Africa and Middle East:

An Overview of Select Markets' Government Response to COVID-19 and State-Sponsored Relief Programs

Contributed by EMPEA Leadership Circle and Legal and Regulatory Council member, Debevoise & Plimpton

Nigeria

The Nigerian government has launched a number of measures aimed at stimulating the economy and readying its health care systems.

- A fiscal stimulus of USD1.5b has been approved to support health care facilities, provide relief for taxpayers, and incentivize employers to retain and recruit staff;
- A "COVID-19 Basket Fund" has been implemented in collaboration with the UN system in Nigeria to distribute funding to health care companies to procure medical goods. The fund will serve as a financing and investment platform for diverse stakeholders to channel financial support;
- The Central Bank of Nigeria has announced, amongst other measures, an unprecedented USD3b stimulus package for critical sectors of the economy, the creation of a USD140m targeted credit facility for households and SMEs, credit support for the health care industry, regulatory forbearance to banks to restructure terms of facilities, and extensions of credit to the private sector;
- Moratoriums on all federal government-funded loans, a one-year extension of a moratorium on principal repayments for Central Bank of Nigeria intervention facilities, and a three-month repayment moratorium for all TraderMoni, MarketMoni, and FarmerMoni loans;
- Extensions on the filing due date for VAT and a one month filing extension for companies filing Companies Income Tax returns;
- An Emergency Economic Stimulus Bill to protect employees by giving tax rebates of up to 50% on the total amount due for companies that do not lay off their employees from March 1 to December 31, 2020; and
- A planned reduction in the federal government 2020 budget by USD4.9b and a reduction in the crude oil benchmark price from USD57 to USD30 to combat the effect of a global reduction in oil demand because of COVID-19;
- A fund of USD260,000 provided for pharmaceutical companies to expand drug manufacturing plants, and hospitals and health care providers to expand existing facilities or build new ones;
- The Nigerian Stock Exchange has granted Dealing Member Firms an additional 60 days for the submission of their annual audited financial accounts; and,
- An import duty waiver proposed on medical equipment, personal protective equipment, and other medical necessities.

Kenya

USD375m in funds have been earmarked for the COVID-19 response by the Kenyan government. These funds have been designated mainly for additional health expenditure; however, there are planned funds available for expediting payments of existing obligations to maintain cash flow for businesses – many of the measures have not been confirmed.

- Economic relief in the form of a USD5m fund to support the tourism industry;
- A package of tax measures, including a reduction of the turnover tax rate on small businesses from 3% to 1% and of the standard VAT rate from 16% to 14% as well as a reduction of the resident corporate income tax from 30% to 25%. The Kenyan government have also implemented full income tax relief for individuals earning below USD225 per month and a reduction in the top PAYE rate from 30% to 25%;
- The government encouraged all domestic commercial banks to restructure nonperforming loans caused by COVID-19 and to be flexible regarding loan classification as nonperforming. In addition, the Kenyan Bankers Association has encouraged lenders to provide relief and other restructuring arrangements to borrowers whose loan repayments were up to date as of March 2, 2020;
- A temporary suspension of the listing of negative credit information for borrowers on the Credit Reference Bureaus whose loans became non-performing after April 1, 2020;
- Central bank policy changes which allow SMEs to make larger mobile money transfers;
- The central bank cut its policy rate from 8.25% to 7%, reduced the cash reserve ratio from 5.25% to 4.25% to improve access to liquidity in the market, and increased the maximum tenor of repurchase agreements from 28 to 91 days; and,
- Negotiations with the IMF and the World Bank; the IMF has approved a USD739m package in an emergency fiscal intervention in Kenya under their Rapid Credit Facility. The funding is expected to be used to support the Kenyan government's liquidity requirements and cover its balance of payments gap in 2020. The World Bank has also provided a USD50m interest free loan to Kenya as part of their global response to COVID-19.

South Africa

The South African government has announced a range of measures to fortify businesses, including a USD26.5b package. The package, equivalent to 10% of the South African GDP, is set to finance a wide range of measures and encompasses both social and economic relief.

