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# Covid-19: Economic Policy Interventions Across Continents


## ABSTRACT

**Coronavirus has changed the way we live and work in many ways and has presented hurdles for businesses and individuals. Countries around the world have taken action to help their economies overcome the crisis and have applied various measures to stimulate the economy by supporting businesses and individuals. Although the approaches are similar, many measures differ in their precise design and their implementation. This article presents some recent fiscal policy measures in terms of public spending, taxes, and other financial support in eight countries, including Australia, Brazil, China, Germany, Italy, South Africa, Sweden and the US.**


The coronavirus (Covid-19) rapidly evolved into a worldwide pandemic and spread to 216 countries. Within a few weeks, coronavirus cases nearly tripled from over 9 million in June to almost 24 million cases at the end of August (World Health Organization 2020). This pandemic represents a new, unprecedented situation for all countries and poses new challenges both for social life as well as the world economy. As shown by a study conducted by Oxford University, not only the time course of the infections varies significantly from country to country, but there is also a huge variation in government responses in dealing with the challenge of curbing the virus in relation to social distancing measures implemented by individual countries (Hale 2020).

The research was conducted for eight countries located on six continents; all countries were carefully selected based on their economic relevance, approach to policy intervention as well as their varying degree of the evolution of the virus as shown in Figure 1. The list of countries comprises Australia; Brazil—which is experiencing the fastest spreading rates of coronavirus and high death tolls; China for being the first country affected; Germany, which has been prone to implementing early intervention measures; Italy, which is viewed as one of the world's worst hotspots; South Africa; Sweden, due to its approach which is different from other countries; and the United States, which leads in terms of absolute number of cases. This article describes the various economic measures that these countries are applying to help their economies overcome the recession.[1]

## RESEARCH DESIGN

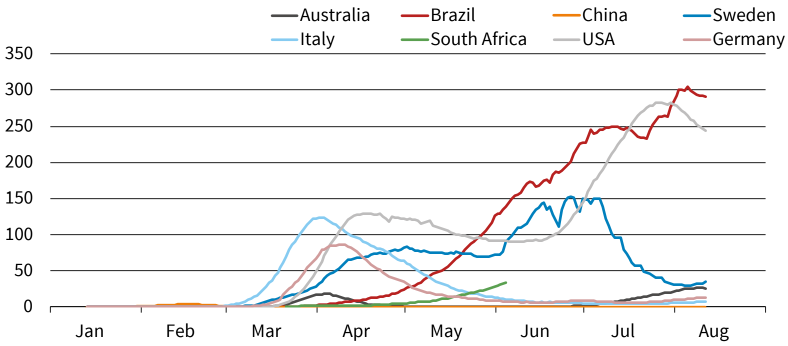
At present, there are intensively researched and well-documented overviews that collect information on how countries have responded to the unprecedented challenge of the coronavirus crisis—the OECD Policy Tracker in particular provides very detailed and regularly updated policy information across countries and continents (OECD 2020). As the coronavirus spread around the world, we also tried to gather information on how countries react economically to the crisis. While these results are less comprehensive, they complement the OECD collection by categorizing some of the measures slightly differently. In the following section, policy activities are grouped according to the following types of measures:

1. Measures related to government spending, taxes and employment (see Table 1).
2. Measures related to financial assistance (not involving taxes) and interest rates to some extent (see Table 2).

Figure 1

**Evolution of Corona Cases in Selected Countries in 2020**

14-day notification rate of new Covid-19 cases per 100,000 inhabitants




Note: Not all dates available for South Africa.
Source: European Centre for Disease Prevention and Control (2020).
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[1] The list of measures described in this article, as well as the list of countries, are not exhaustive. The measures were collected as of June 2020 and may be subject to change. Furthermore, the authors cannot guarantee whether the measures mapped out have already been successfully implemented. The information provided in this report is at a descriptive level and the information was mainly collected from two main resources, namely, the "Government Response – Global Landscape" (KPMG 2020), and the "Policies Responses to COVID-19" (International Monetary Fund 2020).

