LC/L.3025/Rev.5

The reactions of the Governments of the Americas to the international crisis:

an overview of policy measures up to 30 September 2009

UNITED NATIONS

ECLAC

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There can be little doubt that the world is facing its worst crisis since the 1930s. The long build-up in uncertainty is preventing the credit markets from returning to normality, despite the efforts of monetary authorities to inject liquidity. Against this background, the recession is slowly worsening as a result of huge losses of both financial and non-financial wealth, particularly in developed countries but in emerging economies as well. This extremely negative picture is dampening expectations, and this, in turn, is giving rise to a slump in labour markets and to lower investment and consumption levels.

In response to the crisis, the countries of the American continent have unveiled various sorts of measures, which are outlined in this document. Broadly speaking, those measures aim either to restore confidence and unlock financial markets or to bolster weakened aggregate demand.

A very broad range of measures have been implemented. This is partly because the effects of the crisis vary from country to country, and the instruments required in order to deal with those effects therefore differ as well, and partly because of the differences that exist in terms of the resources at the disposal of individual countries and, hence, in their capacity for implementing initiatives of various kinds.

Initially, as may be expected in such a situation, the central banks made strenuous efforts to provide the financial systems with liquidity in an attempt to enable local credit markets to function normally, as well as to supply financing themselves to borrowers not covered by those markets. Apart from the large differences between economies in terms of their degree of monetization or the depth of their financial markets, however, the nature of the current crisis and, in particular, the plunge in confidence, call for measures of another type. Liquidity must be ensured and interest rates should be as low as possible, but greater liquidity does not guarantee an increase in the supply of credit, and a larger supply of credit does not guarantee a stronger demand for goods. Although monetary and exchange-rate policies should form part of a coherent and well-structured package of measures, fiscal policy is the most powerful instrument in these cases.

The type of fiscal policy to be applied is also important. Measures designed to raise spending levels have more potential than those based on tax cuts. The former provide a direct means of boosting demand, whereas the latter increase the private sector's disposable income and, given the prevailing level of uncertainty, a large proportion of that increase is likely to be saved rather than spent.

Even if the analysis is limited to increases in spending, there may be major differences. If spending is raised by increasing direct transfers, the impact will be greater if the transfers can be targeted on sectors which have a higher propensity to consume. Transfers of this type are, however, harder to implement in the short term and are more demanding in institutional terms than untargeted transfers.

By the same token, when measures designed to expand investment in infrastructure are used to increase spending, it must be borne in mind that not all projects have the same impact in terms of employment and demand for locally-produced inputs. In addition, timing is an extremely important factor in these cases, and a list of ready-made projects that can be executed in the short term is not always available.

It may therefore be the case that, even though tax cuts (or untargeted subsidies) may have less of a potential impact than spending increases, Governments will often prefer the former, at least in the short run. Be this as it may, insofar as possible, the preferred approach would be to prepare spending plans and to implement well-designed investment projects in order to ensure the most efficient use of public funds.

Generally speaking, there is a marked difference between the scope of the policies announced by the developed countries and the developing countries of the region and, among the latter group, between the South American countries and some of the Central American and Caribbean nations. This is attributable, at least in part, to differences in their capacities for implementing countercyclical policies, as noted on previous occasions, and in their institutional structures for the design and application of those policies.

The following table provides an overview of the measures that have been implemented or announced in the countries of the Americas. These measures are then described in greater detail in the annex. They are listed schematically in the following six categories:

- Monetary and financial policy
- Fiscal policy
- Exchange-rate and foreign-trade policies
- Sectoral policies
- Labour and social policies
- Multilateral financing

Although almost all these measures have fiscal impacts, many of them clearly target a particular sector or market or are designed to deal with social issues. In these cases, the measures are mentioned twice, as they are included under fiscal policy in order to give a clear picture of the public finance effort that is being made, and are also listed in the section corresponding to their objective.