- The Industrial Development Corporation in partnership with the Department of Trade, Industry and Competition has put together a USD163m package for industrial funding to companies critical to national efforts to fight COVID-19. This package will comprise of the provision of working capital, bridging finance, and trade finance. There will be a further allocation of USD163m in Q2 to continue this support. The funding will only be available for businesses which are 100% owned by South African citizens;
- A Debt Relief Fund: The funds will provide debt relief for SMEs for existing debts and repayments. The Debt Relief Fund will also assist SMEs in acquiring raw materials and paying labor and other operational costs. SMEs will only be eligible if a company is 100% owned by South African citizens, has 70% South African employees, and is registered with the appropriate regulatory bodies;
- A Business Growth and Resilience Facility: This facility available to SMEs will offer working capital, stock, bridging finance, order finance, and equipment finance. SMEs will only be eligible if a company is 100% owned by South African citizens, has 70% South African employees, and is registered with the appropriate regulatory bodies;
- A "Blended Finance Program" provided by a partnership of the Small Enterprise Finance Agency and the Small Enterprise Development Agency. The program is aimed at supporting SMEs in acquiring business equipment, tools, and machinery, and will also provide non-financial development advice. Finance is now being provided by loan funding from the Small Enterprise Development Agency alongside direct grant funding from the Small Enterprise Finance Agency;
- The Unemployment Insurance Fund developed a temporary Employer/Employee Relief Scheme of USD2b. The scheme will directly assist employers, sectoral associations, and bargaining councils who are unable to pay a full salary to their workers because of lockdown measures; the fund will top up the salary payments up to a minimum of USD185 and maximum of USD938 a month;
- A Loan Guarantee Scheme for SMEs: The government-backed loan scheme will be initially provided by domestic banks to businesses with an annual turnover of less than USD15.9m to meet operational expenses. The National Treasury has initially provided a guarantee of USD5.3b with optionality to increase the guarantee to USD10.8b dependent on scheme success;
- A concessionary loan scheme for qualifying SMEs. The South African Future Trust (an independent charitable trust) has partnered with several domestic banks to extend assistance to SMEs in need of financial support. The initial fund of USD53m will be disbursed by the domestic partnership banks to eligible SMEs with a turnover of less than USD1.3m;
- The Solidarity Response Fund: The pro bono organization set up by the South African Government to channel donations from corporate entities and individuals to procure testing kits, PPE equipment, and ventilators;
- The central bank announcing temporary relief on bank capital requirements and also issuing guidance on dividends and cash bonus distribution (to ensure sufficient levels of capital preservation), a reduction in the liquidity coverage ration requirements from 100% to 80%, reducing the central bank rate to 4.25%, a program to purchase government securities on the secondary market, a reduction in the repo rate from 6.25% to 5.25%, and a commitment to raise the size of the central bank's main weekly refinancing operations;
- The National Empowerment Fund setting aside USD10.5m to create a loan facility for South African entities. This facility is aimed at entrepreneurs who manufacture and supply medical products. The loans of up to USD527,000 will be offered at 0% interest for the first year and thereafter at 2.5% per annum for a term of up to five years;
- Domestic banks offering three-month debt payment holidays;
- A temporary competition exemptions for the banking and retail sector to allow banks and businesses to work together to devise relief measures; and
- Relief for tax-compliant businesses with an annual turnover of less than USD2m. Eligible businesses will be able to delay their corporate income tax payments without penalties or interest over the next six months; they may also delay 35% of their pay-as-you-earn liabilities over the next four months. Additional tax relief measures also include a four-month holiday for companies' skills development levy contributions, fast-tracing VAT refunds, and a three-month delay for filing and first payment of carbon tax. Various other temporary employment tax-relief measures have been enacted to encourage employers to continue to maintain their workforce.

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Egypt

The Egyptian government has earmarked a USD6.13b stimulus package equating to 1.8% of GDP to cushion the economic impact of COVID-19.

- A USD3.17b fund to support industries in the tourism sector:
- Lowering energy costs for the entire industrial sector (the price of natural gas has been lowered by 25% for cement manufacturers and 18% for ceramics and metallurgy manufacturers);
- An allocation of USD1.2b to shore up the Egyptian stock exchange and significant tax reliefs on transactions to support equity investors. Foreign investors will pay stamp tax at a reduced rate of 0.125% from 0.15%, and all spot transactions will be exempt from stamp tax. Foreign investors will be permanently exempt from capital gains tax with domestic investor's capital gains tax postponed until January 1, 2022. Investors will also now pay a withholding tax on dividend payouts from listed companies, a reduction of 5%;
- Real estate tax relief for business in the industrial and tourism sectors. The tax relief includes a three-month tax holiday on real estate with permission to pay any outstanding liabilities in monthly instalments over the next six months;
- A 3% cut in the central bank rate from 13.25% to 10.25%. The central bank has also instructed domestic banks to provide the credit limits necessary to finance working capital requirements of existing business customers and has launched a USD1.2b stock-purchase program; and
- The central bank giving SMEs a six-month exemption on credit repayments and the fast tracking of the SME Act through Egyptian parliament to give further relief to SMEs. The central bank have also made changes to the overnight deposit rate and rate of main operation, changing the rates to 9.25% and 9.75% respectively.

