributes the risks to the granting authority.

On April 27, the Federal Government published Provisional Measure (MP) 958 in the Official Gazette, which suspends until September 30, a series of requirements foreseen in the legislation in force for contracting credit operations with public financial institutions. The objective is to simplify and streamline the processes of analyzing, contracting and releasing credits to companies, individuals and economic segments that are being affected by the crisis generated by the new coronavirus (Covid-19).

On April 29, the Ministry of Economy formalized the creation of 12 strategic task forces to address the economic impact of the coronavirus pandemic. The initiative aimed at supporting the Brazilian productive sector is being monitored by the Ministry of Economy through the Special Secretariat for Productivity, Employment and Competitiveness (Sepec / ME).

On May 30, the National Monetary Council (CMN) approved a series of measures to make actions related to rural credit more flexible, ranging from extending deadlines for contracting credit to measures to guarantee social distance, said the Ministry of Finance. Economy.
As a result of the change, rural producers will now be able to access the credit line until June 30, 2021 to finance investments in works, purchases of machinery and equipment. In addition, CMN also decided to relax rules for rural credit operations already contracted, aiming to adapt them to the scenario of social distance due to the coronavirus pandemic.

Also, on April 30, the Ministry of Economy, in order to reinforce the fight against the pandemic of the new coronavirus (Covid-19), provided public procurement solutions to offer more agile tools that increase the transparency of acquisitions. The new Covid-19 Trading Panel, which provides details on all electronic trading sessions held in an emergency to combat the pandemic, has been available on the internet since 29 April. Another tool aimed at disclosing and monitoring acquisitions related to the new coronavirus is the bidding waiver panel. The tool provides details on all emergency purchases made during the pandemic period.

On May 6, the Senate approved in a remote session, by 80 votes to zero, the bill that provides financial assistance from the Union to states and municipalities to try to reduce the impacts caused by the coronavirus crisis. As the text has already been approved by the Chamber, it will go to the sanction of President Jair Bolsonaro. According to the text, the Union will transfer R$ 60 billion directly to states and municipalities, divided into four monthly installments. The resources will be divided as follows:

R$ 50 billion: compensation for the drop in revenue (R$ 30 billion for states and DF; R$ 20 billion for municipalities).

R$ 10 billion: health and social assistance actions (R$ 7 billion for states and DF; R$ 3 billion for municipalities).

On May 07, the Federal Government published Provisional Measure No. 961 (MP 961) to allow the advance payment of public contracts. There will be no amount restriction for prepayment, but the public managers will need to prove the prepayment is essential to obtain the good or service or that the prepayment will generate savings for the government. In order to avoid that the service is not provided or that the product is not delivered, the MP foresees that it will be possible to demand guarantee and partial delivery before the payment is anticipated. The provisional measure also provides that the value of the contract must be returned in full if it is not executed. Bidding waiver: The Provisional Measure also increases the value for situations that the public authority may dispense with bidding. According to the Ministry of Economy, the goal is to make hiring faster, since many purchases are essential for actions to combat the new coronavirus.

On May 5, the Board of Trustees of the Seniority Guarantee Fund (CCFGTS - Conselho Curador do Fundo de Garantia do Tempo de Serviço) held this 174th Ordinary Meeting, by videoconference, in which it approved, among others, some measures to deal with the pandemic.

The second resolution approved by the Council (Vote 12/2020 / Fazenda / ME) refers to the establishment of an extraordinary measure so that there is no automatic cancellation of the FGTS debts in installments from March to August 2020 in the event of any default.

Another approval concerns the allocation of supplementary financial resources to the Attorney General of the National Treasury (PGFN) for fiscal year 2020 (Vote 13/2020 / Fazenda / ME), intended for the reimbursement to Caixa Econômica Federal (CAIXA) of the expenses related to the operationalization enrollment in Active Debt of debts with FGTS; aid for extrajudicial collection; and judicial representation in the collection of part of the portfolio, in accordance with the Caixa / PGFN Agreement No. 01/19.

The Council decided to dismember the proposal for the temporary suspension of financing payments in the Sanitation and Urban Mobility sectors, due to the measures adopted to face the Covid-19 pandemic (Vote 15/2020 / Sepec-ME / MDR). The Board of Trustees also endorsed Resolutions published "ad referendum" nº 958, of April 24, 2020, which regulated the sale or fiduciary assignment of the right to withdraw birthday (Vote 17/2020 / Fazenda / ME). As provided for in the CCFGTS Internal Regulations,

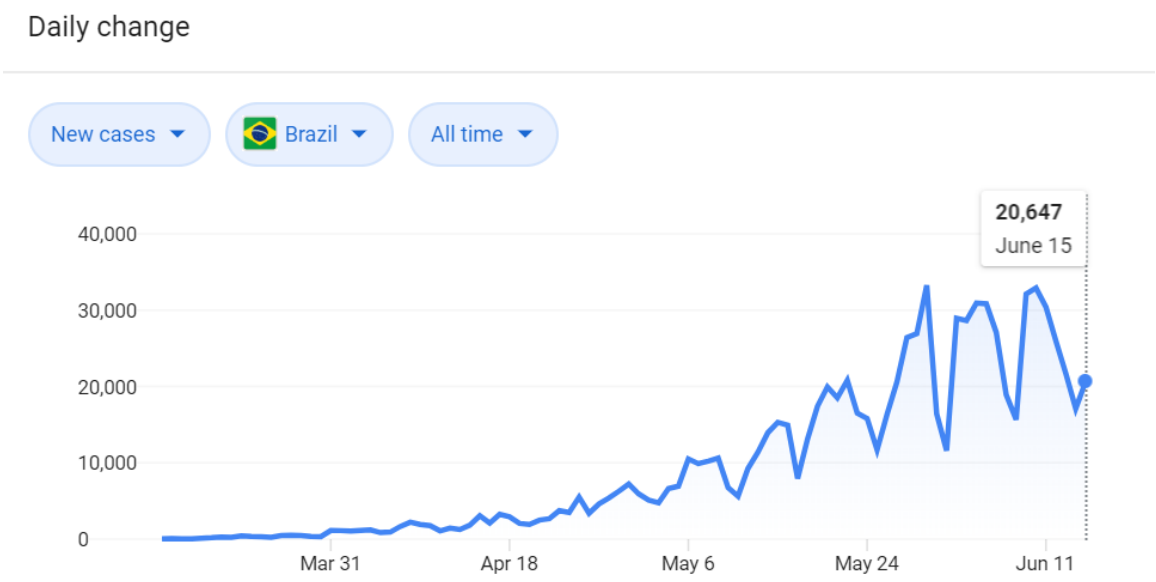
these resolutions must be endorsed by the CCFGTS at the regular meeting following publication.

On May 7, BNDES (National Bank for Economic and Social Development) will allocate US$ 800 milion (R$ 4billion) to fund managers focused on financing micro, small and medium-sized companies. The funds will be selected through a public call, which will receive proposals until the 3rd of June.

According to the BNDES, the measure aims to expand access to credit for small businesses and ensure that the resources made available by the state development bank reach more companies and individual entrepreneurs.

On May 15, the Special Secretariat for Productivity, Employment and Competitiveness of the Ministry of Economy (Sepec / ME) released results of the articulation of several federal government agencies with the private sector, to guarantee the supply of lung ventilators, gel alcohol, protective masks and hospital gowns to combat the effects of coronavirus on public health. As a result, about 15,300 new lung ventilators were contracted by the Ministry of Health, with total delivery expected by July, part of the product has already been received by Health and sent to hospitals.

Current / Post Pandemic Functionality



Italy

Economic Background

Italy's economy comprises a developed industrial north, dominated by private companies, and a less-developed, highly subsidized, agricultural south, with a legacy of unemployment and underdevelopment. The Italian economy is driven in large part by the manufacture of high-quality consumer goods produced by small and medium-sized enterprises, many of them family-owned. Italy also has a sizable underground economy, which by some estimates accounts for as much as 17% of GDP. These activities are most common within the agriculture, construction, and service sectors.

Italy is the third-largest economy in the euro zone, but its exceptionally high public debt and structural impediments to growth have rendered it vulnerable to scrutiny by financial markets. Public debt has increased steadily since 2007, reaching 131% of GDP in 2017. Investor concerns about Italy and the broader euro-zone crisis eased in 2013, bringing down Italy's borrowing costs on sovereign government debt from euro-era records. The government still faces pressure from investors and European partners to sustain its efforts to address Italy's longstanding structural economic problems, including labor market inefficiencies, a sluggish judicial system, and a weak banking sector. Italy's economy returned to modest growth in late 2014 for the first time since 2011. In 2015-16, Italy's economy grew at about 1% each year, and in 2017 growth accelerated to 1.5% of GDP. In 2017, overall unemployment was 11.4%, but youth unemployment remained high at 37.1%. (Agency 2020)

Response

Medical Response

MAY 4 Deconfinement begins. Places of worship remain closed for religious ceremonies, but funerals with a maximum of 15 attendees will be allowed. Restaurants reopen for takeaway only. Face masks will be required on all public transportation and to visit relatives. Travel between regions will remain banned. Italy says it has carried out 1.9m tests so far. The infected are required to stay at home for 14 days, unless they urgently need to go to hospital. Hospitalization policies differ between regions. MAY 18 All shops, tourist attractions and culture venues are allowed to reopen. Cinemas, theatres, and nightclubs remain closed. JUNE 1 Restaurants and bars reopen. SEPTEMBER Schools reopen.

Economic Response

- The Italian government announced that it would inject 25Mds€ into the economy to fight the coronavirus epidemic, to help sectors such as tourism and the logistics and transportation industry, which have been severely affected by the virus. This stimulus adds to previously announced support to regions, for a total of 900m€.

Moratorium on the payment of corporate debt has been introduced

- Supported by the government, the Italian Banking Association has announced an agreement with various professional associations to set up a large-scale moratorium on debt repayment, including mortgages and repayments of small loans and revolving lines of credit. It will concern loans taken out by companies until 31 January 2020.

Liquidity shortages and facilitate access to financing

- The National Institute for Promotion and the development finance institution have increased the funding limit for the banking system, from 1Mds€ to 3Mds€. The funds are intended to provide subsidized loans to SMEs and mid-caps to support cash flow and investments.

- Micro-enterprises and SMEs of all types, including freelancers and sole proprietorships, can benefit from a moratorium on a total volume of loans estimated at around 220Mds€. Credit lines, loans for advances on securities, short-term loan maturities and instalments of loans due are frozen until 30 September.

- Until 31 December 2020, SACE S.p.A. issues guarantees for loans granted to companies of any size (200billion€ of which 30billion€ for SMEs). SACE guarantees between 90% and 70% of the granted loans' amount; the guarantees' amount depends on the number of companies' employees in Italy and on the relative annual turnover (less or more than 5000 employees and until 1,5 billions€, between 1,5billions€ and 5billions€ or greater than 5 billion€ annual turnover). Certain conditions should be met: e.g. companies should not approve the distribution of dividends or the repurchase of shares within 2020 and they must use them for employment expenses, investments or business activities in Italy.

- By means of a decree to be adopted by the Minister for the Economy, exposures assumed or to be assumed by Cassa Depositi e Prestiti S.p.A., deriving from guarantees issued in relation to loans granted in favor of Italian companies suffering loss of income due to Covid-19 emergency, will be guaranteed by the State (within the above-mentioned limit of 200billion€).

Central Guarantee Fund ("Fondo centrale di garanzia")

- Until 31 December 2020 the Central Fund issues guarantees, free of charge, to companies with less than 499 employees and in relation to loans with an amount up to 5millions€.

- No more than 72 months loans of amounts equal to those set forth by the decree no. 23/2020 may be guaranteed by the Central Fund up to 90% (in case of direct guarantee) or up to 100% (in case of reinsurance), subject to the approval of the European Commission (up to 80% - in case of direct guarantee – or up to 90% - in case of reinsurance - until the adoption of the European Commission decision or, after that decision, for loans which do not meet the above mentioned conditions). Subject to certain conditions, the Central Fund guarantees 100% of loans, amounting less than 25% of the total turnover of the beneficiaries (in any case, of an amount not exceeding 25thousand€). Furthermore, the Central Fund, jointly with Confidi or other authorized authorities, guarantees also 100% of loans (amounting less that 25% of the total turnover of the beneficiaries) granted to companies with less than 3,2milion€ of total turnover, suffering loss of income due to Covid-19. Finally, Central Fund's guarantee may refers also to loans already granted and paid following the 31 January 2020.

Measures to support export, internationalization and investment by businesses

A co-insurance system has been introduced. The state will assume 90 percent of the non-market risks (as defined in EU legislation) attached to the guarantees issued by SACE; the remaining 10 percent will be assumed by the company that receives the SACE-backed loan.:

- The Italian export credit agency (SACE) announced a package of 4Mds€ to help SMEs meet cash flow needs and diversify markets' export.

- In addition, the Italian Agency for the Promotion of Business Internationalization (ICE) has cancelled the costs already incurred by companies for participation in fairs and events, also offering alternative visibility solutions.

- SACE S.p.A., in charge for the promotion of the internationalization of the Italian production sector, undertakes commitments from insurance activities; furthermore, SACE acts as guarantor for no market risks for the 10% of the amount of the commitments and relative interests. 90% of the above mentioned commitments is assumed by the State.

To support the production and supply of medical devices and personal protective equipment

- In compliance with the Decree no. 18/2020 the Extraordinary Commissioner appointed for implementing the anti-Covid-19 adopted measures has introduced financing facilities for a maximum percentage of 75% of the admitted costs for

investment plans aimed to increase the supply of medical devises and personal protective equipment (within the maximum limit of support provided by the Italian government amounting to Euro 800.000).

All industrial and commercial activities suspended, response to coronavirus (COVID-19)

- The Italian government on 22 March 2020 published a decree that essentially suspends all industrial and commercial activities, with certain exceptions for "essential activities."

- The suspension directive applies to the whole of Italy and is effective from 23 March until 3 May 2020, as provided by the decree adopted by the Italian government on 10 April 2020.

- The decree, adopted on 10 April 2020, extended the list of "essential activities" provided originally by the decree dated 22 March 2020.

- In accordance with the decree dated 10 April 2020, companies' employees or contractors may have access to the premises of the companies whose activities have been suspended for maintenance, supervisory, cleaning activities and for the payments management.

Enhanced transparency in "listed companies" and disclosure requirements (COVID-19)

- The Italian exchange commission (CONSOB) issued Resolution no. 21304 (17 March 2020) to lower the reporting threshold for substantial interests in listed companies.