SUMMARY OF MEASURES, BY COUNTRY

Measure	Country												
	AR	BO	BR	CL	CO	CR	CU	EC	SV	GT	HT	HN	MX
Monetary and financial policy													
Legal reserve adjustments	X	X	X	X	X				X	X		X	
Liquidity injections in national currency	X	X	X	X	X	X				X		X	X
Changes to the monetary policy rate			X	X	X	X		X				X	X
Other measures	X		X		X			X	X			X	
Fiscal policy													
Tax cuts or benefits and subsidy increases	X	X	X	X	X	X		X	X	X	X	X	X
Increase or early disbursement of public spending allocations	X	X	X	X	X	X				X		X	X
Other measures	X		X	X	X	X		X	X	X		X	X
Exchange-rate and foreign-trade policies													
Liquidity injections in foreign currency (*)	X	X	X	X	X			X	X	X			X
Increase in import duties and import restrictions	X							X					
Tariff reductions			X					X					X
Export financing and support	X		X	X	X			X					
Exchange-rate policy	X					X				X			
Other measures	X							X					
Sectoral policies													
Housing		X	X	X	X	X				X		X	X
SMEs			X	X	X	X			X	X		X	X
Agriculture		X	X	X		X			X		X	X	X
Tourism										X			X
Industry	X	X	X	X	X	X				X		X	X
Other measures	X		X	X		X						X	X
Labour and social policies													
Labour policy	X	X	X	X	X	X			X	X		X	X
Social programmes		X	X	X	X	X			X	X	X	X	X
Other measures													
Multilateral financing	X				X	X		X	X	X		X	X

* Does not include central bank interventions involving the sale of foreign exchange in currency markets.

Note: AR= Argentina
BO= Bolivia (Plurinational State of)
BR= Brazil
CL= Chile
CO= Colombia
CR= Costa Rica
CU= Cuba
EC= Ecuador
SV= El Salvador
GT= Guatemala
HT= Haiti
HN= Honduras
MX= Mexico
NI= Nicaragua
PA= Panama
PY= Paraguay
PE= Peru
DO= Dominican Republic
UY= Uruguay
VE= Venezuela (Bolivarian Republic of)
BS= Bahamas
BB= Barbados
BZ= Belize
GY= Guyana
JM= Jamaica
SR= Suriname
TT= Trinidad and Tobago
AI= Anguilla
AG= Antigua and Barbuda
DM= Dominica
GD= Grenada
MS= Montserrat
KN= Saint Kitts and Nevis
LC= Saint Lucia
VC= Saint Vincent and the Grenadines
CA= Canada
US= United States

I	PA	PY	PE	DO	UY	VE	BS	BB	BZ	GY	JM	SR	TT	AI	AG	DM	GD	MS	KN	LC	VC	CA	US
		X	X	X							X												
	X	X	X	X	X			X			X		X	X	X	X	X		X	X	X	X	X
		X	X	X	X			X			X		X									X	X
	X	X					X	X	X	X		X	X		X								X
	X			X	X			X	X	X	X				X	X			X	X	X	X	X
		X	X	X			X				X					X				X		X	X
	X	X	X		X	X	X			X	X		X	X	X	X	X	X	X	X	X		
			X		X						X											X	X
		X			X				X				X										
				X	X						X					X	X		X	X	X		
	X	X	X	X	X																		
		X								X													
		X	X	X	X					X										X		X	X
		X	X	X	X			X	X				X							X			X
	X	X		X	X		X	X	X	X	X								X			X	
				X	X		X	X			X		X		X				X	X	X		
		X	X		X		X			X	X	X	X							X		X	X
		X	X	X	X	X	X	X		X	X		X		X	X			X	X	X	X	X
	X	X	X	X			X	X	X	X	X				X	X	X				X	X	X
	X	X		X			X		X	X	X				X	X				X	X		

DETAILED MEASURES, BY COUNTRY

ARGENTINA

Monetary and financial policy

Legal reserve adjustments

Lowering of legal reserve in dollars and other measures that implied a reduction in the legal reserve in local currency.

Liquidity injections in national currency

Programme of daily automatic repurchase of securities issued by the central bank maturing within six months.

Tripling of the central bank's credit line for local banks.

Swap of secured loans to refinance Government liabilities issued in 2001.