UAE

The United Arab Emirates have so far announced an extensive range of measures at a federal government level including a USD69b central bank stimulus. At a state level, the free zones and local government have introduced various measures to relieve the pressures facing businesses.

- At a federal level the central bank has announced a "Targeted Economic Support Scheme." The scheme, which has been put in place for a year, comprises two aid strands. The first strand of the scheme is a zero cost facility aimed at providing USD13b of liquidity support to domestic banks who are in turn providing temporary loan and interest repayment holidays on loans. The liquidity support is being distributed through 0% interest collateralized loans. The second strand is aimed at providing relief from lender "capital buffer" requirements; lenders will now be able to offer facilities against some of the capital they hold in reserve. This measure is estimated to cost USD13b and will halve reserve requirements to 7%. In order to participate in the schemes, domestic banks and finance companies are expected to extend deferrals of principal and interest payments to customers for a period of up to six months for all private sector corporate customers and retail clients;
- The central bank has also limited bank fees for SMEs, introduced a temporary six-month waiver of all payment service fees charged, and reduced the policy interest rate to 1.5%;
- Abu Dhabi's government has allocated USD810m to an SME credit guarantee scheme managed by the Abu Dhabi Investment Office. The scheme will provide a government-backed guarantee of up to 80% of the value of the loan to SMEs through partnership banks. The loans will provide working capital for up to a three-month duration or longer term loans of up to four years. Abu Dhabi has also implemented a USD270m market marker fund; the fund is aimed at enhancing liquidity and sustaining balance between supply and demand for stocks;
- Further measures include Abu Dhabi providing USD1.3b to subsidize water and electricity fees for individual, commercial, and industrial activities; the funding will also subsidize electricity connection fees for startups for 2020. The government has also suspended bid bonds, waived industrial and commercial penalties, accelerated the payment of government invoices, provided for up to a 20% rebate on rental values for the restaurant, tourism, and entertainment sectors, exempted all commercial and industrial activities from Tawtheeq fees until 2021, and reduced industrial land leasing fees by 25% for new contracts among other measures;
- Dubai's government launched a USD405m economic stimulus package aimed at providing liquidity to companies and businesses in Dubai. The package includes a temporary freeze of the 2.5% market fees for all facilities operating in Dubai; a refund of 20% of customs fees imposed on imported products sold in the Dubai domestic market; the cancellation of the USD13,500 bank guarantee or cash requirement needed in order to undertake customs clearance activities; permission to renew commercial licenses without mandatory renewal of lease contracts; cancellation of the 25% down payment required for requesting instalment-based payment of government fees for obtaining or renewing licenses; and among other measures, a 10% reduction of water and electricity bills for three months;
- Dubai's domestic banks have announced measures aimed at supporting the central bank's initiatives. The measures include allowing customers who have been financially impacted by COVID-19 to request to defer up to 3 monthly payment instalments without fees on existing and new financing facilities among other measures aimed at supporting the business sector in Dubai;
- The Dubai Free Zones Council announced an economic stimulus package to complement the Dubai Government's efforts. The package covers five key areas: postponing rent payments by a period of 6 months, facilitating instalments for payments, refunding security deposits and guarantees, cancelling fines for companies, and permitting temporary individuals contracts that allow the free movement of labor between companies operating in the free zones to continue for the rest of the year;
- Dubai and Abu Dhabi have temporarily suspended eviction for tenants struggling to pay rent during COVID-19.

Asia:

An Overview of Select Markets' Government Response to COVID-19 and State-Sponsored Relief Programs

Contributed by EMPEA Legal and Regulatory Council members, Debevoise & Plimpton and AZB Partners (India)

India

With the outbreak of COVID-19 in March 2020 and an exponential rise in the number of cases by the day, the economic impact of the virus has been largely disruptive. However, India has fared better on a comparative scale with International Monetary Fund's 1.9% Gross Domestic Product (GDP) growth projection (for the FY 2020-2021), among the highest for G-20 nations.

In order to absorb the shock of the nationwide lockdown imposed to contain the virus, the government has been instrumental in taking policy measures pertaining to food security, health care, employee welfare, reduced compliance burden, securities market, tax incentives, special finance to DFIs, etc., with the Prime Minister issuing a clarion call to strive towards 'economic self-reliance.'

State governments have also been taking steps at local level to address the impact of the pandemic, especially in relation to employee welfare.

The judiciary has also, on a case-by-case basis, been giving relief to various borrowers and employees and issuing directions to central and state governments to address the impact of the pandemic.