## ECONOMIC MEASURES RELATED TO COVID-19 IN SELECTED COUNTRIES

The following sections present economic measures that the investigated countries have taken to stimulate the economy, along with direct government intervention measures shown in Table 1 and other financial support measures displayed in Table 2.[2]

### Direct Intervention Measures Implemented by the Government That Are Related to Public Spending, Taxes and Employment

In order to smooth fluctuations and stabilize the economy during or outside crises such as Covid-19, governments use fiscal policy to adjust public spending. In addition, tax increases and reductions can influence the investment behavior of companies and the consumption behavior of citizens. Tax changes affect citizens directly and are implemented from a political point of view, a more far-reaching measure.[3] During the current economic downturn triggered by Covid-19, all observed countries have taken measures related to taxes and government spending. Table 1 presents some key measures at the company and individual level as they relate to tax postponement, tax relief, subsidies and employment.

*I. Tax Postponement*

In all examined countries, tax postponement for companies in one form or another are an integral part of the action plan to combat the negative consequences of the lockdown. Germany, Italy, Sweden, and South Africa allow the deferral of several taxes over a longer period. The US, China, Australia, and Brazil offer such facilitations as well, but to a lesser extent.

Germany allows the deferral of income tax, corporate tax and the VAT until the end of the year without interest. In Italy, social security and welfare contributions can be deferred in addition to withholding tax and VAT. This is similar to the measures taken in Sweden, where companies can delay their social contributions, the VAT, payroll taxes, and small medium enterprises (SMEs) can defer all of their taxes. South Africa's "pay-as-you-earn" approach enables companies to defer 35 percent of tax payments. In the United States, the federal income tax can be deferred. In China, the possibility of deferring corporate income tax is concentrated on small enterprises and self-employed individuals. The Australian "pay-as-you-go" system allows companies to defer income tax, whereas in Brazil, companies can postpone social contributions.

These measures vary in their extent and duration. Germany, for example, offers a comprehensive package of tax measures for companies where payments can be postponed until the end of the year. The US, China, Australia, and Brazil have fewer measures, and some of them are only offered for a shorter period.

In addition to corporate measures, some countries, such as Italy and South Africa, have introduced measures for individuals. For example, the *Disaster Management Relief* in South Africa allows individuals to defer taxes for debt and interest and other financial payments until the end of September.

*II. Tax Relief*

In contrast to tax postponements, other taxes have been reduced or completely waived. Such measures were introduced in all countries but Sweden at the time this research was conducted.[4] The countries selected in this overview can be divided into a group with rather generous measures, such as South Africa, Germany and, Australia; and a group of countries with more restrained measures, such as the US and Italy. For China, no commitments relating to tax relief could be identified. In Germany, the number of advance payments on income tax, corporation and business tax have been adjusted. Australia waived the payroll tax for hospitality tourism, the seafood industry and small businesses until the end of the financial year. In addition, the depreciation rules for tax write-offs have been considerably extended in Australia. In Italy, the formal audits of tax returns have been suspended and a 60 percent tax credit on commercial rents has been introduced, while companies can retain payroll taxes in the amount of creditable sick pay in the US. South Africa assists employers with a tax reduction of 80 percent in the employee tax.

Also, the measures for providing relief to individuals vary by country. In Germany, prepayments and payments based on the calculated income loss are compensated and the VAT has been reduced. In Italy, the withholding tax on revenues and fees was reduced. In the US, tax returns are now automatically filed. Australia grants tax-free withdrawals from pension funds, including one-off incentive payments through the social security system. China grants income tax exemptions in special cases, such as donations, medical institutions working on Covid-19 prevention, and on social security contributions. In Brazil, the deadline for tax declarations has been extended.

*III. Subsidies and Transfers*

In addition to postponing or completely exempting certain taxes, some countries have committed themselves to supporting companies and individuals in

[2] For a more extensive collection of economic policy responses, see also OECD (2020).

[3] See, for example, https://ourworldindata.org/taxation.