A new mortgage loan scheme was announced following an agreement with private shareholders in Banco Hipotecario to enable public-sector involvement in its management.

Other measures

The Federal Administration of Public Revenues (AFIP), the central bank and the National Securities Commission introduced measures to discourage the movement of private and corporate capital to tax havens and offshore banks. Financial agents may now conduct transactions only with countries that supply information on counterparts.

The Government invited bidding for prepayment of US$ 2.251 billion in Boden 2012 coupon bonds due to mature on 3 August 2009.

Fiscal policy

Tax cuts or benefits and subsidy increases

Tax and pension fund moratorium covering all tax and social security liabilities payable at 31 December 2007.

Reduction in employer contributions such that all firms creating or regularizing jobs pay 50% of contributions for the first year and 75% for the second.

Elimination of the scheme of income tax deductions applicable to wage-earners since 2000. This measure benefits some 800,000 middle- or high-income workers.

Additional payment for retirees of a fixed sum equivalent to US$ 56, to be covered by the social security administrator.

The Government extended the regime of tax incentives under the law promoting investment in capital goods and infrastructure work. Firms may choose between accelerated amortization of profit tax and early VAT reimbursement. US$ 330 million per year was made available for investment projects that impact job creation and value added. Of this total, US$ 56 million is earmarked for SMEs.

Increase or early disbursement of public spending allocations

Public works plan worth US$ 30.69 billion, of which US$ 19.81 billion already has structured funding, and the remainder is under negotiation. US$ 15.90 billion of that amount will be executed in 2009, more than double the figure for 2008. The public works programme will focus mostly on housing projects, hospitals, sewerage systems and roads.

The Government announced a programme of bond issues worth a total of US$ 1.12 billion to finance the 2009-2010 roads plan. A first tranche of 6- and 20-year bonds was issued for US$ 420 million, which will be financed by the diesel levy; ANSES bought US$ 380 million and the remainder came from private and official Banks, cooperatives and institutional investors.

Other measures

Unification of system under State regime: elimination of funded segment managed by retirement and pension fund management companies (AFJPs). Transfer to public sector of flow of contributions formerly collected by AFJPs, representing almost 1.5% of GDP. Transfer to public sector of assets formerly administered by pension system (some 10% of GDP, just under half of which consists of private-sector liabilities and assets held abroad).

Measures to promote the declaration of assets at home and abroad and incentives to bring funds held abroad by residents into the country.

30% of Government revenues from soybean export duties to be distributed to the provinces. This measure (announced on 19 March 2009) is intended to inject funds into the provinces.

Exchange-rate and foreign-trade policies

Liquidity injections in foreign currency

On 30 March 2009 the central bank announced a preliminary agreement to establish a US$ 10 billion currency swap mechanism with the Central Bank of China. This will be treated as a contingency mechanism for strengthening the Argentine central bank's reserve position.

The central bank announced a swap with its counterpart in Brazil for the equivalent of US$ 1.5 billion in pesos and reais.

Increase in import duties and import restrictions

Customs imposed tighter controls on products that are sensitive for national industry, such as textiles, footwear, metallurgical goods, white goods and motorcycles.

Advance permits for imports were made obligatory for a larger range of products. Import controls were tightened by extending the deadlines for automatic advance import permits.

Reference values created and import duties raised, and procedures related to unfair trade expedited.

Export financing and support

Reduction in withholding tax on exports of wheat and maize: rates of export duty on wheat fall from 28% to 23%, and on maize from 25% to 20%. Additional one-point reduction for every million tons of production above the recent average.

Reduction of 50% on withholding tax on exports of all fresh fruit and vegetables.

Lifting of ban on exports of maize and wheat, which had been in place since June 2008. The export of 6 million tons of maize and 520,000 tons of wheat was authorized.

Exchange-rate policy

Greater demand-side controls over foreign currency.

Sliding exchange rate with a managed floating exchange-rate regime.

Other measures

Alteration of rules for the purchase of public securities liquidated overseas and other interventions by the National Securities Commission, Federal Administration of Public Revenues (AFIP) and the central bank.