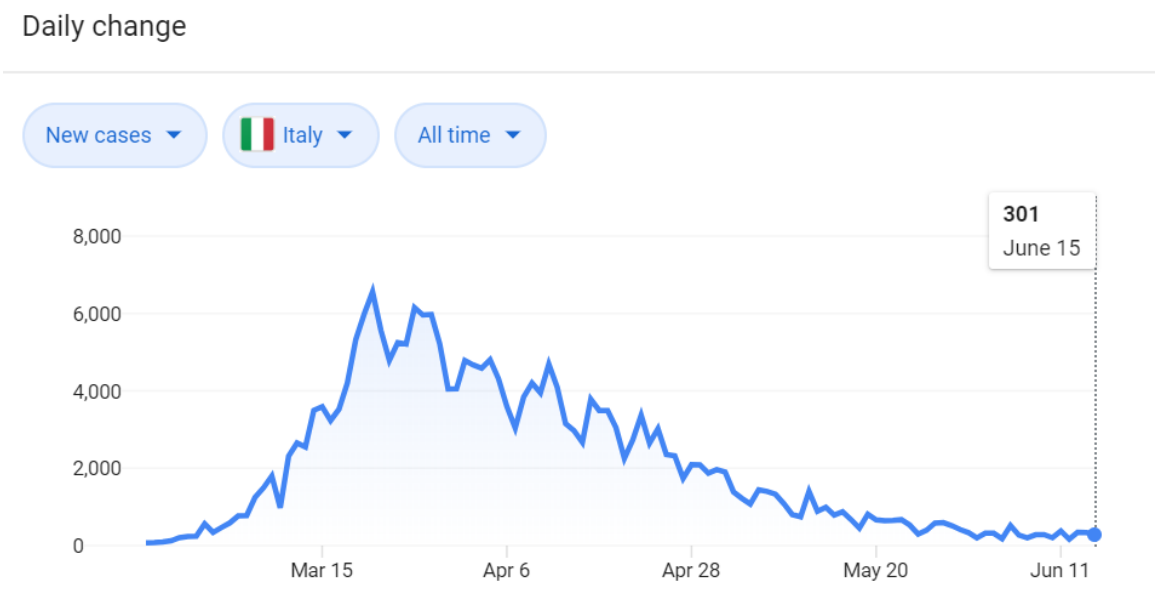
- The resolution lowers the threshold for the reporting of substantial interest to 1% (down from 3%) for companies with "high market capitalization" and a large number of shareholders, and to 3% (down from 5%) for small and medium size entities (SMEs). CONSOB has not considered it necessary to extend the resolution to all Italian companies listed on the electronic share market (Mercato Telematico Azionario di Borsa Italiana S.p.A.); rather, the resolution only affects 48 companies, 10 of which are SMEs.

- The resolution is a relief measure relating to the coronavirus (COVID-19) pandemic and its implications for the Italian financial market. The intention to determine that corporate governance operates efficiently and transparently.

Start-ups

- State guarantee of up to €5m for small and medium-sized businesses. The State, through the Central Guarantee Fund for SMEs, provides a guarantee, free of charge, for a single enterprise, up to 5 million euros, aimed at financing operations.

Current / Post Pandemic Functionality



Canada

Economic Background

Canada resembles the US in its market-oriented economic system, pattern of production, and high living standards. Since World War II, the impressive growth of the manufacturing, mining, and service sectors has transformed the nation from a largely rural economy into one primarily industrial and urban. Canada has a large oil and natural gas sector with the majority of crude oil production derived from oil sands in the western provinces, especially Alberta. Canada now ranks third in the world in proved oil reserves behind Venezuela and Saudi Arabia and is the world's seventh-largest oil producer.

The 1989 Canada-US Free Trade Agreement and the 1994 North American Free Trade Agreement (which includes Mexico) dramatically increased trade and economic integration between the US and Canada. Canada and the US enjoy the world's most comprehensive bilateral trade and investment relationship, with goods and services trade totaling more than

$680 billion in 2017, and two-way investment stocks of more than $800 billion. Over three-fourths of Canada's merchandise exports are destined for the US each year. Canada is the largest foreign supplier of energy to the US, including oil, natural gas, and electric power, and a top source of US uranium imports.

Given its abundant natural resources, highly skilled labor force, and modern capital stock, Canada enjoyed solid economic growth from 1993 through 2007. The global economic crisis of 2007-08 moved the Canadian economy into sharp recession by late 2008, and Ottawa posted its first fiscal deficit in 2009 after 12 years of surplus. Canada's major banks emerged from the financial crisis of 2008-09 among the strongest in the world, owing to the financial sector's tradition of conservative lending practices and strong capitalization. Canada's economy posted strong growth in 2017 at 3%.

Response

Medical Response

- Saskatchewan announced the target date to begin Phase 3 of "Re-Open Saskatchewan" is June 8, 2020. In Phase 3, restaurants and licensed establishments will be able to open at 50 per cent capacity. Gyms and fitness facilities will also be able to open for business, as will childcare facilities and places of worship – subject to guidelines that are being developed. Personal service businesses that did not open in Phase 2 are also allowed to begin providing services.

- Government services safely reopening to the public on May 22 as part of Phase 2 of the "Renew PEI, Together plan."

- Government of Northwest Territories announced plan to relax COVID-19 with the entry into Phase 1 of "Emerging Wisely."

- Alberta announced a significant decline in the number of actives cases of COVID-19 in Calgary and Brooks, which means both cities can reopen more businesses starting May 25.

- Industry services, outdoor recreational activities and care and community services to re-open in Ontario as of May 19.

- Reopening of libraries, drive-ins and museums in Quebec on May 29 along with campgrounds and services such as dentists and hair salons on June 1.

Economic Response

On 5 March, the Bank of Canada lowered the policy rate by 50 basis points. On 12 March, the Bank decided to lower rates by a further 50 basis points from 1.25% to 0.75%. On 11 March, Canada announced a 1 billion CAD COVID-19 Response Fund with an emphasis on health. On March 27, 2020, The bank of Canada further reduced its rate by an additional 50 basis to 0.25%.

Business Development Canada (BDC) now offers the following support for entrepreneurs:

- Small Business Loan of up to CAD 100 000 can be obtained online in 48 hours from time of approval.
- Working capital loan to bridge cash flow gaps and support everyday operations.
- Purchase Order Financing to increase cash flow to fulfil domestic or international orders with very flexible terms.

Increasing credit

- As announced on 13 March, a new Business Credit Availability Program will provide more than CAD 10 billion of additional support to businesses experiencing cash flow challenges through the Business Development Bank of Canada and Export Development Canada. The Government is ready to provide more capital through these financial Crown corporations.
- This $10B was further increased to $40B, and it was noted that both organizations will partner with banks in providing loans of up to $6.25M to help SMEs continue to function.

Launch of an Insured Mortgage Purchase Program

- In order to purchase up to CAD 150 billion of insured mortgage pools through the Canada Mortgage and Housing Corporation (CMHC) the Government will enable these measures by raising CMHC's legislative limits to guarantee securities and insure mortgages by CAD 150 billion each.
- The six largest financial institutions in Canada have made a commitment to work with personal and small business banking customers on a case-by-case basis to provide flexible solutions to help them manage through challenges, such as pay disruption due to COVID-19, childcare disruption due to school or day care closures, or those suffering from COVID-19. As a first step, this support will include up to a six-month

payment deferral for mortgages, and the opportunity for relief on other credit products.

Interest-free loans

- The government will guarantee bank loans of up to $40,000 for small businesses which will be interest-free for the first year, and under certain conditions, up to $10,000 of the loans could be non-repayable. The total estimated loan portfolio is estimated to reach $25B

Ensuring Businesses Have Access to Credit

The Business Credit Availability Program (BCAP) will allow the Business Development Bank of Canada (BDC) and Export Development Canada (EDC) to provide more than $40 billion of additional support, largely targeted for oil and gas, air transport, and tourism to small and medium-sized businesses.

As of May 11, 2020, the BCAP program has been expanded to support medium-sized companies with larger financing needs including loans up to $60 million and guarantees of up to $80 million (See next section for details on the EDC program).

- Details of the BDC program recently communicated (these conditions may change at any time and depend on the BDC file analysis):

BDC Co-lending Program

- Eligible businesses may obtain Differing maximum finance amounts based on business revenues, up to $6.25 million, 80% of which would be provided by BDC, with the remaining 20% provided by the financial institution.

- The Co-Lending Program is available to Canadian businesses impacted directly or indirectly by COVID-19 until or before September 30, 2020. To qualify, companies must have been financially viable and in good standing prior to the impact of the pandemic.

BDC Working Capital Loan

- Working capital loans of up to $2 million with flexible terms; million with flexible terms and payment postponements for up to 6 months for qualifying businesses.

BDC oil and gas sector financing

- For Canadian-based oil and gas producers, oil field service companies and midstream providers.

- Funds to be used for operational cashflow and business continuity purposes.
- Loan size between $15M and $60M.
- Offered at commercial rates, repayable within 4 years.

How it works:

- The deployment for this measure will be finalized shortly.
- In order to be eligible, the business must have been financially viable prior to the impact of COVID-19.

EDC

Changes to bank loan guarantees (Export Guarantee Program and International Expansion Loan Program –for listed financial institutions).

Offered in conjunction with our partner financial institutions, EDC's Export Guarantee Program offers a payment guarantee to your financial institution, making it more inclined to provide you with additional cash. In the short term, we can:

- Provide a six-month payment extension period to our new and existing clients for guarantee fees.
- Simplify our enrollment procedures to provide cash flow support quickly.
- Increase our credit capacity in the market by easing our general appetite for credit.

Under the Business Credit Availability Program (BCAP), EDC provides your financial institution with a guarantee on a client's one-year operating loan or one-year term loan. This guarantee provides incremental emergency liquidity to Canadian companies affected by the COVID-19 crisis, allowing them to pay their employees and cover their operating expenses in the short term. The key elements of this new program are:

- A program based on the same principles as the Export Guarantee Program, but with a greater appetite for risk and targeting SMEs.
- An 80% guarantee given to your financial institution on the underlying credit facility.
- A streamlined process that builds on the underwriting and due diligence processes of EDC-approved partner financial institutions to ensure that SMEs have a quick access to working capital.

- The possibility of a six-month deferral for the payment of guarantee fees (payable to EDC).

Changes to our trade finance guarantees (Account Performance Security Guarantee and Foreign Exchange Facility Guarantee) in our bonding products:

EDC's trade financing solutions eliminate the need for collateral, helping businesses to free up their working capital. In the short term, we can:

- Enhance support by 25% (limit for high-activity period) offered under the Account Performance Security Guarantee for up to US$5 million in capacity.

- Simplify our enrollment procedures so that we can meet the needs of businesses during this difficult time and benefit from our increased appetite for risk.

- Reduce the rate for our Foreign Exchange Facility Guarantee by 30% and defer payment for six months.

Changes to the credit insurance solutions:

In the short term, the EDC is making changes to its insurance solutions (Portfolio Credit Insurance and Select Credit Insurance) to help businesses with temporary cash flow issues. Here is how:

- When assessing claims for new buyers, they are willing to take more risks than in the past.

- More flexible when the buyer's solvency has deteriorated.

- Plan to make premium payments more flexible, either by deferring or adjusting fixed payments.

- For the next three months elimination of the time limit for claims under the export policy, which will allow companies to submit a claim and receive a payment earlier than under normal policy conditions.

Only for Select Credit Insurance and eligible companies:

- EDC is increasing our maximum coverage so that it will insure buyer limits of up to C$1 million (an increase of C$500,000). We are currently updating our systems to integrate this change.

- For the next 90 days, EDC will cover losses for goods shipped even if the purchaser has not accepted the goods in question (subject to policy conditions, including a dispute with the purchaser).

Canada Emergency Commercial Rent Assistance for small businesses (CECRA)

The federal government has reached an agreement in principle with all provinces and territories to implement the Canada Emergency Commercial Rent Assistance (CECRA) for small businesses.

This program will lower rent by 75% for small businesses that have been affected by COVID-19.

The government is also providing further details on the program:

- The program will provide forgivable loans to qualifying commercial property owners to cover 50% of three monthly rent payments that are payable by eligible small business tenants who are experiencing financial hardship during April, May, and June.

- The loans will be forgiven if the mortgaged property owner agrees to reduce the eligible small business tenants' rent by at least 75% for the three corresponding months under a rent forgiveness agreement, which will include a term not to evict the tenant while the agreement is in place. The small business tenant would cover the remainder, up to 25% of the rent.

Eligible businesses are:

- Small business tenants paying less than $50,000 per month in rent and

- Who have temporarily ceased operations or have experienced at least a 70 per cent drop in pre-COVID-19 revenues.

This support will also be available to non-profit and charitable organizations.

Additional details

- The Canada Mortgage and Housing Corporation will administer and deliver the CECRA, a collaboration between the federal government and provincial and territorial governments, which are responsible for property owner-tenant relationships.

- Provinces and territories have agreed to cost share total costs and facilitate implementation of the program. They will cost share up to 25% of costs, subject to terms of agreements with the federal government.

- It is expected that CECRA will be operational by mid-May, with commercial property owners lowering the rents of their small business tenants payable for the months of April and May, retroactively, and for June.

- Further details on CECRA will be shared in the near future once final terms and conditions are available. The federal government and provincial and territorial governments urge property owners to provide flexibility to tenants facing hardship in this uncertain time.

Small and Medium-sized Enterprise Loan and Guarantee program

- The Development Bank of Canada (BDC), Canada's bank for entrepreneurs, and Export Development Canada (EDC), Canada's export credit agency, have launched the new Small and Medium-sized Enterprise Loan and Guarantee program, which will make available up to $40 billion in additional lending.

- The new Small and Medium-sized Enterprise Loan and Guarantee program will operate as follows:

    - Small and medium-sized businesses can get support through a new co-lending program that will bring together the BDC and financial institutions to co-lend term loans to these businesses for their operational cash flow requirements. Eligible businesses may obtain additional credit: 80% of which would be provided by BDC, with the remaining 20% by their financial institution. The program is designed in three segments to target support to different business sizes: Loans of (1) up to $312,500 to businesses with revenues of less than $1 million; (2) up to $3.125 million for businesses with revenues between $1 million and $50 million, and (3) up to $6.25 million for businesses with revenues in excess of $50 million. Loans would be interest bearing for the first 12 months only, with a 10-year repayment period.

    - EDC will also provide funding to financial institutions so that they can issue new operating credit and cash flow term loans of up to $6.25 million to small and medium-sized businesses, as a result of a new national mandate enhancing EDC's role in supporting Canadian businesses through the COVID-19 crisis. These loans will be 80% guaranteed by EDC, to be repaid within one year.