[4] However, according to the OECD (2020), 100 percent of the taxable profit of sole proprietors and partners in Swedish partnerships can be allocated to the tax reserve up to SEK 1 million for the year 2019, which can then be offset against possible future losses.

need financially. In South Africa, for example, eligible employees receive a tax allowance. Germany has a similar measure, but it applies only to the income tax of single parents, while Brazil provides temporary income support for vulnerable households. Sweden provides additional expenditure on wage subsidies, and China accelerated the payment of the unemployment insurance to natives as well as migrant workers. Australia grants a one-off subsidy to small businesses, while Brazil compensates workers who have been furloughed and provides tax breaks and credit lines to companies to help them save jobs.

Furthermore, many countries have agreed on employment-related measures, which are usually direct measures to support employers and employees. In Germany, for example, the government compensates 70 to 80 percent of salary losses of childless workers, and 77 to 87 percent of workers with children under the short-time working scheme (*Kurzarbeit*) if the working hours have been reduced by at least 50 percent (see e.g., OECD 2020). This system was already in place before the pandemic and was largely adopted throughout the country during the coronavirus crisis.

Overall, governments use similar types of measures to stimulate their economy. Nevertheless, the design of such measures varies greatly from country to country. One possible reason could be differences in present institutional and economic characteristics. On the other hand, other variables related to trade and politics certainly play a role. For example, Germany as an export nation (GTAI 2020a) faces different challenges in this recession than do countries that tend to be more reliant on imports, such as South Africa (GTAI 2020b).

## Other Measures Relating to Financial Assistance (without Taxes) and Interest Rates

Economic activities around the world have been stalled due to the severity of the coronavirus and lockdown measures were implemented in several countries, leading to closures of several businesses over an extended period of time. This has led to higher unemployment rates, a drop in business sentiment and a contraction in GDP, plunging countries into deep recessions. In this case, money supply can play a major role in maintaining economic stability. In an attempt to ensure price stability, policymakers resort to financial and monetary measures controlling inflation, unemployment and exchange rates. In terms of monetary policy, several regulatory and interest rate-based interventions are applied to facilitate lending and borrowing money, some of them shown in Table 2. The measures presented in the table are divided into various categories, namely, loan schemes, funds and guarantees, investment incentives and transfers, and other measures.

*I. Loans, Funds and Debt Relief*

This subsection includes loan schemes and repayment deferral, lending facility, increased funding limits and credit extension given to businesses by banks. Institutions provide easier access to loans, often at reduced interest rates and fewer bureaucratic hurdles, or defer the repayment of existing loans due to the coronavirus. SMEs are particularly affected in the wake of the coronavirus in terms of their business survival and liquidity positions, because SMEs generally represent a large proportion of firms contributing to the economy in many countries and are less resilient to shocks.

Some countries have provided assistance in terms of loans at reduced interest rates to be repaid on a longer-term basis and have facilitated access to assistance loans for companies provided, for example, by the state-owned Bank Group, KfW Bankengruppe, together with the government in Germany. In addition, some countries, such as Italy and China, have extended funding limits for its banking system to back up subsidized loans to SMEs and other businesses. Further support for SMEs include loan payment deferment. In China, the *funding-for-lending scheme* was introduced to finance 40 percent of local banks' new unsecured loans. *The Swedish Central Government Loan Program* guarantees a 70 percent stake participation in any new bank loan provided to companies and has extended credit to export-oriented companies. South Africa also had a *Covid-19 Guaranteed Loan Scheme,* covering up to three months of SME expenses and the *Small, Medium, and Micro-business South African Fund* will enable soft loans at an interest rate of less than five percent.

Brazil is using its *Fundo de Amparo ao Trabalhador*, the worker's support fund, to provide credit for micro and small enterprises. Furthermore, an agreement among the five biggest Brazilian banks means that all five banks are considering extending debt maturing liabilities for SMEs. In China, credit lines of micro- and small enterprises have been extended. Important lending programs in the US were the *SBA Economic Injury Disaster Loans*, which focus on lending to businesses harmed by Covid-19 without repayment, and the *SBA Express Bridge Loan*, enabling businesses with fast turnaround to get up to USD 25,000 in loans. In the US, the Small Business Association incentivized companies by paying six months of their associated fees and microloans disbursed before 27 September 2020. As part of debt relief, countries have also deferred loans and promoted lending facilities. This is the case in South Africa, where a *Debt Relief Fund* was created in order to provide debt relief on existing liabilities of eligible SMEs.