Sectoral policies

Housing

The Government announced that it would channel up to US$ 1.6 billion in social security contributions held by the National Social Security Administrator (ANSES) to credit lines for building, extending, finishing or purchasing new or existing housing. It was also decided to bring credit allotments for 2010 and 2011 forward to 2009.

Industry

Loans for financing sales of motor vehicles and consumer durables, pre-financing of exports and working capital. Announcement of credit lines targeting these activities, to be financed from official funds, for US$ 3.68 billion.

A government trust was set up to take over Massuh, a paper manufacturer, which was in meetings with creditors.

It was announced that ANSES would lend General Motors Argentina US$ 73 million to develop and market a new small-cylinder model using locally made parts.

Other measures

Creation of a Ministry of Production, by merging into a single ministerial body existing departments of industry, commerce and SMEs; agriculture, livestock, fisheries and food; tourism and (to be confirmed) mining. Also the Office of the Under-Secretary for Small and Medium-Sized Enterprises and the National Investment Development Agency.

Labour and social policies

Labour policy

Subsidy of 10% of labour cost for 12 months, extendable by a further 12 months (at 5%), by waiving employer contributions.

Promotion of worker formalization (through incentives).

Waivers of all capital and interest owed for regularization of the employment situation of up to 10 workers.

From the eleventh worker on, the debt owed can be paid in instalments. Up to five years of pension contributions will be recognized for employees whose situation is regularized.

The Government announced a 15.5% wage hike for civil servants. The rise will be stepped: 8% in June 2009 (payable in July's earnings) and 7% in August (payable in September).

Multilateral financing

The World Bank endorsed the Country Partnership Strategy (CPS) and allocated US$ 3.3 billion for its execution, which allows Argentina to borrow up to that amount up to 2011.

The World Bank also approved a loan of US$ 840 million for the Matanza-Riachuelo Basin Sustainable Development Project, a higher amount than for 2006-2008. It also agreed to finance a basic social protection project for US$ 450 million for 2009-2011 (separately from the funding agreed for CPS).

BOLIVIA (PLURINATIONAL STATE OF)

Monetary and financial policy

Legal reserve adjustments

Steps have been taken to avoid the dollarization of liabilities in the financial system by increasing the Liquid Asset Requirement Fund (RAL) for additional deposits in hard currency, while leaving the provisions for local-currency deposits unchanged. The authorities have also sought to avoid the dollarization of financial system assets, by creating additional provisions for loans denominated in foreign currency.

Liquidity injections in national currency

Decrease in rate of liquidity absorption through open market operations (second half of 2008).

Provision of liquidity in national currency through the redemption of securities issued in open-market operations. Early redemption options are also available.

Facility for repo operations and liquidity credits backed by the RAL.

Fiscal policy

Tax cuts or benefits and subsidy increases

The Government supported zinc prices to maintain production, using a mineral price stabilization account.

In May 2009 the Juana Azurduy Mother-and-Child bonus started to be distributed to pregnant women and to mothers of children under the age of 2. Pregnant women will receive four payments of US$ 17 each for attending four ante-natal check-ups and one payment of US$ 17 for having the baby delivered at one of the designated institutions and one post-partum check-up. Mothers of children under 2 will receive payments of US$ 18 each for taking the infant to bimonthly check-ups (up to a maximum of 12 payments).

Increase or early disbursement of public spending allocations

In the framework of the contingency plan for 2009, public investment will rise to US$ 1.871 billion in 2009, 35.5% more than the 2008 figure; that figure will increase to US$ 2.871 billion if Congress approves a loan of US$ 1 billion for the operations of Yacimientos Petrolíferos Fiscales Bolivianos (YPFB) during 2009.

US$ 870 million will be invested in the infrastructure sector (47% of the total budget), of which US$ 690 million (37.5%) will be devoted to road building.

The energy-sector budget will be increased by 51.8%; it will receive US$ 150 million, equivalent to 7.9% of the total calculated for 2009. The budget for hydrocarbons projects will be 30.5% higher than the current figure.

Agricultural production projects will receive US$ 150 million, equivalent to 8.1% of the budget. Mining will receive US$ 110 million, 168.4% more than in 2008.