Atma-nirbhar Bharat Abhiyaan (Self-Reliant India Campaign): A comprehensive economic package amounting to approximately INR20 lakh crore (approx. USD265b), which equals almost 10% of India's GDP, was announced, with a focus on the five pillars of self-reliant India: economy, infrastructure, system, vibrant demography, and demand. The package contains a slew of measures including reforms, infrastructure building, support to distressed businesses, and a certain amount of direct cash support. The scheme was unveiled by the Finance Minister in five phases; the key announcements are outlined below:

Phase I:

- INR1.70 lakh crore relief package under Pradhan Mantri Garib Kalyan Yojana (Prime Minister's Welfare Package for the Poor) containing inter alia insurance cover of up to INR50 lakh per health worker, distribution of grains, pulses, and gas cylinders for three months, increase in wages under the National Rural Employment Guarantee Act of 2005 from INR182 a day to INR202 a day;
- Reduction in cash reserve ratio of banks resulting in liquidity enhancement of INR1,37,000 crore.
- Targeted Long Term Repo Operations (TLTRO) of INR1,05,000 crore for fresh deployment in investment grade corporate bonds, commercial papers, non-convertible debentures;
- 3 month moratorium on installments and interest on working capital facilities in respect of all term loans;
- INR20,000 subordinate debt for stressed Micro, Small and Medium Enterprises (MSMEs);
- INR50,000 crore equity infusion through fund of funds;
- Definition of MSME revised with elimination of distinction between manufacturing and service and revised investment limit;
- INR30,000 crore Special Liquidity Scheme for Non-Banking Finance Companies (NBFC)/Housing Finance Companies (HFC)/Micro Finance Institutions (MFI) along with INR 45,000 partial credit guarantee scheme;
- INR90,000 liquidity injection to stressed electricity distribution companies against receivables; and
- COVID-19 to be treated as force majeure resulting in suo moto extension in existing deadline for completion of real estate projects without the need for individual applications.

Phase II

- INR30,000 crore emergency working capital facility for MSMEs;
- Collateral free lending of INR 20 lakh for women self-help groups;
- Constitution of a District Mineral Fund for supplementing and augmenting facilities of medical testing and screening, and Credit Linked Subsidy Scheme extended until March 2021—expected to attract investment to the tune of INR70,000 crore in the housing sector and thereby creating a demand for steel, cement, transport, and other construction materials; and,
- Creation of Compensatory Afforestation Management and Planning Authority and mobilization of funds to the tune of INR6,000 crore.

Phase III

- A special drive to provide concessional credit to PM-KISAN beneficiaries (including farmers and fisherman) through Kisan Credit Cards expected to inject INR 2,00,000 crore to 2.5 crore farmers and an additional INR 30,000 crore emergency working capital being made available to small and marginal farmers through the National Bank for Agriculture and Rural Development;
- Financing facility of INR1,00,000 crore to be provided for funding agricultural infrastructure projects at farm-gate and aggregation points;
- Drafting a legislative framework to promote inter-state trade and e-trading of agriculture produce, and enable farmers to engage with processors, aggregators, large retailers, and exporters in a fair and transparent manner.

Phase IV

- Fast track investment clearance through Empowered Group of Secretaries;
- Ranking of states on investment attractiveness to compete for new investments;
- Promotion of new champion sectors such as solar PV manufacturing, advanced cell battery storage, etc.;
- The upgrading of industrial infrastructure in states with the availability of industrial land/land bank for promoting new investments and making information available on Industrial Information System with Geographic Information System mapping;

India
(Continued)

- Introduction of commercial mining in coal sector, allocation of 50 coal blocks for auction and infusion of INR50,000 crore towards evacuation infrastructure; foreign direct investment in defense manufacturing under automatic route increased from 49% to 74%. Announcement of intent to allow private participation in space and atomic energy sector;
- Establishment of a research reactor in the Personal Protective Equipment model for production of medical isotopes to provide affordable treatment for cancer and other diseases; and
- INR8,100 crore for viability gap funding in social infrastructure by increasing the quantum from 20% to 30%.