    - The program will help Canadian financial institutions provide credit and liquidity options that various businesses need immediately, funded by BDC and EDC.

    - To access these loans, entrepreneurs must contact their main financial institution, which will assess their situation and provide funding accordingly.

    - Eligible companies could obtain up to $12.5 million through these two loan options.

Supporting Financial Market Liquidity

The Government is launching an Insured Mortgage Purchase Program (IMPP). Under this program, the government will purchase up to $50 billion of insured mortgage pools through the Canada Mortgage and Housing Corporation (CMHC).

This represents a $100 billion increase over the $50 billion announced on March 16, 2020. This measure will provide stable funding to banks and mortgage lenders and support continued lending to Canadian businesses and consumers.

Financial institutions to provide 6-month payment deferral for mortgages & opportunity for relief on other credit products. Canada Mortgage & Housing Corporation (CMHC) permitting lenders to allow payment deferral, loan re-amortization & special payment arrangements. Office of Superintendent of Financial Institutions (OSFI) immediately lowering Domestic Stability Buffer by 1.25% of risk-weighted assets allowing banks to inject $300B into economy.

Insurance of mortgage pools through CMHC up to $50B.

Farm Credit Canada

Farm Credit Canada will receive an additional $5B in lending capacity to producers, agribusiness, and food processors. Eligible farmers who have an outstanding Advance Payments Program (APP) loan will also receive a Stay of Default (6-month moratorium). Applicable farmers who have existing interest-free loans outstanding will have opportunity to apply for additional $100K portion for 2020-2021 (if advances remain under $1M cap).

For producers, agribusinesses, and food processing industry:

- Deferral of capital and interest payments for a maximum of six months for existing loans or deferral of capital payments for a maximum of 12 months.
- Access to an additional line of credit of up to $500,000, guaranteed by a general security contract or universal mortgage (in Quebec only).
- Term loans of up to $2.5M, with no fees. An 18-month interest-only option is available as well as a 10-year amortization period.
- These funds can be used for working capital needs and to modify production due to the repercussions of COVID-19.

Aviation

- The government will waive rent payments from March 2020 to December 2020 for the 21 airport authorities that pay rent to the federal government.

- This measure will provide a maximum relief of $331.4 million due to payments made during the same period in 2018.

Partnership with Canadian industries to fight COVID-19 ($2 billion):

Canadian businesses and manufacturers are stepping up to fight the COVID-19 pandemic. The Government of Canada is working with these companies to ensure our health care workers have the tools they need to care for Canadians across the country. The Federal government has partnered with over 3,000 Canadian companies to support the need for diagnostic testing, ventilators, and protective personal equipment.

Government of Canada provides relief to the Broadcasting sector:

- The Canadian Radio-television and Telecommunications Commission (CRTC) will not issue letters requesting payment for Part 1 license fees by broadcasters for the 2020-21 fiscal year. The government will transfer necessary funds to the CRTC to support its operations.

- Waiving these regulatory charges for broadcasters provides immediate financial relief for the broadcasting industry, freeing up more than $30 million in cash.

Canada Emergency Business Account

- The Government of Canada is announcing the launch of the new Canada Emergency Business Account, which will be implemented by eligible financial institutions in cooperation with Export Development Canada (EDC).

- This $25 billion program will provide interest-free loans of up to $40,000 to small businesses and not-for-profits, to help cover their operating costs during a period where revenues have decreased temporarily due to the economic impacts of the COVID-19.

- To qualify, these organizations will need to demonstrate that they had an annual payroll of less than $1.5 million in total in 2019.

BDC Venture Capital

BDC Capital, has launched the BDC Capital Bridge Financing Program under which it will make investments, in the form of convertible notes, equivalent to those committed by existing vendors or new qualified investors in the context of ongoing financing round in favor of an eligible business.

- To be eligible, companies must be Canadian, backed by a qualified venture capital firm, have raised at least $500,000 in external capital before applying for the program, and be specifically impacted by COVID-19.

- Any investment by BDC Capital will be subject to, in particular, due diligence to the satisfaction of BDC, agreement on terms of the investment and approval by a BDC Investment Committee.

- This is not limited to BDC's portfolio. All companies that meet the criteria are eligible to apply. Interested companies should speak to their lead investor for details.

Farm Credit Canada

For producers, agribusinesses, and food processing industry:

- Deferral of capital and interest payments for a maximum of six months for existing loans or deferral of capital payments for a maximum of 12 months.

- Access to an additional line of credit of up to $500,000, guaranteed by a general security contract or universal mortgage (in Quebec only).

Regional Relief and Recovery Fund (RRRF)

The Regional Relief and Recovery Fund (RRRF) of $962M will help to mitigate the cash flow issues experienced by businesses and organizations and to support businesses, organizations, and communities in achieving successful recovery. This initiative is implemented by the six (6) RDAs of Canada.

This initiative includes two (2) components:

- $675M to support regional economies, businesses, organizations, and communities in regions all across Canada.

- $287M to support the national network of Community Futures Development Corporations, which will specifically target small businesses and rural communities across the country.

Support for the arts, culture, and sports sectors

- A financing of $500M through the creation of the COVID-19 Emergency Support Fund to help address the financial needs of affected organizations within the sectors of culture, heritage, and sports.

- Further details regarding the programs offered in this support fund of $500M will be announced shortly.

Support for young entrepreneurs

- A financing of $20.1M in support for Futurpreneur Canada to continue supporting young entrepreneurs across Canada who are facing challenges due to COVID-19. The funding will allow Futurpreneur Canada to provide payment relief for its clients for up to 12 months.

Support for the energy sector

- $1.72B: Funding to the governments of Alberta, Saskatchewan, and British Columbia, and the Alberta Orphan Well Association, to clean up orphan and/or inactive oil and gas wells. This measure will help to create thousands of jobs and achieve lasting environmental benefits.

- $750M: New proposed Emissions Reduction Fund to reduce emissions in Canada's oil and gas sector, with a focus on methane. This fund will provide primarily repayable contributions to conventional and offshore oil and gas firms in order to support their investments to reduce greenhouse gas emissions. Of this amount, $75M will be allocated to the offshore sector.

Support for Seniors

In April, the Government of Canada introduced measures to support seniors. As a result, an investment of $1.3 billion was made in a one-time special payment through the Goods and Services Tax (GST) credit. More than 4 million seniors benefited from this top-up, which gave an average of $375 for single seniors and $510 for senior couples. The federal government also invested in community organizations that provide practical services to Canadian seniors, including the delivery of groceries and medications.

As of May 12, 2020, the government announcement a series of additional measures to help Canadian seniors and provide them with greater financial security during the crisis:

- Providing additional financial support of $2.5 billion for a one-time tax-free payment of $300 for seniors eligible for the Old Age Security (OAS) pension, with an additional $200 for seniors eligible for the Guaranteed Income Supplement (GIS). This measure would give a total of $500 to individuals who are eligible to receive both the OAS and the GIS and will help them cover increased costs caused by COVID-19.

- Expanding the New Horizons for Seniors Program with an additional investment of $20 million to support organizations that offer community-based projects that reduce isolation, improve the quality of life of seniors, and help them maintain a social support network.

- Temporarily extending GIS and Allowance payments if seniors' 2019 income information has not been assessed. This will ensure that the most vulnerable seniors continue to receive their benefits when they need them the most. To avoid an interruption in benefits, seniors are encouraged to submit their 2019 income information as soon as possible and no later than by October 1, 2020.

Support for fish harvesters

On May 14th, the Federal Government announced up to $469.4 million in new measures to support Canada's fish harvesters, who are economically impacted by the pandemic but cannot access existing federal measures. This investment builds on the $62.5 million for the new Canadian Seafood Stabilization Fund announced last month to help Canada's fish and seafood processing sector.

- Fish Harvester Benefit: A program worth up to $267.6 million, to help provide income support for this year's fishing seasons to eligible self-employed fish harvesters and sharespersons crew who cannot access the Canada Emergency Wage Subsidy. Support will be provided to those that experience fishing income declines of greater than 25 per cent in the 2020 tax year, compared with a reference period to be identified. This measure covers 75 per cent of fishing income losses beyond a 25 per cent income decline threshold, up to a maximum individual entitlement equivalent to what is provided under the Canada Emergency Wage Subsidy ($847 per week for up to 12 weeks).

- Fish Harvester Grant: A program worth up to $201.8 million, to provide grants to help fish harvesters impacted by the COVID-19 pandemic, and who are ineligible for the Canada Emergency Business Account or equivalent measures. This will give them more liquidity to address non-deferrable business costs. The program would provide non-repayable support of up to $10,000 to self-employed fish harvesters with a valid fishing licence. Size of the non-repayable support will vary depending on the level of fish harvesters' historic revenue.

- Propose measures or changes to Employment Insurance (EI) that would allow self-employed fish harvesters and sharespersons to access EI benefits on the basis of insurable earnings from previous seasons (winter and summer claims). Additional details to be made available.

Support for the academic research community

- On May 15th, the Government of Canada announced $450 million in funding to help Canada's academic research community during the COVID-19 pandemic. The investment will provide wage supports to universities and health research institutes, so they can retain research staff who are funded from industry or philanthropic sources

and are unable to access some of the government's existing COVID-19 support measures. The government will provide up to 75 per cent per individual, with a maximum of $847 per week.

Support for the Indigenous community

- On March 18, the Government of Canada announced $305 million for a new, distinctions-based Indigenous Community Support Fund to address immediate needs in Indigenous communities and help them respond to COVID-19. The Fund included $15 million in support for Indigenous organizations that provide services to Indigenous peoples living in urban centres and off reserve. On May 21st, the Government further announced $75 million in new funding for Indigenous organizations providing services to Indigenous peoples in urban centres and off reserve. Funding for projects will start rolling out in the coming weeks.

Alberta:

- The Government of Alberta has enacted a $13 billion comprehensive response to protect the safety, security, and economic interests of Albertans amidst the ongoing COVID-19 outbreak.

Credit availability:

- Small business loans, mortgages, or lines of credit through ATB will be able to apply for payment deferrals for up to 6 months and access additional working capital.

Manitoba:

- Manitoba Budget increased the government's emergency expenditures contingency fund to $100 million from $43.8 million.

- Manitoba also noted it has identified $500 million in planned expenditures that could be deferred or redeployed if required.

- Manitoba Budget 2020 released March 19, 2020, contained a supplement providing information to Manitobans regarding measures within the Budget that serve as the foundation for the government's fiscal response to the fast-evolving public health and economic challenges posed by the Coronavirus disease(COVID-19), which the World Health Organization (WHO) declared a pandemic on March 11, 2020.

- Manitoba's Rainy Day Fund is currently funded to $571 million. As a key part of the Province's fiscal response to COVID-19, the balance will grow to $800 million before the end of this month, and to $872 million by the end of the 2020/21 fiscal year.

- Manitoba announced it is providing $10 million in grants to support 344 projects for community development projects as part of restarting the provincial economy during the COVID-19 pandemic.

- The Manitoba Gap Protection Plan will provide small and medium-sized businesses a non-interest bearing forgivable loan of $6,000 to businesses that do not qualify under federal programs

- Investments up to $120M in new wage subsidy program to support employers from the private and non-profit sectors to hire high school and post-secondary students this summer. Employers are eligible to receive a $7 per hour wage subsidy, up to $5,000 per student, for a maximum of 5 students. The program is available for student employment between May 1 and September 4, 2020.

Quebec

Canada Economic Development (CED) for Quebec Regions

If you are an existing CED client and are affected by the current situation:

- Effective April 1st, CED will apply a three-month moratorium on all amounts owing to CED.

- You may also be eligible for additional funding and flexibility in your arrangements.

- Each case will be assessed individually as the situation evolves to determine if additional support is required.

If you are not an CED client and are affected by the current situation:

- CED may provide you with advice and guidance on other federal programs and services available to you.

- You may have access to federal funding to help you maintain your operations.

Outstanding loans and guarantees:

- Loan flexibility measures already provided by Investissement Québec can be implemented. This is not an automatic measure such as the loans made by the BDC. A request must therefore be made specifically to benefit from the flexibility measures.

- Local investment funds (Fonds locaux d'investissement, or "FLI"): a three (3) month moratoria were introduced for the repayment (principal and interest) of loans already granted. Two-year extension of the FLI, i.e. until December 31, 2022.

- Interest earned during this period will be added to the loan balance. This is in addition to the moratorium already in place under most of the investment policies in force in the RCMs, which can reach twelve months.

Program for Maintaining Employment (PACME-COVID-19)

- The program provides a 100% reimbursement for eligible expenses incurred, for example, professional trainer fees, equipment purchase, and human resources management activities.

- Eligible businesses have had their usual activities suspended, reduced, increased, or diversified as a result of the COVID-19 pandemic.

- The PACME reimburses 100% of eligible expenditures of $100,000 or less and 50% of expenses between $100,000 and $500,000.

Concerted Action Program for Maintaining Employment (PACME-COVID-19)

- The program provides a 100% reimbursement for eligible expenses incurred, for example, professional trainer fees, equipment purchase, and human resources management activities.

- Eligible businesses have had their usual activities suspended, reduced, increased, or diversified as a result of the COVID-19 pandemic.

- The PACME reimburses 100% of eligible expenditures of $100,000 or less and 50% of expenses between $100,000 and $500,000.

Eligible expenses include:

- reimbursement of wages (excluding payroll taxes, maximum allowable salary of $25 per hour), up to:

- 25% of the payroll of workers during eligible training, if the company receives Canada's emergency wage subsidy of 75%.

- 90% of the payroll of workers during eligible training, if the company receives Canada's temporary wage subsidy of 10%.

- 100% of workers' wages during eligible training, if the company does not receive any federal wage subsidy.

- reimbursement of up to 100% of eligible training expenses, related costs and costs related to human resources management activities, according to the applicable scales (e.g. professional fees).

Caisse de dépôt et placement du Québec

- This funding program is targeted at companies whose cash flow is affected by the impact of COVID-19.
- $4 billion to support Quebec businesses temporarily affected by the crisis:
- This support is intended to complement various initiatives announced by other financial institutions, Quebec institutional investors and the governments of Quebec and Canada.

Eligibility criteria

- Available to all Quebec businesses (whether they are already clients or not).
- Profitable business before the COVID-19 crisis.
- Firm with promising growth prospects in their sector and seeking more than $5M in financing.

Close relations with financial institutions

- The Government recommends that companies first contact their financial institutions. The link will then be made with the regional offices of Investissement Québec, which will deploy all its resources to the PACTE program.