*II. Other Monetary and Financial Measures*

Investments have declined systematically during the coronavirus pandemic, creating supply disruptions

Table 1

**Direct Government Measures Related to Public Spending, Taxes and Employment**

| | TAX POSTPONEMENT | | TAX RELIEF | | SUBSIDIES AND TRANSFERS | |
|---|---|---|---|---|---|---|
| | **Companies** | **Individuals** | **Companies** | **Individuals** | **Companies** | **Individuals** |
| **AUSTRALIA** | **Payment date deferment**. ("pay as you go" – PAYG Installments), income tax assessments, fringe benefits tax assessments and excise;<br>Quarterly reporting cycle to opt into monthly goods and services tax (GST) -> reporting to get quicker access to GST refunds | N/A | Business investment acceleration – **tax depreciation** write-off rules are significantly expanded with an increased instant asset write-off for immediate deductions of certain asset purchases and a 50% accelerated depreciation deduction in addition to the existing depreciation deduction for certain eligible asset purchases;<br>**Waiver of payroll tax for:**<br>Hospitality tourism and seafood industry (for the last 4 months of this financial year), small to medium businesses with an annual payroll of up to AUD 5 million in Australian wages (March to June 2020), businesses with payrolls of up to AUD 10 million, with a deferral available for larger businesses (rest of 2019–2020);<br>25% reduction benefit on the 2019-2020 land tax liability for commercial and residential landlords;<br>Businesses can claim an immediate deduction for multiple assets | **Tax-free** withdrawals from pension funds. It includes one-off stimulus payments, to be made through the social security system; | **One-off grant** AUD 17,500 for small businesses;<br>**Non-profits-free payments** made to certain employers (to support small and medium-size businesses) for business;<br>**Cash-flow boosts** will be automatically credited for those employers who filed their 2018–19 income tax return of activity statement prior to 12 March 2020 | N/A |
| **BRAZIL** | **PIS/ PASEP and COFINS contributions** regarding March and April 2020 are postponed to August and October 2020.<br>**Social Contribution postponement** related to March and April 2020 should be paid in August and October 2020;<br>**Extend the submission** of the **Tax Accounting Bookkeeping** (ECF), giving more time for companies to adapt to current situations | N/A | **Lower taxes** and **import levies** on essential medical supplies, and new transfers from the federal to state governments to support higher health spending and as cushion against the expected fall in revenues | **Installment payments** deadlines from the Federal Revenue Service and the Attorney General's Office National Treasury in May, were extended to June and July, and the ones in August, were extended to October and December;<br>**Zero tax reduction** on financial transactions daily rate (0.0041% or 0.0082% per day) and its complementary rate (0.38%) levied on credit transactions carried out by individuals and legal entities | **Employment support** (partial compensation to workers who are temporarily suspended or who have had cut in working hours, as well as temporary tax breaks and credit lines for firms that preserve employment) | **Temporary income support to vulnerable households** (bringing forward the 13th pension payment to retirees (USD 9.2 billion), and expanding Bolsa Familia (USD 620 million) program with inclusion of over 1 million more beneficiaries cash transfers to informal and unemployed workers (USD 8 Billion), and advance payments of salary bonuses to low income workers |