Phase V

- Suspension of fresh initiation of insolvency proceedings up to one year (depending upon the pandemic situation), exclusion of COVID-19 related debt from the definition of default under the extant insolvency laws and minimum threshold to initiate insolvency proceedings raised from INR1 lakh to INR1 crore (aimed at protecting MSMEs);
- Promoting ease of doing business in India including decriminalization of minor technical defaults under the Companies Act of 2013 (such as shortcomings in corporate social responsibility reporting, inadequacies in board report, filing defaults, and delay in holding annual general meetings) along with lower penalties for defaults by small companies, producer companies, one-person companies, and startups;
- Laws to be introduced to allow listing of Indian public companies in permissible foreign jurisdictions;
- Implementation of National Digital Health Blueprint;
- New national curriculum and pedagogical framework for school including electronic content;
- Additionally, the Ministry of Corporate Affairs has permitted companies to hold extraordinary general meetings and annual general meetings through video conferencing and granted relaxations from timelines for filings and certain other compliances;
- In order to curb opportunistic takeovers/acquisitions of Indian companies due to COVID-19, the Central Government has amended the rules governing non-debt foreign investment whereby any investment by an entity which shares a land border with India or the beneficial owner of an investment in India who is situated or is a citizen of any such country shall invest only with approval of the government. The approval would also apply in case of transfer of any existing or future foreign direct investment in an Indian entity, directly or indirectly, resulting in beneficial ownership falling within the restriction or purview of the foregoing;
- Extension in deadline for implementation of stewardship code for alternative investment funds (AIFs) and mutual funds from April 01, 2020 to July 01, 2020;
- Temporary relaxation in compliance with requirements pertaining to AIFs and Venture Capital Funds by 2 months;
- Relaxation in compliance pertaining to portfolio managers by 2 months;
- Temporary relaxation in processing of documents pertaining to Foreign Portfolio Investors by allowing Designated Depository Participants to allow acceptance of scanned copies of documents instead of originals;
- Exempting capital and debt market participants from temporary closure imposed by lockdown;
- Credit Rating Agencies permitted to create differentiation in treatment of defaults if the delay in payment of principal or interest is account of lockdown;
- Reduction in continuing compliances under the takeover regulations;
- Reduction in compliance burden on listed entities and market participants;
- Relaxation in timelines for compliance with regulatory requirements pertaining to reporting of beneficial owner grievance report, reporting of artificial intelligence and machine learning applications, half yearly internal audit report, risk based supervision and systems audit by depositories and depository participant;
- Restriction on fresh fund raising by companies after the buyback period slashed to six months from one year (applicable till December 31, 2020);
- India's central bank, the Reserve Bank of India (RBI) has permitted lending institutions to provide a three month moratorium on payment of all installments in relation to term loans falling due between March 01, 2020 and May 31, 2020. In addition to TLTRO, RBI has also announced INR50,000 special refinance facilities for DFIs. In order to help states with temporary mismatches in cash flow, the RBI, under its credit policy, has increased the current advance limit by 60%;
- The Competition Commission of India recognized the need for businesses (including those involved in critical health care and essential commodities) to coordinate certain activities to ensure continued supply and fair distribution of products;
- Ministry of New and Renewable Energy (MNRE) has clarified that any delay in projects on account of disruption of supply from countries affected by COVD-19 would be treated as force majeure or an Act of God and renewable energy producers would be entitled to claim consequent extension of time.

China

Since January 2020, the central and local governments of the People's Republic of China have promulgated a series of incentive measures to support businesses, in particular SMEs, in combating the financial stresses and difficulties caused by the COVID-19 outbreak.

Financial Assistance Measures:

- A plan by China's central bank to provide commercial banks with CNY300b (USD43b) for lending, at a preferential and subsidized interest rate, to companies that are key to the prevention and control of the COVID-19 outbreak;
- A re-lending and re-discounting scheme by China's central bank that will provide CNY500b (USD71b) of additional funds available for commercial banks to lend to SMEs;
- SMEs and micro enterprises affected by COVID-19 may apply for the deferral of repayment of principal and interest from January 25 to June 30, 2020, and overdue loan repayments during this period will not be subject to penalties;
- Government-controlled financing guarantee and re-guarantee institutions are required to coordinate with other financial institutions to extend loans to SMEs in a prompt manner, and the fees to be charged to SMEs by local government-controlled financing guarantee and re-guarantee institutions for 2020 shall be reduced by 50%;
- Enterprises with good credit are encouraged to issue corporate bonds for liquidity support, and enterprises severely affected by the COVID-19 outbreak may benefit from an accelerated and simplified regulatory review process for bond issuances;
- To ease the liquidity difficulties caused by the COVID-19 outbreak, enterprises are allowed to apply for a temporary increase of their foreign debt quota restriction, which is capped based on their corresponding registered capital amount and/or net asset value.