Emergency assistance for small and medium-sized businesses

- This is in addition to the Concerted temporary action program for businesses (PACTE).
- To help businesses, the he Government of Quebec is making available an initial amount of $150 million to the RCMs and territories. The cities of Montreal and Quebec will each receive $40 million and $10 million respectively, of the allocated $150 million. The other RCMs and equivalent territories will share the remaining $100 million.
- Businesses in all industries, including cooperatives, not-for-profit organizations and social economy enterprises engaged in business activities, will be able to obtain a loan or loan guarantee of up to $50,000 to address the liquidity shortfall due to COVID-19.

Support for innovation projects

- Program to support businesses and business combinations at the various stages of an innovation project to help build their capacity for innovation.

- Eligible projects are innovation projects of product or process, from the planning stage to the pre-marketing stage (technological showcase).

- For each of the projects, the financial assistance granted to applicants takes the form of a non-refundable contribution.

Concerted temporary action program for businesses (included in the ESSOR program):

On March 19, 2020, the Premier of Quebec François Legault and the Minister of Economic Development, Innovation and Export Trade, Pierre Fitzgibbon, announced Quebec's plan action plan for businesses valued at over $2.5B for this program. This $2.5B is not a firm limit and that if greater needs arise, the Government of Quebec will respond.

This funding program is targeted at companies whose cash flow is affected by the impact of COVID-19.

- This financial assistance is available to businesses operating in Québec, including cooperatives and other social economy enterprises with commercial activities. Eligible businesses are those that find themselves in a precarious situation and temporary difficulty as a result of COVID-19. They must show that their financial structure offers realistic prospects for profitability.

Eligible Projects:

Businesses must show that their cash flow issues are temporary, and that the liquidity shortage stems from:

- A problem involving the supply of raw materials or products (goods or services)

- An inability, or a substantially decreased ability, to deliver goods, products, or services

- Applications will be reviewed on a case-by-case basis, according to the business's circumstances and Investissement Québec's management practices.

Funding details:

- A loan guarantee is the preferred form of financing. Financing can also take the form of a loan from Investissement Québec.

- Barring exceptions, businesses in all industries are eligible to this program.

All industries are eligible, except for the following:

- (i) Weapons manufacturing or distribution;(ii) Games of chance and gambling, combat sports, racing and other similar activities; (iii) Production and sale of tobacco and drugs along with services related to their use, except for projects involving pharmaceutical-grade products approved by Health Canada and having a DIN, or their ingredients, as well as R&D projects licensed by Health Canada; (iv) Any activity whose main purpose is protected by the Canadian Charter of Rights and Freedoms (religion, politics, human rights advocacy, etc.); (v) any other activity that may offend public morals.

- Investissement Québec aims to work in close cooperation with financial institutions and federal authorities in order to share risk: (i) The minimum funding amount is $50,000; (ii) Refinancing is prohibited; (iii)This measure is designed to shore up the business's working capital.

How it works:

Existing IQ clients: contact the account manager by email or telephone.

Non-client businesses: to obtain a loan guarantee, contact the financial institution, which will then be able to contact one of the IQ account managers.

Economie et Innovation Quebec

Support for innovation projects

- Program to support businesses and business combinations at the various stages of an innovation project to help build their capacity for innovation.

- Eligible projects are innovation projects of product or process, from the planning stage to the pre-marketing stage (technological showcase).

- For each of the projects, the financial assistance granted to applicants takes the form of a non-refundable contribution.

- To take advantage of this measure, the business must demonstrate that the innovation project meets the criteria established by the ministry.

- For ongoing financial assistance requests, the financial assistance rates and accrual rates are determined by the program.

FTQ

- The Fund provides all businesses in its portfolio with a six (6) month carryovers of payments related to loans, capital and interest included.

- This measure aims to relieve in the short term the financial pressures of the companies in its network, which includes the FTQ Regional Solidarity Funds.

Fondaction

On March 13, 2020, Fondaction announced that the payment of loans, capital, and interest, for all businesses directly financed by Fondaction, would be deferred for a period of three (3) months starting from the date of announcement.

Newfoundland & Labrador

- Provide long-term borrowing authority of $2 billion. This will allow for ongoing government operations, as well as the ability to respond to current revenue volatility.
- The deferral of more than $6 million in fees to help ease some of the operational pressures facing businesses and free-up cash flow in these uncertain times.

New Brunswick

Working capital for medium-sized to large employers

- The province will provide working capital of more than $200,000 to help medium-sized to large employers manage the effects of COVID-19 on their operations. Businesses can apply directly to Opportunities NB for this support.

Working capital for small businesses

- Small business owners will be eligible for loans up to $200,000. They will not be required to pay principal on their loan for up to 12 months.

Prince Edward Island

General funding announced

- Establishing a $25 million COVID-19 Emergency Contingency Fund

Business financial support

- Deferring all scheduled loan payments for clients of Finance PEI, Island Investment Development Inc., and the PEI Century Fund for the next 3 months.
- Suspending repayments for provincial student loans for the next six months; and.
- Emergency Relief Worker Assistance Program a temporary allowance of $200 per week for anyone who has experienced a significant drop in their working hours.

- Emergency Income Relief for the self-employed, which will provide $500 per week lump sum for self-employed Islanders, delivered through Innovation PEI.

- Emergency Working Capital Financing, which will provide support for small businesses through a capital loan of up to$100,000 with a fixed interest rate of 4% per annum, to be delivered through Finance PEI.

- $4.5 million to Community Business Development Corporations across the province to deliver financing to small business and entrepreneurs.

- Essential workers earning $3,000 per month or less can receive a one-time $1,000 payment, administered through eligible employers.

Nova Scotia

General business funding

Government will defer payments until June 30 for:

- The government will invest $161 million to address cash flow and access to credit for small and medium-sized businesses in Nova Scotia.

- All government loans, including those under the Farm Loan Board, Fisheries and Aquaculture Loan Board, Jobs Fund, Nova Scotia Business Fund, Municipal Finance Corp., and Housing Nova Scotia.

- The Small Business Loan Guarantee Program

- Small business fees, including business renewal fees and workers compensation premiums.

Changes to the Small Business Loan Guarantee Program, administered through credit unions, include: (i) deferring principal and interest payments until June 30, (ii) enhancing the program to make it easier for businesses to access credit up to$500,000; (iii) Those who might not qualify for a loan, government will guarantee the first$100,000.

Further measures include: (i) Deferring principal and interest payments until June 30 (ii) small businesses which do business with the government will be paid within five days instead of the standard 30 days (iii) suspending payments on Nova Scotia student loans for six months, from March 30 to Sept. 30 and students do not have to apply; (iv) ensuring more Nova Scotians can access the internet to work from home, by providing $15 million as an incentive to providers to speed up projects under the Internet for Nova Scotia Initiative and complete them as soon as possible.

British Columbia

B.C. COVID-19 Supply Hub and Manufacturing Supercluster

- The Province has partnered with the Digital Technology Supercluster and the Business Council of British Columbia to create the COVID-19 Supply Hub, a made-in-B.C. online platform to co-ordinate, source and expedite medical supplies and personal protective equipment (PPE) for provincial health authorities to support front-line health workers fighting COVID-19.

- Companies can get up to $5 million to cover up to 100% of eligible costs when they collaborate with other businesses on a project that has an immediate impact on curbing the effects of COVID-19.

- Now accepting offers. Project to take place between April and June 2020.

- To be eligible there are five critical areas of need for which submissions must address: (i) health system; (ii) community health; (iii) safe living; (iv) diagnostics and therapeutics; and (v) emergency response.

The Ministry and B.C. Arts Council

- The Ministry and the BC Arts Council have been working hard to develop an immediate and responsive plan to support the arts and culture sector through the COVID-19 crisis.

- Benefits include:

    - 50% of last year's operating grant as an advance for the next intake cycle (April and September).

    - One-time grant will range (maximum $15,000) depending on the size of your organization.

- Current Operating Assistance clients will automatically receive the supplement and operating grant.

BC Hydro and ICBC Payment Relief

- **BC Hydro**

    - BC Hydro is allowing customers to defer bill payments or arrange for flexible payment plans with no penalty through their COVID-19 Customer Assistance Program. Customers experiencing financial hardship are eligible.

- Customers are encouraged to call BC Hydro's customer team at 1-800-224-9376 to discuss bill payment options.

- **ICBC**

  - ICBC is allowing customers who are facing financial challenges due to COVID-19 to defer their payment for up to 90 days with no penalty.

  - Customers are encouraged to call 604-661-2723 or 1-800-665-6442 to discuss payment options.

Expanding Income Assistance and Disability Assistance

- For people in B.C. currently receiving income assistance or disability assistance, the Province has announced the following measures:

  - Temporarily exempt federal employment insurance benefits, including the CERB, for three months so these new emergency federal support programs won't reduce monthly assistance payments

  - An automatic $300-monthly supplement for the next three months for everyone on income assistance or disability assistance who is not eligible for the emergency federal support programs, including the CERB

  - Monthly $52 Transportation supplement for all BC Bus Pass Program users receiving income assistance and disability assistance for the duration of the fare suspension by BC Transit and Translink.

Saskatchewan

Capital Plan

- $7.5 billion, two-year capital plan, announced on May 6, to build a strong Saskatchewan and stimulate Saskatchewan's economic recovery from the impacts of the COVID-19 pandemic.

MEEP 2020

- MEEP 2020 will provide $150 million, or approximately $143 per capita, to local municipalities to support investments in infrastructure, to stimulate economic recovery and encourage local job creation.

Accelerated Site Closure Program (ASCP)

- ASCP will access up to $400 million, over two years. The program will prioritize Saskatchewan-based service companies and support some 2,100 full-time equivalent jobs. Up to 8,000 inactive wells and facilities will be abandoned and reclaimed over the life of the program.

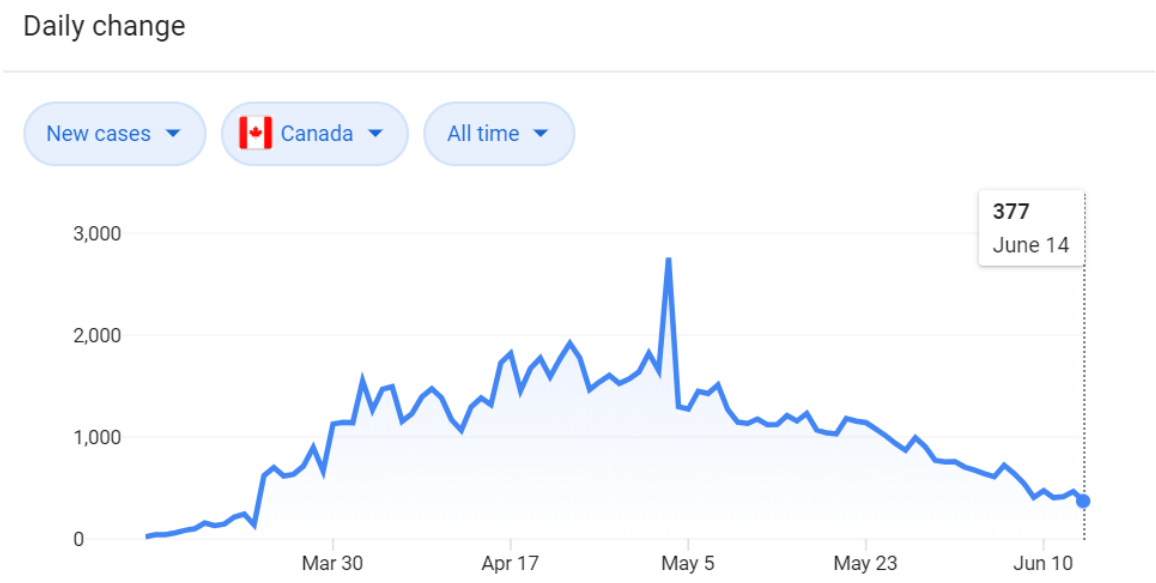
Northwest Territories ($13.2 million)

Families with children in Kindergarten to Grade 12 who have been impacted by COVID-19 are eligible for $250 per student from the Government of Yukon.

Yukon Business Relief Program (YBRP)

The YBRP helps Yukon businesses that have experienced a 30 per cent reduction in revenue and need immediate support to cover fixed costs. Eligible businesses can apply for a grant of up to $30,000 per month to cover fixed costs. The program has been extended to July 23, 2020.

Current / Post Pandemic Functionality



Russia

Economic Background

Russia has undergone significant changes since the collapse of the Soviet Union, moving from a centrally planned economy towards a more market-based system. Both economic growth and reform have stalled in recent years, however, and Russia remains a predominantly statist economy with a high concentration of wealth in officials' hands. Economic reforms in the 1990s privatized most industry, with notable exceptions in the energy, transportation, banking, and defense-related sectors. The protection of property rights is still weak, and the state continues to interfere in the free operation of the private sector.

Russia is one of the world's leading producers of oil and natural gas and is also a top exporter of metals such as steel and primary aluminum. Russia is heavily dependent on the movement of world commodity prices as reliance on commodity exports makes it vulnerable to boom and bust cycles that follow the volatile swings in global prices. The economy, which had averaged 7% growth during the 1998-2008 period as oil prices rose rapidly, has seen diminishing growth rates since then due to the exhaustion of Russia's commodity-based growth model.

A combination of falling oil prices, international sanctions, and structural limitations pushed Russia into a deep recession in 2015, with GDP falling by close to 2.8%. The downturn continued through 2016, with GDP contracting another 0.2%, but was reversed in 2017 as world demand picked up. Government support for import substitution has increased recently in an effort to diversify the economy away from extractive industries. (Agency 2020)

Response

Medical Response

Stores are closed, except grocery stores and pharmacies, until further notice. Restaurants may provide delivery services only. Until further notice; Finished school year except for final and first year classes.

Economic Response

Monetary policy

- On 24 April 2020, the Bank of Russia cut the key rate by 50 bp to 5.50% per annum.

- The Bank of Russia has announced that it is monitoring the situation in financial markets closely. On 10 March and 13 March, it engaged in repo auctions of 500 billion rubles to ensure sufficient liquidity in the banking sector. It has also engaged in selling foreign currency in the domestic market and foregone scheduled domestic forex purchases. Finally, the central bank has eased some banking regulations, such as loan risk weightings, to ensure that banks maintain lending to producers of pharmaceuticals and medical equipment

Banking regulations

- Central bank permitted the banks not to increase loan loss provisions if the loan was restructured due to coronavirus consequences

- Reduction of the regulatory pressure on the financial institutions (prolongation of the deadline for fulfilment of the orders issued by the Bank of Russia, for submission of the mandatory reports, etc.)

Incentives to companies to continue operating

- Deferral of loan payments for up to 6 months to SME in hard-hit industries (leisure and hospitality, transportation, travel, etc.)