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|---|---|---|---|---|---|---|
| **CHINA** | **Deferral of CIT payment** for Small Enterprises and self-employed from 1 May 2020 to 31 December 2020 to filing period in 2021 | N/A | N/A | **Income Tax Exemption** on specific receipt types; Full tax deductibility in case of donation done to support non-profit organizations, government authorities or medical institutions treating and preventing Covid-19.<br>Tax relief and waived social security contributions | N/A | **Accelerated disbursement of unemployment insurance** and extension to migrant workers |
| **GERMANY** | **Deferral of certain taxes** until 12/31/2020 and in principle free of interest (e.g., income, corporate and value added);<br>Postponement of due date of import turnover tax to the 26th of the following month | N/A | Adjusted amount of **advance payments** (2020) on income tax, corporation tax, business tax | **Refund of prepayments** (for 2020) and amounts paid for 2019, based on a flat-rate calculated loss for the current year;<br>**Reduction of VAT** from 19% to 16%; reduced rate from 7% to 5% (from 7/1/2020–12/31/2020);<br>**Waiving of enforcement** of overdue tax debts and surcharges for late payment until 12/31/2020 | **Short-time work compensation** until 12/31/2020<br>**“Corona-Soforthilfe für Kleinstunternehmen und Soloselbständige“:** Cash transfer for companies with financial problems due to Covid-19 of EUR 9,000 (up to 5 employees)/ EUR 15,000 (up to 10 employees) | **Tax subsidy for single parent's income tax:** extension of relief contribution in income tax to EUR 4,000 for 2020 and 2021;<br>**Notfallkinderzuschlag (KiZ):** Eligible parents receive EUR 185 per child per month; due to Covid-19 the access is now easier: by applying for KiZ after 4/1/2020 proof of income is no longer required for the last 6 months, but only for the last month;<br>**One-off payment** of EUR 300 per child for parents (double allowances for single parents)<br>**Short-time work compensation:** 70%/ 80% for employees without children, 77%/ 78% for employees with children |
| **ITALY** | **Deferral of withholding tax** on the pay of employees and equivalent workers, VAT, social security and welfare contributions, and INAIL insurance premiums | **Suspension of tax obligations** (e.g., VAT declaration) other than payments and withholding taxes, expiring in March 2020; due date: 06/30/2020 | Suspension of all **formal audits of tax returns**;<br>60% tax credit on commercial rents | **Revenues and fees** received between 3/17/2020 and 3/31/2020 are not subject to withholding tax | **Moratorium on loan repayments** for SMEs, including on mortgages and overdrafts;<br>**State guarantees** on loans to all businesses;<br>**Support check** (“integrazione salariale”) as support of salary payment by the state for employers with suspended/ reduced work activity due to Covid-19 | **Last resort income support** for employees and self-employed workers having ceased, reduced or suspended employment relationship or business<br>**Redundancy Fund** (boosted by EUR 5 billion) for 9 weeks’ salary for workers not covered by other social safety nets<br>**Allowance** of EUR 600 for autonomous workers and seasonal workers (tourism, agriculture) for March |
| **SOUTH AFRICA** | **Pay-as-you-earn (PAYE):** possible deferment of 35% of payment without penalties or interest | **Disaster Management Tax Relief:** possible deferment of tax payments belonging to “Tax Treatment of Excessive Debt Financing, Interest Deductions and Other Financial Payments” from 4/17/2020 to 9/30/2020 | **Pay-as-you-earn (PAYE):** possible deferment of 35% of taxes without penalties or interest;<br>**Draft Disaster Management Tax Relief Administration Bill:** only 80% of the employees' tax due need to be paid | N/A | **Subsidies** for SMEs under stress, mainly in the tourism and hospitality sectors, and small-scale farmers operating in the poultry, livestock, and vegetables sectors | **Employment Tax Incentive (ETI):** eligible employees (age 18-65) will receive a tax subsidy of up to ZAR 500 per month;<br>**Draft Disaster Management Tax Relief Administration Bill:** only 80% of the employees' tax due need to be paid |