Preferential Tax Measures:

- From March 1 to the end of 2020, small-scale taxpayers in Hubei (the province hardest hit by COVID-19 in China) are exempt from VAT, and the VAT rate outside of Hubei province is reduced from 3% to 1%;
- Losses incurred in 2020 by enterprises in certain industries severely affected by the COVID-19 outbreak (including transportation, catering, accommodation, and tourism) are permitted to enjoy a longer tax loss carry-forward period—i.e., eight years, instead of the standard five years;
- Certain expenditures, such as investment in equipment to expand production capacity by enterprises engaged in manufacturing key supplies related to COVID-19 protection and containment ("Key Supplies Manufactures"), may be deducted in one lump sum for corporate income tax purposes. Previously, such deduction was allowed only if the expenditure does not exceed CNY5m;
- Key Supplies Manufacturers may apply for a refund of incremental retained VAT on a monthly basis. A VAT exemption also will apply to income derived from transportation of key supplies related to COVID-19 protection and containment, public transportation service, express delivery services, and the so-called "life services" (which include medical services, catering, and personal services, such as hairdressing and laundry).

Social Security Contribution Reliefs:

- From February to June 2020, SMEs and micro enterprises outside Hubei province and all the enterprises in Hubei province are exempted from making employer contributions to the mandatory pension, unemployment, and work-related injury insurance programs (the "Social Insurance Programs");
- Enterprises affected by the COVID-19 outbreak with significant difficulties in production and operation may apply for deferred payment of social insurance fees of up to six months, and no penalty interest will be imposed;
- Enterprises may apply for deferred contribution to the mandatory public housing fund until the end of June 2020. During this period, employees will not be subject to late payment penalties;
- SMEs and micro enterprises are eligible for a refund of unemployment insurance contributions if they limit employee layoffs to a certain extent.

Regional and Industry Supporting Policies:

- In addition to the preferential measures promulgated by the central government, the provincial and municipal governments released a variety of policies, such as fee breaks, fiscal subsidies, rental relief, and additional social security refunds, to support local businesses. The regional governments also introduced a number of industry-specific supporting measures, and some examples are set forth below:
  - SMEs that lease operating property from state-owned enterprises in Shanghai to engage in production and operating activities were exempted from February and March rents;
  - If, by the end of April 2020, the average number of employees in a Beijing SME increased by 20% or more compared with the previous year, such enterprise will be granted a one-time subsidy equal to 50% of three months' social insurance contributions;
  - By the end of June 2020, domestic and foreign airlines companies that do not suspend international flights to or from China may apply for certain cash subsidies;
  - Electricity prices for commercial and industrial consumers, except for energy-intensive sectors such as steel and aluminum, are reduced by 5% for the period from February 1 to June 30, 2020.

Singapore

To overcome the challenges faced by Singapore's economy and society brought by COVID-19, the Singapore government has introduced relief measures through three budgets presented between February to April 2020—the "Unity Budget," the "Supplementary Budget," and the "Solidarity Budget."

- Automatic deferral of income tax payments for 3 months—for companies, taxes due from April to June 2020 would become payable from July to September 2020, and self-employed persons would pay income tax from August 2020 instead of May 2020;
- Various levels of property tax rebates for different types of properties to property owners, who would be legally required to pass them on to tenants. There will be 100% rebate for qualifying commercial properties, 60% rebate for integrated resorts, and 30% rebate for other non-residential properties;
- The Enterprise Financing Scheme – Trade Loan with a maximum loan size of SGD10m, the Enterprise Financing Scheme – SME Working Capital Loan with a maximum loan size of SGD1m, and the Temporary Bridge Loan Program covering all sectors with a maximum loan size of SGD5m, each with the Government sharing in 90% of the default risk, will be provided for all loans initiated from April 8, 2020 to March 31, 2021. In addition, SMEs may opt to defer principal payment on their secured term loans, and banks and finance companies may apply for low-cost funding through a new Singapore Dollar facility operated by the Monetary Authority of Singapore under the Enterprise Financing Scheme – SME Working Capital Loan and Temporary Bridging Loan Program, provided that such banks and finance companies undertake to pass on savings to the borrowers;
- To allow employers to retain their workers, the Singapore government introduced the Jobs Support Scheme under which it will co-fund the first SGD4,600 of gross monthly wages paid to each local employee for 9 months from February 2020, with payouts in April, July, and October 2020. For the month of April 2020, the government paid 75% on the first SGD4,600 for every local employee. From May 2020 onwards, the government will continue to provide wage support to different sectors, which are 75% for the aviation, accommodation and tourism sectors, 50% for the food services sector, and 25% for all other sectors;
- Foreign worker levies for the month of April 2020 were waived in order to reduce costs and ease cash flow, and rebates of SGD750 for each Work Permit or S-Pass Holder from levies paid in 2020 will be granted to employers;
- A Temporary Relief Fund for the month of April 2020 allowing those who required immediate assistance to apply for a one-off cash grant of SGD500, and a COVID-19 Support Grant for lower- and middle-income Singaporeans who require urgent help with basic living expenses to apply for cash grants of SGD800 a month for three months from May 1, 2020 onwards;
- A one-off solidarity payment of SGD600 was paid to all Singaporeans aged 21 and above in April 2020. The remaining cash payouts under the Enhanced Care and Support scheme will be made from June 2020 onwards, together with the SGD300 payment for each parent with at least one Singaporean child aged 20 and below in 2020, and SGD100 cash for Singaporeans aged 50 and above in 2020; and
- No increase in government fees and charges for one year from April 1, 2020 to March 31, 2021.