- Six-month 0% interest loans to businesses in hard-hit industries to pay salaries to the employees

- 2% interest loans to resumption of activities to businesses in hard-hit industries or in industries requiring support to resume its activities

- 5% interest loans to 'systemically important' companies (list of these companies is adopted by the Government)

- 8,5% interest loans to all SME

- Subsidies to the travel operators to return the funds to the tourists and reimburse travel operators' expenses to return the tourists from the foreign countries due to the coronavirus outbreak

- Each Russian region may provide the supporting measures that will apply to the companies of this particular region, e.g. Moscow key measures: i) 8% interest loans to the priority sectors' SMEs incorporated less than 3 years ago; ii) subsidies to the SMEs exporters, franchisees; iii) partial compensation of expenses for purchase of new equipment (SMEs – hotels and residents of Moscow innovation cluster); iv) partial compensation (up to RUB 700,000 until 31.12.2020) to SMEs for promotion of their

commodities and services on online markets; for payment of services of online food delivery services

System-wide measures

- Creation of a financial reserve in amount up to RUB 300 billion established to support the economy and compensate quarantined citizens for lost income

- Non-application of penalties for certain government contracts in case of violation of obligations by the contractor due to the consequences of the spread of new coronavirus disease

- A six-month moratorium on initiating bankruptcy proceedings in respect of the companies and individual entrepreneurs in hard-hit industries (leisure and hospitality, transportation, travel, etc.); 'systemically important' companies; strategic companies

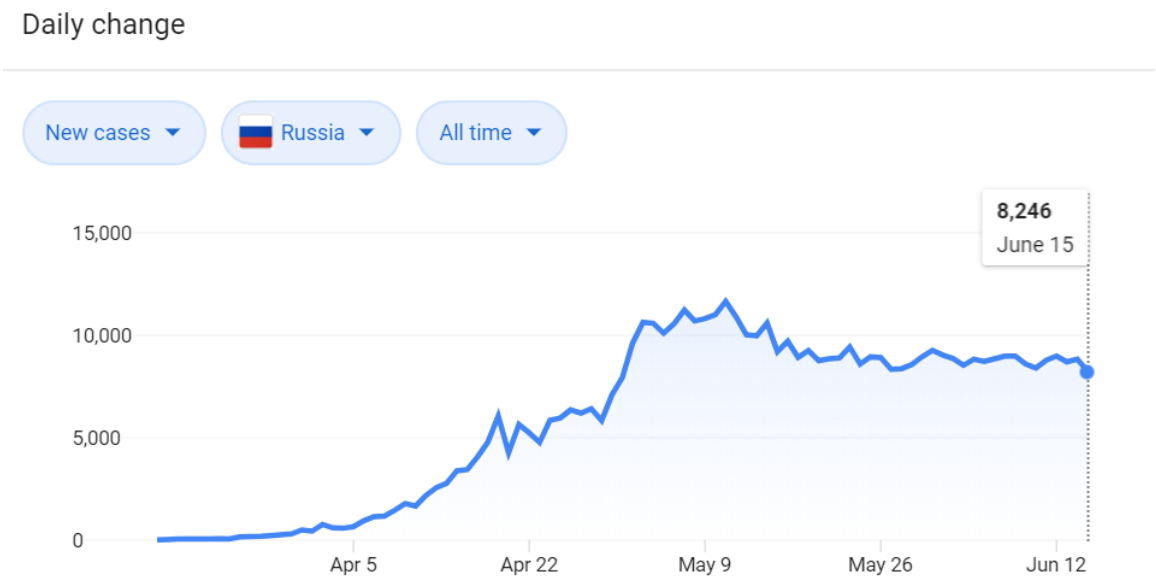
- Deferral of lease payments under real estate lease agreements until 1 October 2020 for companies and individual entrepreneurs in hard-hit industries (leisure and hospitality, transportation, travel, etc.). The lessee is entitled to a decrease in lease payments for the quarantine period if the lessee could not use the premises due to quarantine measures

- Covid-19 measures could trigger contract's force-majeure clause if these measures indeed impact affected party's ability to perform its contractual obligations

- Suspension of the inspections to be conducted in respect of SME by the state and municipal authorities according to the Federal Law as of 26.12.2008 No. 294-FZ "On protection of the legal entities in the course of state and municipal supervision" until 31 December 2020

- Amendments to the corporate legislation in respect of joint-stock companies (conducting of the shareholders' meetings in a remote environment, deferral of the deadlines for submission and disclosure of the annual and intermediary consolidated financial statements, deferral of the mandatory internal audit for the PJSC until 1 January 2021, etc.)

Current / Post Pandemic Functionality



South Korea

Economic Background

After emerging from the 1950-53 war with North Korea, South Korea emerged as one of the 20th century's most remarkable economic success stories, becoming a developed, globally connected, high-technology society within decades. In the 1960s, GDP per capita was comparable with levels in the poorest countries in the world. In 2004, South Korea's GDP surpassed one trillion dollars.

Beginning in the 1960s under President PARK Chung-hee, the government promoted the import of raw materials and technology, encouraged saving and investment over consumption, kept wages low, and directed resources to export-oriented industries that remain important to the economy to this day. Growth surged under these policies, and frequently reached double-digits in the 1960s and 1970s. Growth gradually moderated in the 1990s as the economy matured but remained strong enough to propel South Korea into the ranks of the advanced economies of the OECD by 1997. These policies also led to the emergence of family-owned chaebol conglomerates such as Daewoo, Hyundai, and Samsung, which retained their dominant positions even as the government loosened its grip on the economy amid the political changes of the 1980s and 1990s.

The Asian financial crisis of 1997-98 hit South Korea's companies hard because of their excessive reliance on short-term borrowing, and GDP ultimately plunged by 7% in 1998. South Korea tackled difficult economic reforms following the crisis, including restructuring some chaebols, increasing labor market flexibility, and opening up to more foreign investment

and imports. These steps lead to a relatively rapid economic recovery. South Korea also began expanding its network of free trade agreements to help bolster exports and has since implemented 16 free trade agreements covering 58 countries—including the United State and China—that collectively cover more than three-quarters of global GDP.

In 2017, the election of President MOON Jae-in brought a surge in consumer confidence, in part, because of his successful efforts to increase wages and government spending. These factors combined with an uptick in export growth to drive real GDP growth to more than 3%, despite disruptions in South Korea's trade with China over the deployment of a US missile defense system in South Korea. (Agency 2020)

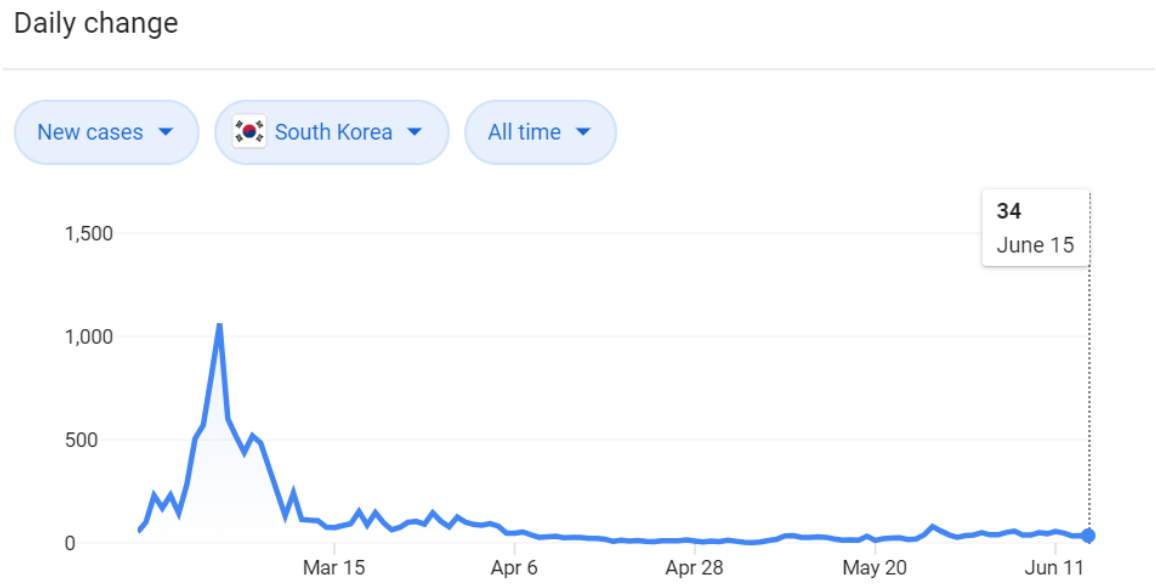
Response

Economic Response

Monetary Policy

- On March 23, The Bank of Korea ledged to begin purchasing an unspecified amount of local bonds to help prevent a possible liquidity crunch as well as expand the scope of its purchase program to include bonds issued by public enterprises.
- The Bank of Korea slashed its benchmark interest rate to 0.75% in an emergency move following actions by the Federal Reserve.
- Korea will lower interest rates applied to its loan facility for smaller companies, and add bonds issued by banks to its open market operations to enhance liquidity

Current / Post Pandemic Functionality



Australia

Economic Background

Australia is an open market with minimal restrictions on imports of goods and services. The process of opening up has increased productivity, stimulated growth, and made the economy more flexible and dynamic. Australia plays an active role in the WTO, APEC, the G20, and other trade forums. Australia's free trade agreement (FTA) with China entered into force in 2015, adding to existing FTAs with the Republic of Korea, Japan, Chile, Malaysia, New Zealand, Singapore, Thailand, and the US, and a regional FTA with ASEAN and New Zealand. Australia continues to negotiate bilateral agreements with Indonesia, as well as larger agreements with its Pacific neighbors and the Gulf Cooperation Council countries, and an Asia-wide Regional Comprehensive Economic Partnership that includes the 10 ASEAN countries and China, Japan, Korea, New Zealand, and India.

Australia is a significant exporter of natural resources, energy, and food. Australia's abundant and diverse natural resources attract high levels of foreign investment and include extensive reserves of coal, iron, copper, gold, natural gas, uranium, and renewable energy sources. A series of major investments, such as the US$40 billion Gorgon Liquid Natural Gas Project, will significantly expand the resources sector.

For nearly two decades up till 2017, Australia had benefited from a dramatic surge in its terms of trade. As export prices increased faster than import prices, the economy experienced

continuous growth, low unemployment, contained inflation, very low public debt, and a strong and stable financial system. (Agency 2020)

Response

Medical Response

- Restrictions are being eased across the country on a state and territory basis depending on local epidemiology.
- All states and territories have released 'road maps' for easing restrictions that vary across Australia.
- Most bars, cafes, restaurants, and pubs are open but with varying maximum patronage ranging from 20 in Victoria to 100 in Western Australia. The four square meter rule still applies in venues across Australia except Western Australia and Northern Territory.
- Workers are encouraged to work from home in New South Wales, however in Victoria it is a public health directive to work from home if you can and fines apply. All other states are encouraging a staggered return to work.
- Schools are back open across the country, with cleaning and social distancing measures in place.
- Gyms and indoor recreational centers are still closed in Victoria but are open in most other states and territories with customer limits.
- A travel ban is in place that prevents all non-Australian citizens and non-residents from entering Australia.
- Intrastate travel bans are also in place in all states and territories except New South Wales and Victoria.
- Retail outlets were never forced to close but many that did have no reopened.
- Cultural institutions are due to open by the end of the month in most jurisdictions.

Economic Response

Changes to drawdown rates

- The Government is temporarily reducing superannuation minimum drawdown requirements for account-based pensions and similar products by 50 per cent for the 2019-20 and 2020-21 income years.

- This measure is intended to provide retirees with greater flexibility in how they manage their superannuation savings.

Restructuring

- The key features of the Federal Government's insolvency-related package are:

    - A temporary increase in the threshold at which creditors can issue a statutory demand on a company, and the time companies have to respond to statutory demands they receive.

    - A temporary increase in the threshold for a creditor to initiate bankruptcy proceedings, an increase in the time period for debtors to respond to a bankruptcy notice, and extending the period of protection a debtor receives after making a declaration of intention to present a debtor's petition

    - Temporary relief for directors from any personal liability for trading while insolvent; and

    - Providing temporary flexibility in the Corporations Act 2001 to provide targeted relief for companies from provisions of the Act to deal with unforeseen events that arise as a result of the Coronavirus health crisis.

- Providing more scope to respond to creditors

    - A creditor issuing a statutory demand on a company is a common way for a company to enter liquidation. The Federal Government is temporarily increasing the current minimum threshold for creditors issuing a statutory demand from $2,000 to $20,000. This will apply for six months.

    - The statutory timeframe for a company to respond to a statutory demand will be extended temporarily from 21 days to six months. This will apply for six months.

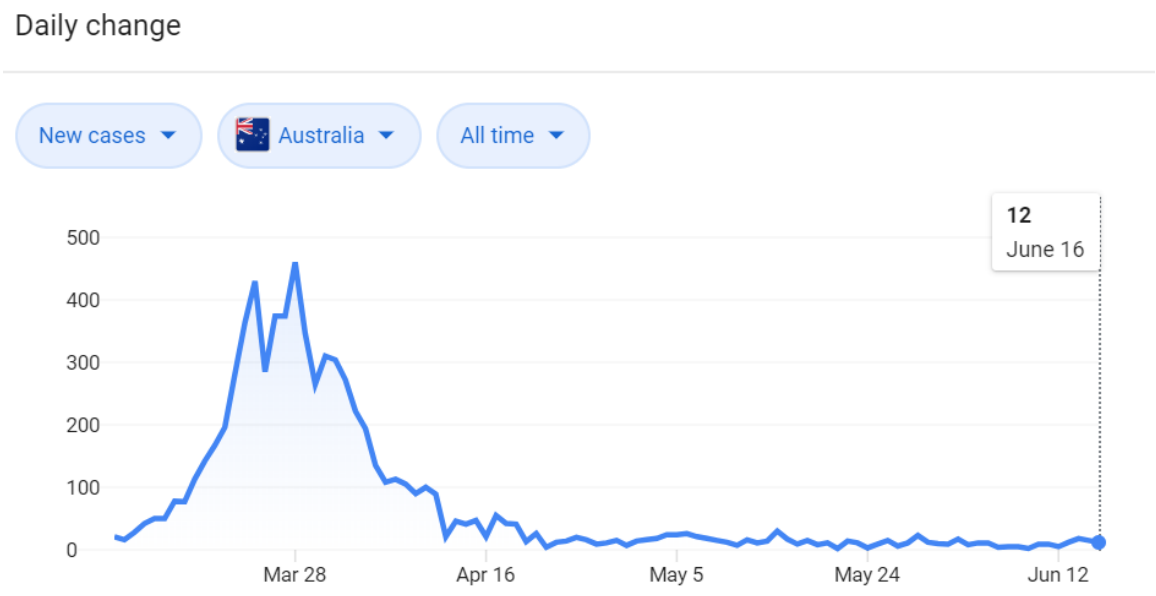
    - The time a debtor has to respond to a bankruptcy notice will be temporarily increased from 21 days to six months.