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|---|---|---|---|---|---|---|
| **SWEDEN** | **Deferral** of companies' social contributions, VAT, payroll taxes and SMEs taxes. SEK 27 billion – SEK 315 billion VAT: 2019 (SEK 7 billion); SMEs taxes SEK 13 billion | N/A | N/A | N/A | **Loans** to SMEs;<br>**Funding** to the media, cultural and sports sectors;<br>Temporary **rent subsidies** to vulnerable sectors;<br>Temporarily more generous **unemployment benefits**;<br>**SEK 40 million Foreign contribution** to the international response against Covid-19 through WHO's contingency fund;<br>**Swedish airlines and companies credit guarantees** (SEK 235 billion)<br>**Capital contribution** from the government to Almi Företagspart-ner AB of SEK 3 billion to help it assist SMEs lending needs | Short-term leave employees SEK 170 billion – additional expenditures on wage subsidies |
| **US** | **Deferral** of federal income tax payments due on 4/15/2020 to 7/15/2020 without penalty or interest | N/A | **CARES Act:** 50% payroll tax credit for severely affected businesses not benefitting from business interruption loans and agreeing to maintain employment levels;<br>**Families First Coronavirus Response Act:** Possibility of retaining an amount of the payroll taxes equal to the amount of qualifying sick and child care leave that they paid;<br>**Duty relief on medical products from Section 301:** Chinese-Origi-nal Medical Supplies (before: duty of up to 25% on the import of Chinese goods due to special Section 301 tariffs) | "**Economic Impact Payments**" for people without filed tax return in 2018/ 2019, but with dependents (USD 1,200 + USD 500 per eligible child) | **Grants** for airlines, air cargo and support firms under the CARGO Act;<br>**Paid sick leave credits** in case of employees' illness, child caring activity by employee (up to 10 days) | **Paid sick leave** in case of illness due to Covid-19, health care activity, childcare (expanded paid family and medical leave) |

Notes: Last updated in June 2020. N/A means that no action was found at the time of the research.

Sources: KPMG, IMF, OECD as well as other national and international sources collected by the authors (2020).