Latin America:

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Brazil

Currently, Brazil is Latin America's hardest hit country and is on the run-up to becoming one of the world's next COVID-19 hot spots. The health crisis has and continues to profoundly impact the country`s economy, which only recently had come out of one of its worst recessions in recent history.

As of May 2020, Economic Minister Paulo Guedes projects an economic downturn of at least 4.7% in GDP contraction in 2020. Deutsche Bank, JP Morgan, and Societé Générale projected GDP contraction of 6.2%, 7.0%, and 7.4%, respectively.

On May 7, 2020, after approval by the Senate, the Lower House of Congress approved on a first vote the Constitutional Amendment 106/2020, known as the "War Budget." If finally passed, the War Budget will segregate public spending to combat COVID-19 from the Federal Government's budget and its Constitutional ceiling, creating an extraordinary regime that would allow expansion of governmental spending. In addition, the special budget bill would authorize the Federal Government to issue bonds to pay interests on public debt, and the Brazilian Central Bank (BACEN) to buy and sell Treasury bonds in the secondary market.

- A USD60b swap line with the US Federal Reserve for at least six months;
- A set of central bank measures to release USD640bn to the economy, including special guarantees for bank borrowings, flexibility on agribusiness credit, anti-exchange rate volatility measures, and relaxing banks' capital requirements to increase overall credit availability;
- Deferral or suspension of certain federal debts, including those of states and municipalities;
- A relief package for airlines and airport concessionaires with postponement of air tariffs collection and concession fees;
- A new credit line for the health care & life sciences manufacturers for the production of ventilators, health monitors, medical masks, and new ICU units provided by the State-owned development bank, BNDES;
- Facilitated access to credit and deferred payments to businesses in the tourism sector;
- USD100m relief plan to small agricultural producers and family-owned farms;
- USD1b federal government program (PROGER/FAT) for the development and modernization of micro and small businesses;
- USD29.8b credit line to small and medium-sized businesses for working capital and payroll loans provided by the State-owned Federal Savings Bank, Caixa Econômica Federal, including grace periods and flexible payment conditions;
- USD20b credit line provided by State-owned bank, Banco do Brasil, for working capital, investments, prepayment of receivables, agribusiness and credit to individuals;
- USD1b BNDES credit for small and medium-sized businesses;
- BNDES also committed to a six-month suspension of outstanding loan payments with no late interest payment;
- Federal Government emergency credit line to finance payroll in exchange for companies committing not to fire employees for two months, including grace period, low interest rates, and flexible payment conditions;
- Temporary exemption of tax on financial transactions (IOF) on credit operations;
- Reduction or deferral of certain employee-related social contributions to support companies avoid layoffs;
- Relaxation of federal labor laws to authorize reduction of working hours and wages;
- Three months emergency aid of BRL600 (USD120) to informal workers and unemployed individuals of low-income families;
- Granting of other labor financial support to individuals, such as anticipation of the legally mandatory 13th salary, bonus allowance, and unemployment insurance for certain individuals;
- Exemption for approximately 9,000,000 low-income families from paying electricity bills between April 1, 2020 and June 30, 2020;
- Expansion of Bolsa Familia, a social welfare program of the federal government, to low-income families with the inclusion of more than one million new beneficiaries;
- Postponement of the income tax filing for two months.

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Mexico

The Mexican government reportedly downplayed and resisted taking aggressive actions to fight the crisis caused by the pandemic, generating criticism from health experts, the business community, and analysts who hoped for earlier and more assertive responses.

The forecasts of local economic pundits and credit agencies paint an alarming prognosis for the Mexican economy, with GDP expected to contract by at least 6.7% in 2020, according to Citibanamex analysts at the end of April, 2020.

Experts believe that Mexico delayed response—it officially declared a state of emergency at the end of March—may have severe consequences on how the economic downturn unfolds. But, despite the rising number of cases, the President has recently announced that the government is preparing to reopen the economy.