- Temporary relief from directors' personal liability
- Directors are personally liable if a company trades while insolvent. Through this temporary personal liability relief, the Government is aiming to:
    - Stop directors of companies, that would be ordinarily viable save for COVID-19, from electing to enter into insolvency due to the personal consequences from trading whilst insolvent.
    - Enable directors to increase their focus on managing companies through the COVID-19 crisis as opposed to be concerned by the implications for their own personal positions.
    - Avoid a situation whereby there are insolvencies en-masse in a short space of time which, due to the sheer number of the companies in insolvency, may dilute the ability of companies to be rehabilitated. In this situation, assets may not be saleable given the sheer volume of insolvencies so may be realized for minimal value or parked away.

Agribusiness

- The Federal Government's second announcement of economic stimulus measures has a distinct focus on supporting individuals, families, and small-medium enterprises to continue to function business-as-usual wherever possible.
- In addition to those provisions already made in Tranche 1, the Tranche 2 announcements will particularly benefit recipients of the Farm Household Allowance, small-medium sized agribusinesses and employers of apprentices and trainees (important for various downstream food processing and manufacturing sectors).
- This announcement also reinforces support offered by other institutions and regulatory bodies, such as Guarantee Schemes and access to, and reduced cost of, credit.

Current / Post Pandemic Functionality



Spain

Economic Background

After a prolonged recession that began in 2008 in the wake of the global financial crisis, Spain marked the fourth full year of positive economic growth in 2017, with economic activity surpassing its pre-crisis peak, largely because of increased private consumption. The financial crisis of 2008 broke 16 consecutive years of economic growth for Spain, leading to an economic contraction that lasted until late 2013. In that year, the government successfully shored up its struggling banking sector - heavily exposed to the collapse of Spain's real estate boom - with the help of an EU-funded restructuring and recapitalization program.

Until 2014, contraction in bank lending, fiscal austerity, and high unemployment constrained domestic consumption and investment. The unemployment rate rose from a low of about 8% in 2007 to more than 26% in 2013, but labor reforms prompted a modest reduction to 16.4% in 2017. High unemployment strained Spain's public finances, as spending on social benefits increased while tax revenues fell. Spain's budget deficit peaked at 11.4% of GDP in 2010, but Spain gradually reduced the deficit to about 3.3% of GDP in 2017. Public debt has increased substantially – from 60.1% of GDP in 2010 to nearly 96.7% in 2017.

Strong export growth helped bring Spain's current account into surplus in 2013 for the first time since 1986 and sustain Spain's economic growth. Increasing labor productivity and an internal devaluation resulting from moderating labor costs and lower inflation have

improved Spain's export competitiveness and generated foreign investor interest in the economy, restoring FDI flows.

In 2017, the Spanish Government's minority status constrained its ability to implement controversial labor, pension, health care, tax, and education reforms. Spain's borrowing costs are dramatically lower since their peak in mid-2012 and increased economic activity has generated a modest level of inflation, at 2% in 2017. (Agency 2020)

Response

Medical Response

- MAY 2 Individuals and families able to exercise outside.
- MAY 4 Deconfinement begins on smaller Spanish islands. Some local shops allowed to open, by appointment. Restaurants and bars allowed to open for takeaway meal service. Borders remain closed, and no travel between provinces permitted. Face masks "highly recommended" on public transport and outside the home.
- MAY 11 Deconfinement begins in mainland Spain. Approach will be phased, based on local circumstances with no fixed timetable. Shops and food markets reopen with social distancing and reduced capacity. Restaurants and bars allowed to reopen their terraces at 30 per cent capacity. Hotels to reopen, without communal spaces. Places of worship reopen with 30 per cent capacity. Public transit reopened with full service, but reduced passenger numbers.
- As of April 27, the Spanish government said it had carried out more than 1m of the more reliable PCR tests, and 310,000 antibody tests. Those who test positive are required to self-isolate until three days after the fever has broken and a minimum of seven days after the beginning of symptoms. Serious cases are sent to hospital.
- END MAY Cinemas and theatres could reopen at 30 per cent capacity. Restaurants and bars able to offer table service at 30 per cent capacity. Places of worship allowed to increase to 50 per cent capacity.
- MID-JUNE Large shopping centres reopen with reduced capacity. Bars and nightclubs reopen at 30 per cent capacity.
- LATE JUNE — MID-JULY Travel between provinces may be allowed to resume.

Economic Response

Guarantee of liquidity to sustain economic activity

- Approval of a credit line whereby the State shall cover the financing extended by financial institutions to companies and self-employed persons. (Art. 29)
    - Approval of a credit line whereby the State shall cover the financing extended by financial institutions to companies and self-employed persons. The Ministry of Foreign Affairs and Digital Transformation will grant up to EUR 100,000 million in guarantees for funding provided by credit institutions.
    - The conditions that apply and the requirements that must be met, including the maximum period for applying for the guarantee, shall be established by the Council of Ministers without the need to enact any subsequent implementing regulations.
    - The guarantees granted under this regulation and the terms and conditions agreed by the Council of Ministers shall comply with European Union regulations on state aid.
- Raising of the net indebtedness limit of the Spanish official credit institute (ICO) to increase the ICO credit facilities for the financing of companies and the self-employed. (Art. 30)
    - The net indebtedness limit of the Spanish official credit institute (ICO) provided in the General State Budget Law will be raised by EUR 10,000 million to provide companies, particularly SMEs and self-employed workers, with additional liquidity. This will take the form of short-, medium- and long-term ICO financing facilities provided through financial institutions, and of direct funding for larger companies, in accordance with ICO's policy regarding financing.
    - The decision-making bodies of the ICO will adopt the necessary measures to make more funds available and provide greater flexibility of funding, as well as to improve company access to credit while preserving the necessary financial equilibrium stipulated in its articles of association.
- Extraordinary insurance cover facility. (Art. 31)
    - Beneficiaries: Spanish small and medium enterprises (SMEs) and other larger unlisted companies in the following circumstances:

        - Companies engaged in international trade or that are in the process of internationalization, and that meet at least one of the following requirements:
            - companies whose international operations, as reflected in the latest available financial information, account for at least one-third (33%) of their turnover, or
            - companies with regular export activities (those that have carried out regular exports over the past four years in accordance with the criteria established by the Secretariat of State for Trade).
        - Companies that are experiencing liquidity problems or lack of access to funding as a result of the impact of the crisis caused by COVID-19 on their economic activity.
    - Excluded: companies in technical insolvency or in pre-insolvency proceedings, and companies in default of payments to public sector companies or that have outstanding debts with the administration.
    - Formalization: two tranches of EUR 1,000 million each, the second of which will go into effect on verification that the first tranche has been issued in a satisfactory manner.

- Financial measures aimed at owners of agricultural holdings that arranged loans due to the drought in 2017 (Art. 35)
    - Owners of agricultural holdings who, affected by the drought in 2017, contracted credit facilities, will be allowed to voluntarily enter into agreements with financial institutions to extend the repayment periods of their loans by up to one year, which shall be considered a grace period.
    - The Ministry of Agriculture, Fisheries and Food will finance the additional cost of the guarantees granted by the Sociedad Anónima Estatal de Caución Agraria (SAECA) as a result of extending the aforementioned repayment periods.

Additional measures to enable an adequate response

- Period for petitioning for insolvency proceedings. (Art. 43)
    - Insolvent debtors will be under no obligation to apply to the courts for an insolvency order while the state of emergency is in force.

- Until two months from the end of the state of emergency, judges will not grant leave to proceed with any petitions for necessary insolvency filed while the state of emergency was in force or any filed during these two months.

- Any voluntary petition for an insolvency order that has been filed will be admitted for consideration, on a priority basis, even if it has a later date.

- Debtors will likewise not have to file for insolvency while the state of emergency is in force if they have given notice to the competent court for insolvency proceedings that negotiations have been started with creditors to reach a refinancing agreement or an out-of-court settlement or to gain acceptance of an advanced proposal of a creditors' agreement, even though the time period referred to in article 5.5bis of Insolvency Law 22/2003, of 9 July 2003, has expired.

- ACELERA Plan. (Additional provision eight)

  - The government will arrange for the Acelera Programme for SMEs to commence immediately, through the public entity RED.ES, with the aim of implementing a set of initiatives in collaboration.

Other measures– Royal Decree-7 2020

Measures to support the tourism industry:

- Increase in the Thomas Cook financing line to assist companies incorporated in Spain within certain economic sectors (art. 12).

  - The budget item of the Ministry of Industry, Commerce and Tourism guaranteeing 50% of the debt drawn down from the ICO credit line will be raised from the initial EUR 100 million to EUR 200 million so as to cover the increased financing line up to EUR 400 million, adjusting the corresponding budgeted amounts in each year to these new limits.

Government launch of first package of 100 billion euros measure

On 24 March, the Council of Ministers approved the first release of EUR 20 billion, expandable as consumed

- Destination: to maintain liquidity in companies and face immediate expenses due to COVID-19, 50% of the package (10 billion euros) must be used for companies with less than 250 workers and for freelance employees.

- Warranty:

    - Up to 80% of the loans that SMEs apply to banks.
    - Up to 70% in large companies.
    - Up to 60% in loan renewals that are due in the coming months.
- Pre-crisis loans cannot be cancelled by banks.
- The maximum maturity of the loan guarantee is 5 years, so the loans will not exceed that maturity.
    - Application deadline: 30 September 2020.
    - Interest rate: The banks will establish the interest rates of the loans. The cost of the guarantee: "it will be assumed by the entities" and will be between 20 and 120 basis points.
    - Eligibility: all companies and freelancers who were neither in default as of 31 December 2019 nor in bankruptcy procedure on 17 March 2020 may apply for credits with these guarantees.
    - Management: this line will be managed by the Instituto Oficial de Crédito (ICO), in collaboration with financial entities.
    - Criteria: the maximum loan will be defined by:
        - 25% of 2019 sales
        - 24 months of 2019 salaries
    - Request: through the financial entities with which the ICO has signed the corresponding collaboration agreements.
    - Retroactive effects on loans signed since 18 March apply.
    - ICO is has signed the collaboration agreement with some financial entities.

Government launch the second package of the 100 billion euros measure:

On 10 April, the Council of Ministers approved the second release of EUR 20 bn, expandable as consumed.

- Destination: to maintain liquidity in companies and face immediate expenses due to COVID-19, 100% of the package (20 billion euros) must be used for companies with less than 250 workers and for freelance employees.

- Application deadline: 30 June and extendable to 30 September 2020.
- All other conditions are equal to those of the first package.

Measures to boost corporate finances

Institute for Energy Diversification and Saving

- RD-Law 15/2020 authorises the Institute for Energy Diversification and Saving, M.P. (IDAE), a public business entity, to grant deferrals for the repayment of loans granted in the context of its refundable subsidy or aid programmes.

Insurance Compensation Consortium

- Likewise, the Insurance Compensation Consortium is authorised to act as reinsurer of credit insurance risks.

Line of state guarantees

- As regards the €100,000 million line of state-backed guarantees approved by Royal Decree-Law 8/2020 to cover the financing granted by credit institutions to reinforce the measures introduced to shore up the liquidity of companies and the self-employed, RD-Law 15/2020 adopts three supplementary measures:
    - First of all, the counter-guarantee granted by Compañía Española de Reafianzamiento Sociedad Anónima (CERSA) has been consolidated to increase the guarantee capacity of Reciprocal Guarantee Companie
    - Provision is also made for the above guarantees to cover promissory notes included on the Spanish Brokers' Association (AIAF) Fixed Income Market and the Alternative Fixed income Market (MARF)
    - Lastly, assurance is provided as regards release of the line of guarantees of up to Euros 100,000 million until 31 December 2020.

Government launch of first package of 100 billion euros measure

The Royal Decree-Law also specifies, in relation to this line of guarantees, that the Ministry of Transport, Mobility and Urban Agenda may grant guarantees for up to Euros 1,200 million to implement the measures provided for in Royal Decree-Law 11/2020 on the moratorium on rental payments for families left in a vulnerable situation by COVID-19, thereby securing the fixed-purpose loans granted by financial institutions.

Government launch the third package of the 100 billion euros measure:

On 10 may, the Council of Ministers approved the third release of EUR 24.5 bn, expandable as consumed.

- Destination: to maintain liquidity in companies and face immediate expenses due to COVID-19.
    - €10bn must be used for companies with less than 250 workers and for freelance employees.
    - €10bn must be used for large companies.
    - €4bn must be used to guarantee notes issued by the alternative market for debt securities (MARF).
    - 0.5bn for reciprocal guarantee societies conducted through CERSA.
- Application deadline: 30 September 2020.
- All other conditions are equal to those of the previous packages.

Government launch the fourth package of the 100 billion euros measure:

On 20 may, the Council of Ministers approved the fourth release of EUR 20 bn, expandable as consumed.

- Destination: to maintain liquidity in companies and face immediate expenses due to COVID-19.100 of the €20bn package must be used for companies with less than 250 workers and for freelance employees.
- Application deadline: 30 September 2020.
- All other conditions are equal to those of the previous packages.

Public procurement measures:

- Particularly noteworthy in this regard is the inclusion of a modification to the Public Sector Contracts law, which regulates the opening of the envelopes or electronic files of bidders whose bids are assessed on the basis of criteria quantified merely by application of certain formulae, as part of the simplified opening procedure. This development does away with the requirement for envelopes to always be opened in a public act.
- Elsewhere, Royal Decree-Law 11/2020 has been amended to clarify that procurement procedures continued by agreement of public sector entities in the exceptional circumstances presented by the state of emergency may be subject to a special appeal,

with the relevant time periods continuing to run on the terms envisaged in the Public Sector Contracts Law, and without the above appeal procedure being deemed suspended

Implementation of the COVID-19 moratorium

- Notaries' fees for intervention in contracts formalising the temporary suspension (moratorium) of contractual obligations under any of the non-mortgage-backed loans or credits referred to in Royal Decree-Law 11/2020 will be those provided for in the Decree of 15 December 1950, with a 50% discount subject to a minimum of Euros 25 and a maximum of Euros 50, for all items, including copies and service.

- Registrars' fees for entry on the register of temporary suspensions of contractual obligations will be charged at a fixed sum of 6 Euros.