Table 2

**Other Measures Related to Financial Assistance**

| | LOANS, FUNDS AND DEBT RELIEF | OTHER MONETARY AND FINANCIAL MEASURES |
|---|---|---|
| **AUSTRALIA** | **Loan repayment deferral**, banks will defer loan repayments for small businesses for 6 months;<br>**Lending facility**, term funding facility for SMEs covered by AUD 90 billion at 25bps;<br>**Liquidity scheme**, one-month and three-month repo operations daily; | **Temporary relief from capital requirements**, enabling banks to use large buffers to facilitate ongoing lending to the economy as long as minimum capital requirements are met;<br>**Government allocation** of AUD 15 billion to the Australian Office of Financial Management to invest in wholesale funding markets used by smaller lenders;<br>**Dividend level**, Australian Prudential Regulation Authority (APRA) expects banks and insurers to consider deferring decisions on the level of dividends or approve a dividend at a materially reduced level;<br>**Establishment of SWAP facility** (dollar liquidity arrangements) with US Federal Reserve of USD 60 million;<br>**Yield Targeting:** 3-year government bonds at around 0.25 percent through purchases of government bonds in the secondary market;<br>**Policy rate cut** (twice) by 25bps |
| **BRAZIL** | **Lending facility** to provide loans to financial institutions backed by private corporate bonds as collateral;<br>**Fundo de Amparo ao Trabalhador (FAT):** Credit for Micro and Small Enterprises (USD 1 billion);<br>**Debt Liabilities**, five largest banks in the country agreed to consider requests extension of individuals maturing debt liabilities | **Repo Operations** undertaken by central bank;<br>**Liquidity Injection** in the financial system (reduction of reserve requirements and capital conservation buffers, and a temporary relaxation of provisioning rules, among others);<br>**Establishment of SWAP Facility** with US Federal Reserve of USD 60 million for the next 6 months<br>**Policy Rate (SELIC)** cuts lending by 2.25% |
| **CHINA** | **Re-lending & re-discounting facilities** at low-interest rates by RMB 1.8 trillion for SMEs and agricultural sector;<br>**Funding-for-lending scheme:** zero-interest and covered by RMB 400 billion scheme to finance 40% of local banks' new unsecured loans and incentivize them to extend payment holidays for eligible loans by subsidizing 1% of loan principles (RMB 40 billion) - support SMEs lending;<br>**Tolerance increase** for higher NPLs and reduced NPL provision coverage requirements;<br>**Delay of loan payments**, eased loan size restrictions for online loans, and other credit support measures for eligible SMEs and households<br>**Credit extension** covered by RMB 350 billion to Micro- and Small Enterprises | **Reverse Repos (RR)** and **Medium-term Lending Facilities (MLF)** to foster a liquidity injection of RMB 4.6 trillion in the banking system;<br>**Bond Issuance Increase** – additional financing support for corporates;<br>**Reduction** of the 7-day and 14-day **Reverse Repo Rates** by 30bps;<br>Reductions in the 1-year Medium-term Lending Facility (MLF) Rate by 30bps and Targeted MLF Rate by 20bps;<br>**Targeted RRR** cuts by 50-100 bps for large- and medium-sized banks that meet inclusive financing criteria which benefit micro- and small-sized enterprises (MSEs), an additional 100 bps for eligible joint-stock banks, and 100 bps for small- and medium-sized banks in April and May to support SMEs;<br>**Reduction of the interest on excess reserves** to 35bps;<br>**Flexibility** in the implementation of the **asset management reform** |
| **GERMANY** | **Easier access to assistance loans** for companies due to liability takeover by KfW and the Federal Government and simplification of risk assessment;<br>**"KfW-Unternehmerkredit"**/ **"ERP-Gründerkredit"** granting loans of up to EUR 1 billion with terms of up to 5 years;<br>**KfW Quick Loan Program:** loans for all businesses at 3% interest for terms of 10 years without further risk assessment | **Easier financing** with venture capital and equity substitutes for start-ups without venture capitalists among shareholders and small SMEs;<br>**Regulatory easing** performed by BaFin reducing countercycle capital buffer for banks to 0%;<br>**No change in key ECB interest rates** since 9/18/2019 |
| **ITALY** | **Increased funding limit** for banking system (from EUR 1 billion to EUR 3 billion) for subsidized loans to SMEs, mid-caps, micro-enterprises, freelancers and sole proprietorships<br>**Central Guarantee Fund ("Fondo centrale di garanzia"):** Guarantees (90–100%) free of charge to companies suffering loss of income due to Covid-19;<br>**Guarantees for loans** granted to all companies (70–90% of granted loans' amount by SACE) | **Postponement of payments** for holders of debit accounts;<br>**No change in key ECB interest rates** since 9/18/2019 |
| SOUTH AFRICA | **Covid-19 guaranteed loan scheme for SMEs:** Funds covering up to 3 months of expenses;<br>6-month **repayment holiday of interest and capital repayment**;<br>**Unified lending rate** for all banks (tracked with repo rate);<br>**Small, Medium and Micro-Business South African ("SMMESA") Fund:** Soft loan of up to R 500,000 at an interest rate of prime less 5%;<br>**Giving for Hope Fund:** Loans to SMMEs of up to R 1 million at no interest;<br>**Debt relief fund:** Relief on existing debts and repayments for eligible SMEs | **Business growth or resilience facility:** facility offering working capital, stock, bridging finance, order finance and equipment finance;<br>**Liquidity coverage ratio** (LCR) of banks was reduced from 100% to 80%;<br>**Reduction of key interest rate** from 6.25% (1/17/2020) to 5.25% (3/20/2020) to 4.25% (4/15/2020) to 3.75% (since 5/22/2020) |