- A USD60b swap line with the US Federal Reserve for at least six months;
- Grants of one million loans of MXN25,000 to entrepreneurs without any charge;
- Temporary suspension of labor obligations due to sanitary emergency on the grounds of force majeure;
- Banco de México, the Mexican central bank, unveiled a support program of approximately USD31b for the financial system, including the cut of borrowing costs and other stimulus to banks lending to small and medium-sized businesses and individuals;
- The central bank reduced the benchmark interest rate by 50 basis points in April to a three-year low of 6% and lowered the cost of repos to provide banks with additional liquidity;
- The central bank has taken provisional measures to support financial institutions, including extending the term for compliance with certain periodic reporting obligations and agreeing to a limited standstill on certain administrative procedures;
- Larger banks have deferred credit payments between four and six months. The Inter-American Development Bank (IDB) and the Mexican Business Council (CMN), in turn, announced a loan that will provide up to USD12b a year to small and medium-sized businesses and offer revolving credit lines with an average term of 90 days;
- The deadline to file individual tax returns for 2019 was extended until June 30. The government is considering deferring social security payments for up to 48 months with low interest rates to both employers and workers;
- A fund of MXN35b from the Institute of Security and Social Services for State Workers (ISSSTE - Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado) is expected to be available to grant personal loans ranging from MXN20,000 to MXN56,000 to 671,000 workers at the service of the State;
- MXN175b to housing loans aimed at benefiting 442,500 workers;
- VAT reimbursements to taxpayers;
- Advance pension payments in the sum of MXN42b to the elderly, in the amount of MXN5,240 each;
- Some local authorities are also taking additional measures. In Mexico City, for example, the mayor announced a support line of MXN200m to small businesses, including grants of 50,000 microcredit loans of up to MXN10,000 each with 0% interest for a period ranging from four months to two years.

Russia:

An Overview of Select Markets' Government Response to COVID-19 and State-Sponsored Relief Programs

Contributed by EMPEA Leadership Circle and Legal and Regulatory Council member, Debevoise & Plimpton

Russia

To mitigate the impact of the COVID-19 outbreak on the Russian economy and society, the Russian government has implemented a number of measures, expected to cost up to RUB300b (about USD4b), to support businesses. These measures include measures that are available to businesses generally, and specific measures targeted at the most vulnerable enterprises, namely entities operating in the economic sectors most affected by the COVID-19 pandemic ("Vulnerable Sectors"), small and medium-sized enterprises ("SMEs") and systemically important companies ("Systemic Companies").

General Measures:

- A six-month moratorium on bankruptcy claims against certain companies, including but not limited to SMEs operating in Vulnerable Sectors and Systemic Companies. The companies subject to the moratorium have a right to opt-out of it;
- An open market share buyback procedure for public joint stock companies, the price of shares and the securities market index of which in any three months from March 1, 2020 decreased by 20% as compared with the price of shares and the securities market index in any three months starting from October 1, 2019.

Specific Measures:

- An interest-free loan from banks, available to enterprises operating in Vulnerable Sectors. The term of such loans will be six months. To be eligible for the loan, a medium or a large-sized enterprise must retain 90% of its employees;
- A loan at reduced interest rate of 5% per annum for Systemic Companies. The loan amount will depend on the average monthly earnings, amortization, and profits of the borrower, but will not exceed RUB3b. The loan must be used for the purposes determined by the Russian government (which include paying salaries, leasing of premises and equipment, and the servicing of equipment);
- A direct subsidy for emergency needs for SMEs (the amount subsidized depends on the number of employees of the business) operating in Vulnerable Sectors. The subsidy may be granted only to SMEs who retain 90% of their workforce;
- An up to six-month grace period for SMEs to perform or comply with their obligations under loan agreements;
- Grace periods for tenant SMEs, operating in the Vulnerable Sectors, for the payment of rent, a reduction of their rental payments or the full release from paying rent for leasing certain property, such as federal state-owned property in particular;
- A reduction in social insurance contributions for SMEs and a grace period for the payment of certain taxes and insurance contributions by enterprises operating in Vulnerable Sectors. The grace period is available to companies that meet certain criteria, such as a decrease of income by 10% or more and the incurrence of losses. The length of the grace period is dependent on the total amount of the income and losses.

Proposed Measures:

- Complete exemption from paying taxes (other than VAT) and insurance contributions for Q2 2020 for SMEs operating in Vulnerable Sectors;
- Loan program at 2% interest rate to support employment for companies operating in Vulnerable Sectors. Companies that retain 90% or more of their workforce may enjoy complete exemption from repaying the loan and interest at the expense of the state.

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