- The above notaries' and registrars' fees for formalisation and registration must be paid by the creditor in all cases.

- The Royal Decree-Law also regulates the unilateral grant by credit institutions of notarial instruments formalising suspensions deriving from the statutory moratorium on loans and credits secured by mortgages or otherwise or by some other registrable right, explaining that the purpose of the above instruments is to document unilateral acknowledgement by the creditor of an obligation established ex lege. This measure is designed to facilitate the registration of such instruments, as the case may be, on the relevant register.

Flexibilization measures in certain sectors

Generally speaking, flexibility measures have been adopted to adjust the regulations governing certain sectors and activities, including ports, university research, technological centres, agricultural workers and cooperatives, to the current situation. These measures call for detailed analysis by each of the affected sectors, with the following being particularly worthy of note:

Cooperatives

- The Fund for Education and Promotion of Cooperatives is permitted, on an extraordinary and temporary basis, to engage in any activity that contributes to curbing or alleviating the effects of the health crisis triggered by COVID-19.

Worker-owned enterprises and investees

- Some of the requirements permitting public listed companies or limited-liability companies to be classed as worker-owned entities have been temporarily and extraordinarily relaxed.

Ports

- Royal Decree-Law 15/2020 introduces a series of exceptional and transitional measures to mitigate the economic impact of COVID-19 on this sector.

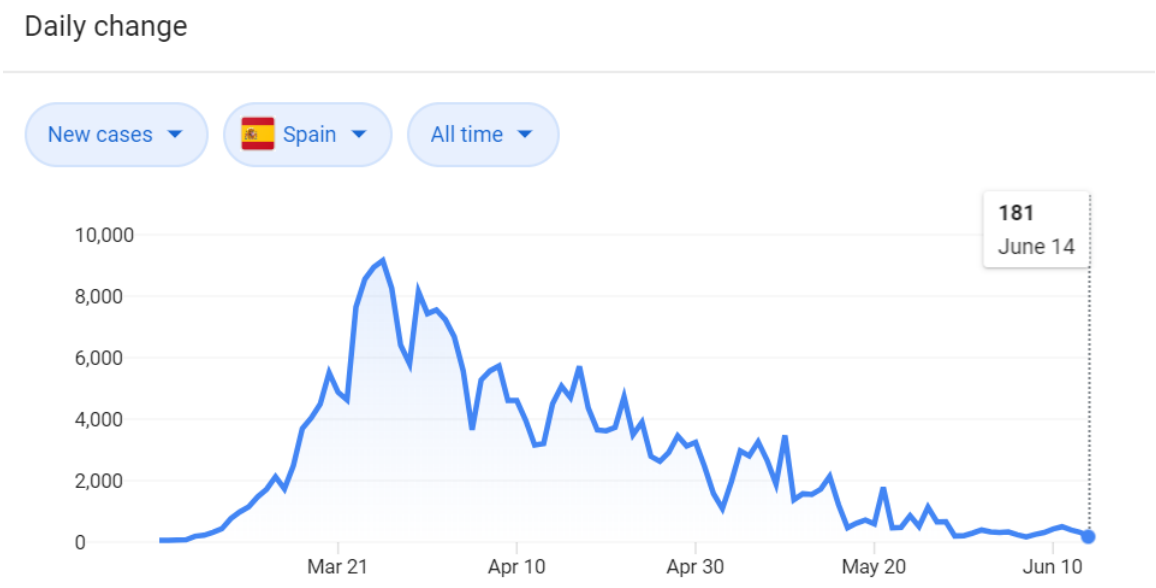
Insurance and welfare entities

- The RDL provides for the possible extension of certain deadlines and time periods for filing information to the Directorate-General of Insurance and Pension Funds

Start-ups

- Payments can be postponed on loans granted by the General Secretariat for Industry
- The state will guarantee around 80% of unpaid loans to self-employed workers and small and medium-sized companies

Current / Post Pandemic Functionality



Mexico

Economic Background

Mexico's $2.4 trillion economy – 11th largest in the world - has become increasingly oriented toward manufacturing since the North American Free Trade Agreement (NAFTA) entered into force in 1994. Per capita income is roughly one-third that of the US; income distribution remains highly unequal.

Mexico has become the US' second-largest export market and third-largest source of imports. In 2017, two-way trade in goods and services exceeded $623 billion. Mexico has free trade agreements with 46 countries, putting more than 90% of its trade under free trade agreements. In 2012, Mexico formed the Pacific Alliance with Peru, Colombia, and Chile.

Mexico's current government, led by President Enrique PENA NIETO, has emphasized economic reforms, passing, and implementing sweeping energy, financial, fiscal, and telecommunications reform legislation, among others, with the long-term aim to improve competitiveness and economic growth across the Mexican economy. Since 2015, Mexico has held public auctions of oil and gas exploration and development rights and for long-term electric power generation contracts. Mexico has also issued permits for private sector import, distribution, and retail sales of refined petroleum products in an effort to attract private investment into the energy sector and boost production.

Since 2013, Mexico's economic growth has averaged 2% annually, falling short of private-sector expectations that President PENA NIETO's sweeping reforms would bolster economic prospects. Growth is predicted to remain below potential given falling oil production, weak oil prices, structural issues such as low productivity, high inequality, a large informal sector employing over half of the workforce, weak rule of law, and corruption. (Agency 2020)

Response

Economic Response

- 500,000 for the formal economy.

Customs Measures

Duty relief

- Simplified procedure for imports carried out by the Ministry of Health and Health Sector decentralized agencies.

- The Health Department and, decentralized agencies authorized by the Health Sector may import goods for medical treatment without some administrative formalities related to the customs clearance of imported goods.

- Importation of merchandise donated to the Government trough Ministry of Health. The mentioned rule establishes the procedure to request the permit to import without payment of customs duties, this apply exclusive for merchandise donated by foreign entities to face the healthy emergency. The importer of record must be the Ministry of Health or its related entities.

Other measures

- Importation of merchandise donated to the Government trough Ministry of Health. The mentioned rule establishes the procedure to request the permit to import without payment of customs duties, this apply exclusive for merchandise donated by foreign entities to face the healthy emergency. The importer of record must be the Ministry of Health or its related entities.

- The Ministry of Health published the agreement that establish the technical guidelines related to the suspension of activities in some sectors of the Mexican economy in the following terms:

    - For companies, whose activities suspension may have an irreversible effect on their operation,

    - For courier companies,

    - Electronic commerce organizations and platforms are considered.

    - Companies necessary for the maintenance, maintenance and repair of critical infrastructure that ensures the production and distribution of essential services.

- The Authority expedites issuance permits for import and export for all health inputs.

Other measures and sources

- Low oil prices and slow growth will leave limited room for tax expansion. Government will cut spending in order to offset lower revenues. Lopez Obrador will remain committed to tax prudence.

- The government will look to keep prices low opening opportunities to new markets in sectors that could be affected by the disruptions the virus outbreak is causing globally. USMCA has been approved in all three of Mexico, the US, and Canada, and now each country will focus on finalizing the regulatory changes needed for its implementation.

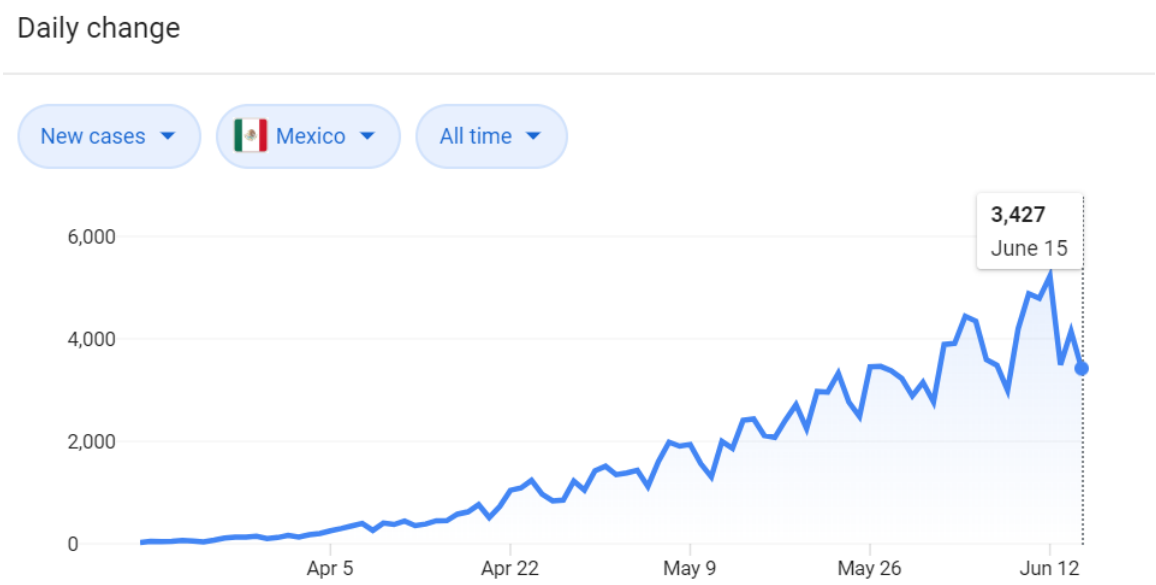
- From April 20 to May 30, the timeframe, and terms applicable in the procedure of administrative formalities of the Ministry of Foreign Affairs shall be suspended.

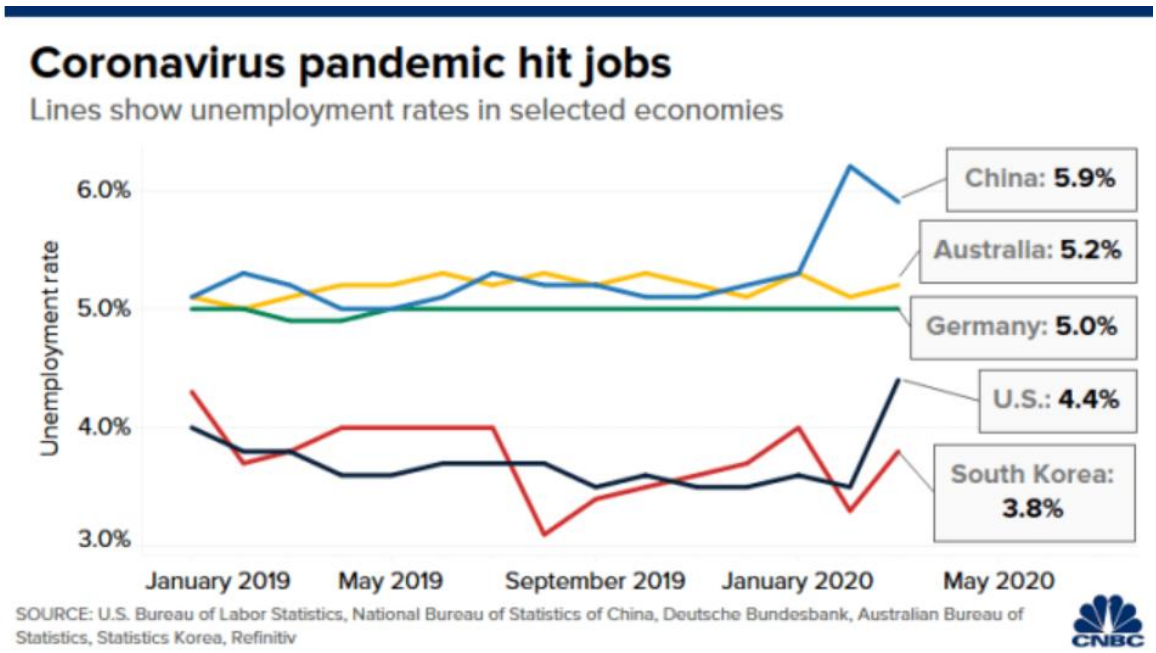
- From April 21 to May 30, the timeframe, and terms applicable under the Ministry of Economy are suspended. From March 23 to May 29, all communications and requests will be carried out by e-mail.