| | | |
|---|---|---|
| **SWEDEN** | **Central government loan program for SMEs:** Government will guarantee 70% of any new loan provided by banks to companies - Limit of SEK 75 million per borrower;<br>**Bank lending facility:** unlimited amount given adequate collateral with 3-month maturity;<br>Possibility for Banks to **borrow against collateral** from US - USD 60 billion<br>Lending rate reduction by 0.2%;<br>**The Swedish Export Credit Corporation's credit framework** will be increased from SEK 125 billion to SEK 200 billion – incentive to assist Swedish export companies;<br>**The Swedish Export Credit Agency** have increased credit guarantees totaling SEK 500 Billion and lower risk for banks | Purchase of securities by the government amounting to SEK 300 billion;<br>Regulatory easing, for Bank, recognizing all credit institutions under the supervision of the Swedish FSA as counterparties;<br>Establishment of SWAP Facility with US Federal Reserve of USD 60 million;<br>No change in key ECB interest rates since 9/18/2019; |
| **US** | **Small Business Associations (SBA) Economic Injury Disaster Loans (EIDL):** Loans of up to USD 10,000 for eligible businesses harmed by Covid-19 without repayment;<br>**SBA Express Bridge Loan:** Loans of up to USD 25,000 for eligible businesses with fast turnaround;<br>**SBA debt relief:** Payment by SBA of 6 months for principal, interest, and any associated fees and microloans in regular as well as new servicing status and microloans disbursed prior to 9/27/2020 | **Money Market Mutual Fund Liquidity Facility (MMLF):** Loans for eligible financial institutions secured by high-quality assets purchased by the financial institution from money market mutual funds;<br>**Term Asset-Backed Securities Loan Facility (TALF):** Supporting flow of credit to consumers and businesses;<br>**Primary Market Corporate Credit Facility (PMCCF):** Bridge financing of four years;<br>**Secondary Market Corporate Credit Facility (SMCCF):** Providing liquidity for outstanding corporate bonds;<br>**Paycheck protection program:** Fully forgiven loans for payroll costs, interest on mortgages, rent, and utilities without collateral or personal guarantees and fees;<br>**Decrease in FED interest rate:** From 1.75% (10/30/2019) to 1.25% (3/3/2020) to 0.25% (since 3/15/2020);<br>**Establishment of SWAP facilities** with several other countries;<br>**Easing and Encouragement:** Reserve requirement reductions, capital buffer relaxation and encouraging big banks to use their deposit window |

Notes: Last updated in June 2020.

Sources: KPMG, IMF, OECD as well as other national and international sources collected by the authors (2020).

and demand contractions. Several other measures have been employed to stimulate financial activities, including monetary and financial measures by the central banks.

In China, more bonds were issued as additional support for corporations. In Australia, capital requirements were relaxed temporarily, as well as three-year government bond yield. Additionally, liquidity was increased by injecting capital into the financial system in Brazil. In the US, the *Term Asset-Backed Securities Loan Facility* supports credit flow to consumers and businesses. Another facility in the US is the *Primary Market Corporate Credit Facility,* which provides four years of bridge financing to companies. The *Secondary Market Corporate Credit Facility* focuses on providing liquidity for outstanding corporate bonds. The *Money Market Mutual Fund Liquidity Facility* secured loans given to qualified financial institutions with high-quality assets from money market mutual funds.

Some countries implemented interest rate measures that aimed to facilitate financial activity. Low-interest rates ease borrowing for individuals and companies and support spending and investment. The European Central Bank has not changed the key interest rate since September 2019 and thus not directly influenced European countries, such as Germany and Italy. In contrast, central banks in countries outside the European Union have lowered their policy rate. The central bank in Brazil cut its policy rate by a quarter point to an all-time low. The Fed reduced its policy rate from 1.75 percent to 0.25 percent within five months. Also, South Africa had its interest rates largely reduced from 6.25 percent to 3.75 percent within the first five months of the crisis (see Table 2).

## SUMMARY

Amid Covid-19, a series of measures were taken to control the economic impact caused by the spread of the pandemic worldwide. This report describes some key policy measures implemented by various countries around the world.

In summary, one can say:

a) Tax postponements for companies were largely granted in all investigated countries, whereas at the time of the investigation only Italy and South Africa offered this type of assistance to individuals.
b) In several countries, measures for full or partial tax relief were found for both companies and individuals.
c) All countries concerned provided subsidies and transfers to both companies and individuals.
d) All countries facilitated lending, deferral of loans and took action to implement regulatory easing for companies, and SMEs in particular.
e) The key interest rate was adjusted in countries outside the European Union.

The scope of this report is limited in the following respect: (i) the list of financial measures for the eight concerned countries is not exhaustive: measures other than those mentioned may have been considered and implemented, (ii) if and to what extent some of these measures have been implemented is still to be seen in the coming months, and (iii) other policy areas, such as trade and exchange-rate policies, are not discussed in great detail. Nevertheless, this article is an attempt to show how these eight countries have responded with different economic measures to combat the negative consequences of the Covid-19 crisis.

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