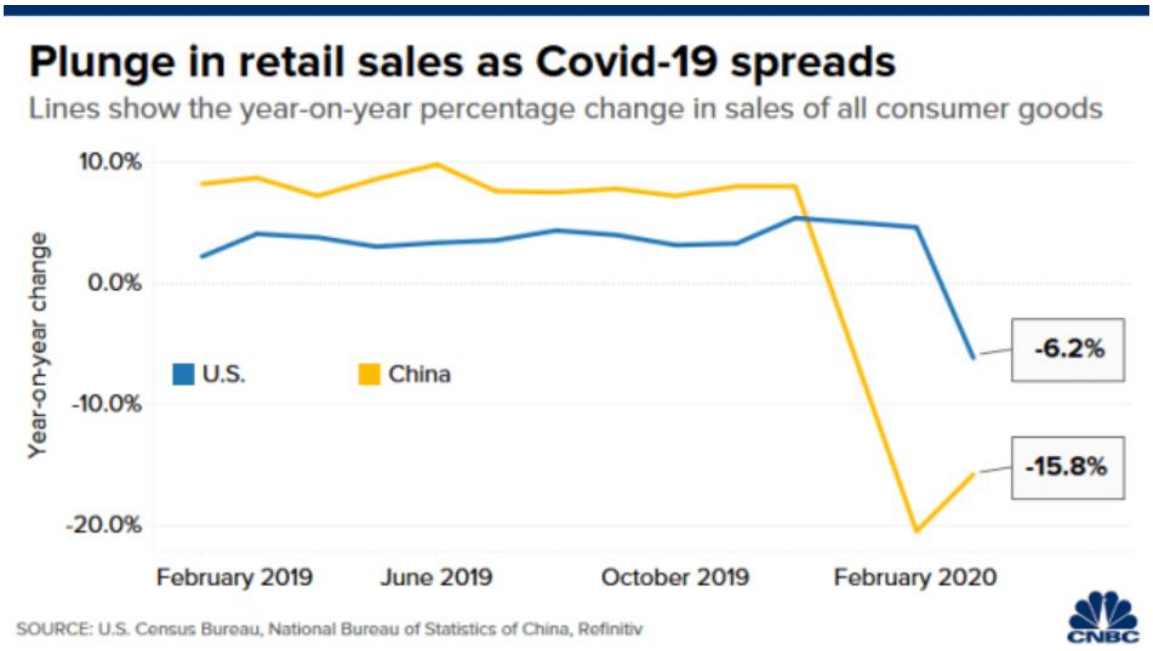
Proof of origin

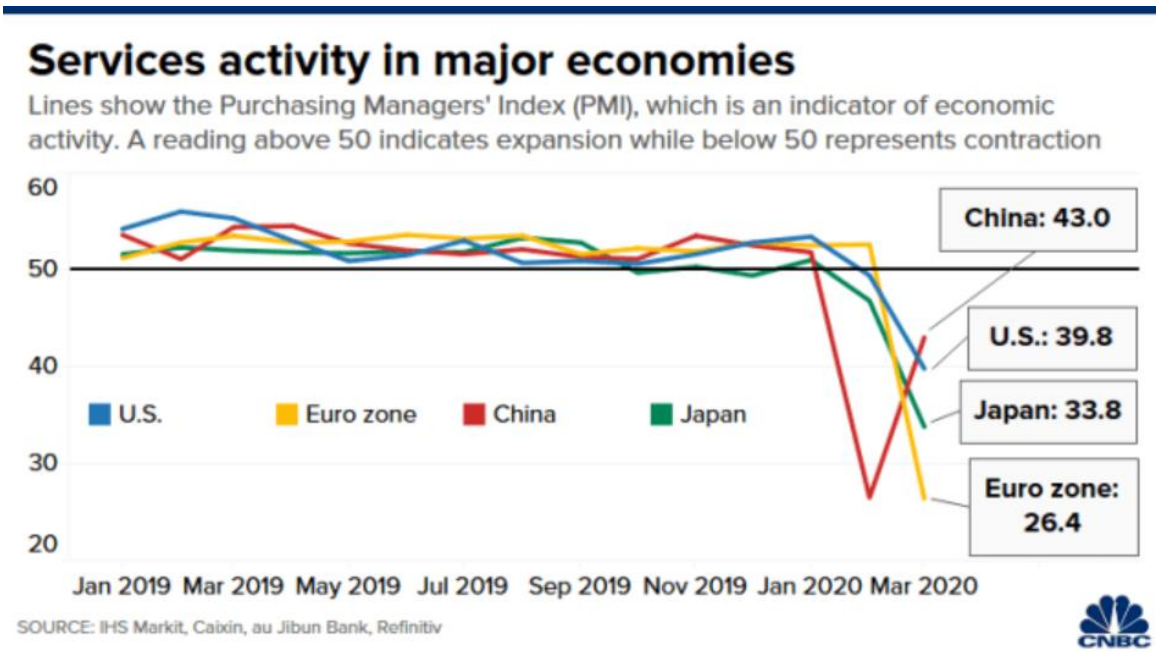
- From April 20, certificates of origin granted by the government will be delivered through email, either with the account registered on VUCEM (digital platform) or the one used in the request.

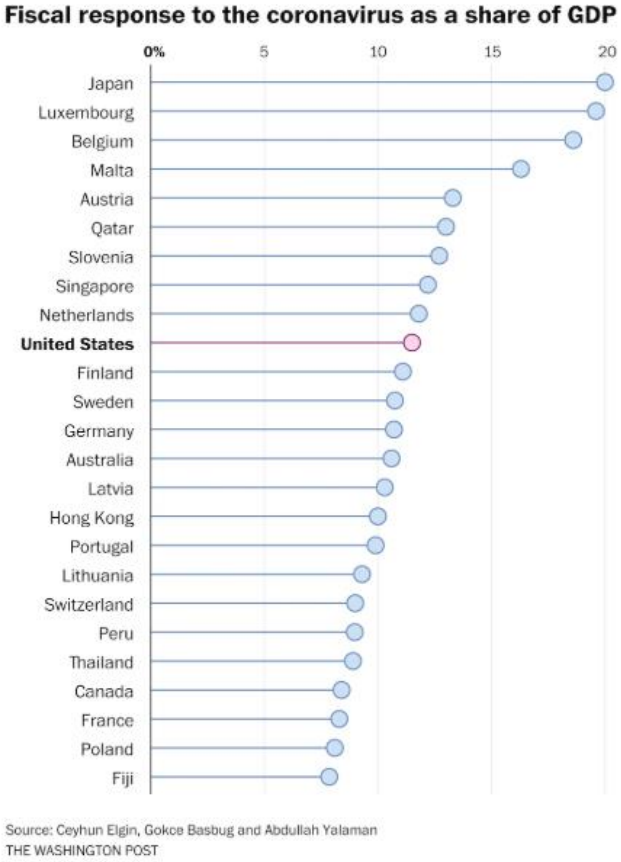
Current / Post Pandemic Functionality

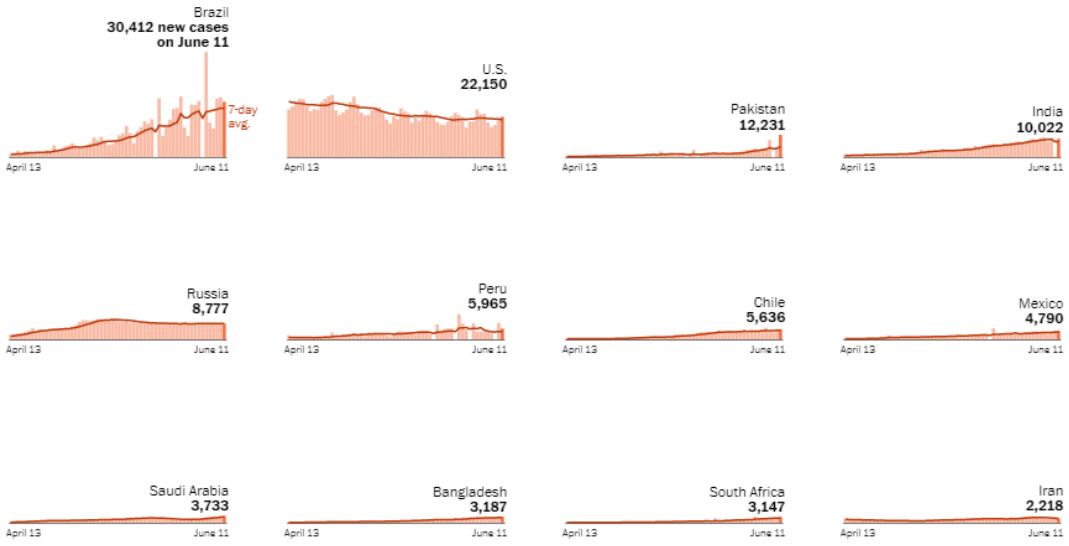


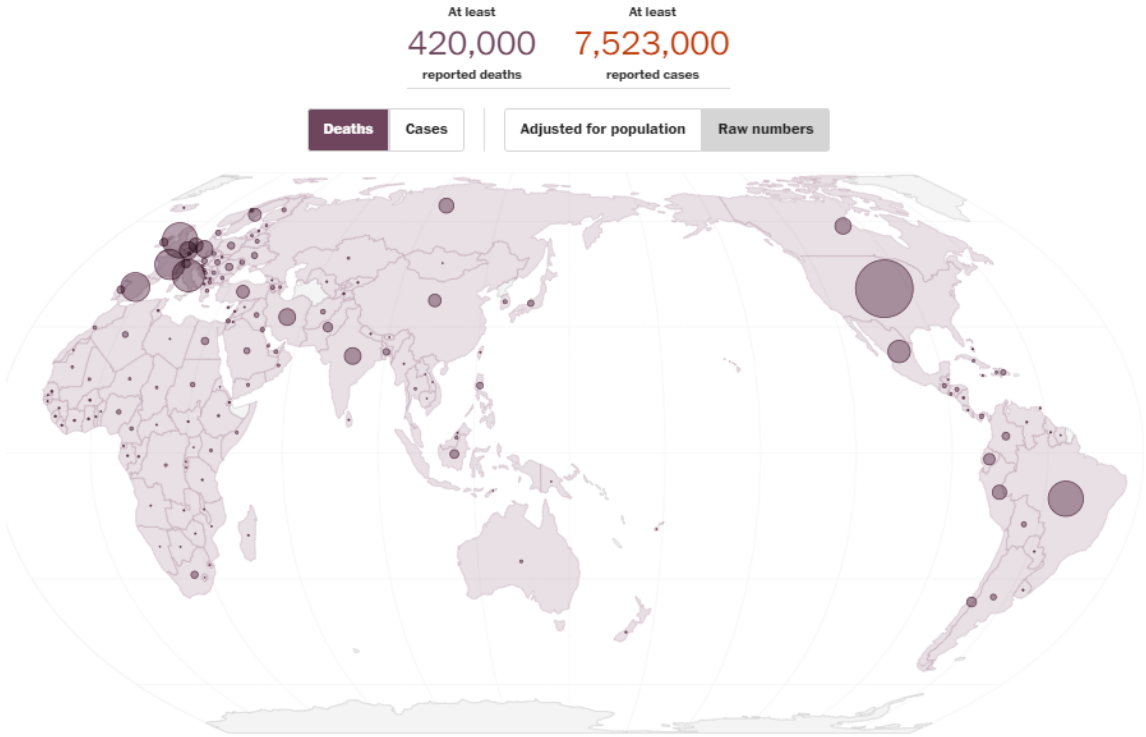

Coronavirus pandemic hit jobs
Lines show unemployment rates in selected economies
Unemployment rate
6.0%
5.0%
4.0%
3.0%
China: 5.9%
Australia: 5.2%
Germany: 5.0%
U.S.: 4.4%
South Korea: 3.8%
January 2019
May 2019
September 2019
January 2020
May 2020
SOURCE: U.S. Bureau of Labor Statistics, National Bureau of Statistics of China, Deutsche Bundesbank, Australian Bureau of Statistics, Statistics Korea, Refinitiv
CNBC

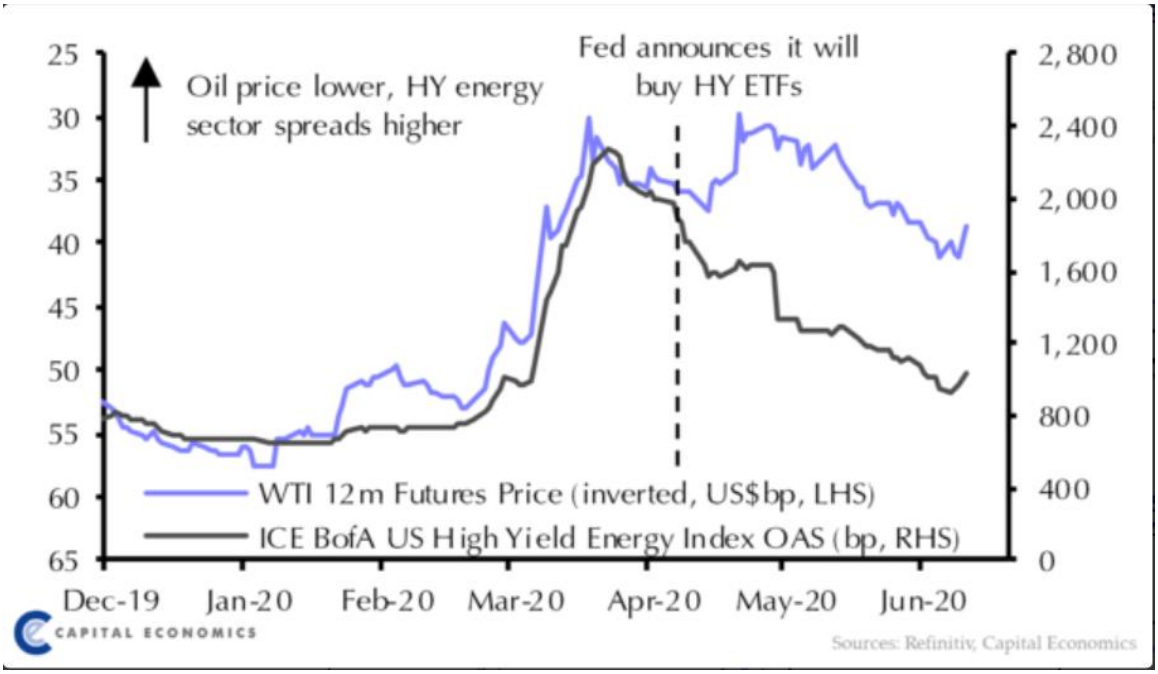

Plunge in retail sales as Covid-19 spreads
Lines show the year-on-year percentage change in sales of all consumer goods
Year-on-year change
10.0%
0.0%
-10.0%
-20.0%
U.S.
China
-6.2%
-15.8%
February 2019
June 2019
October 2019
February 2020
SOURCE: U.S. Census Bureau, National Bureau of Statistics of China, Refinitiv
CNBC


Services activity in major economies
Lines show the Purchasing Managers' Index (PMI), which is an indicator of economic activity. A reading above 50 indicates expansion while below 50 represents contraction
60
50
40
30
20
U.S.
Euro zone
China
Japan
China: 43.0
U.S.: 39.8
Japan: 33.8
Euro zone: 26.4
Jan 2019
Mar 2019
May 2019
Jul 2019
Sep 2019
Nov 2019
Jan 2020
Mar 2020
SOURCE: IHS Markit, Caixin, au Jibun Bank, Refinitiv
CNBC


Fiscal response to the coronavirus as a share of GDP
0%
5
10
15
20
Japan
Luxembourg
Belgium
Malta
Austria
Qatar
Slovenia
Singapore
Netherlands
United States
Finland
Sweden
Germany
Australia
Latvia
Hong Kong
Portugal
Lithuania
Switzerland
Peru
Thailand
Canada
France
Poland
Fiji
Source: Ceyhun Elgin, Gokce Basbug and Abdullah Yalaman
THE WASHINGTON POST


Brazil
30,412 new cases on June 11
7-day avg.
April 13
June 11
U.S.
22,150
Pakistan
12,231
India
10,022
Russia
8,777
Peru
5,965
Chile
5,636
Mexico
4,790
Saudi Arabia
3,733
Bangladesh
3,187
South Africa
3,147
Iran
2,218


At least
420,000
reported deaths
At least
7,523,000
reported cases
Deaths
Cases
Adjusted for population
Raw numbers


Oil price lower, HY energy sector spreads higher
Fed announces it will buy HY ETFs
WTI 12m Futures Price (inverted, US$bp, LHS)
ICE BofA US High Yield Energy Index OAS (bp, RHS)
25
30
35
40
45
50
55
60
65
2,800
2,400
2,000
1,600
1,200
800
400
0
Dec-19
Jan-20
Feb-20
Mar-20
Apr-20
May-20
Jun-20
CAPITAL ECONOMICS
Sources: Refinitiv, Capital Economics


EM Asia
EM EMEA
Latin America
*USD-terms, 1st Jan. = 100
110
100
90
80
70
60
50
40
Jan-20
Feb-20
Mar-20
Apr-20
May-20
Jun-20
CAPITAL ECONOMICS
Sources: Refinitiv, Capital Economics

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