The budget for multisectoral projects will be increased by 35.9% to a total of US$ 105 million.

Urban development and housing projects will be given a strong boost, with their budget increasing by 18% to a total of US$ 200 million.

In June 2008, fresh sums were allocated to public procurement with a view to making it quicker and more efficient and expediting public investment, while also helping to support Bolivian production.

Exchange-rate and foreign-trade policies

Liquidity injections in foreign currency

Decrease in commission charged for transfers from abroad transacted through the central bank and increase in commission on outward transfers.

Increase in import duties and import restrictions

Inclusion of a 35% tariff rate in the country's tariff structure, especially for Chinese-made textiles.

Export financing and support

Temporary financing for tariff payments for export firms legally established in the country that export to the United States without tariff preferences and in the framework of the Andean Trade Promotion and Drug Eradication Act (ATPDEA).

In July 2009, micro-enterprises, small firms and exporters of textiles to the Bolivarian Republic of Venezuela (whose market was one those it was hoped would substitute for loss of demand in the United States) were made eligible for loans from the Productive Development Bank (BDP), a second-tier institution.

Sectoral policies	Labour and social policies	Multilateral financing

Sectoral policies

Housing

Increases are planned for budget items relating to the housing sector.

SMEs

In July 2009, micro-enterprises, small firms and exporters of textiles were made eligible for loans from the Productive Development Bank (BDP), a second-tier institution.

Fresh public procurement sums were allocated with a view to supporting Bolivian production and making use of micro-enterprises, small producers and associations of small producers.

Agriculture

Increases are planned for budget items relating to the agricultural sector.

Fresh public procurement sums were allocated with a view to generating mechanisms to support Bolivian production and organizations of rural smallholders.

Industry

Increases are planned for budget items relating to the energy and mining sector.

BDP broadened its sectoral lending policy to include the production sector, extending preferential rates of interest and years of grace.

Labour and social policies

Labour policy

A 12% increase in the minimum wage is planned (including the police and armed forces) and wages in the health and education sectors will rise by 14%.

Social programmes

In May 2009 the Juana Azurduy Mother-and-Child bonus started to de distributed to pregnant women and mothers of children under the age of 2.

Multilateral financing

BRAZIL

Monetary and financial policy

Legal reserve adjustments

Effective legal reserve reduced.

Official banks reduced the spread between deposits and loans, as a way of inducing private banks to do the same.

Liquidity injections in national currency

Rediscount operations streamlined. Authorization to acquire portfolios of small and medium-sized banks (September 2008).

Central bank authorized to grant loans to banks secured by loan portfolios.

The Treasury authorized a US$ 43.73 billion loan to the National Bank for Economic and Social Development (BNDES); thus, the bank will have a total of US$ 72.59 billion in 2009 for business loans. This will be financed by the Treasury by using its own resources and issuing real-estate debt instruments. The long-term interest rate on these loans was lowered from 2.5% to 1% in April 2009 to reduce costs for BNDES and companies. BNDES has softened its rules for loans for investments and working capital, and increased specific financing for used work vehicles.

An additional BNDES credit line of US$ 1.75 billion was made available to the states.

Changes to the monetary policy rate

On 21 January 2009, the central bank cut its base rate by 100 basis points (from 13.75% to 12.75%). Later, on 11 March, it cut this rate by a further 150 basis points, to 11.25%.

The long-term interest rate on BNDES loans was lowered from 6.25% to 6%.

Interest rates on several BNDES operations were cut: from 10.25% to 4.5% on loans for production and sale of capital goods, and from 10.25% to 7% on loans for production and sale of buses and trucks. Terms were lengthened for financing loans to transporters (from 84 to 96 months) and the interest rate was cut from 13.5% to 4.5%.

Other measures

Broader powers for the central bank to intervene in failing financial institutions. Banco do Brasil and the Federal Economic Fund authorized to buy struggling financial institutions, as well as insurance and social security enterprises. Insurance and social security entities may also be acquired.

Fiscal policy

Tax cuts or benefits and subsidy increases

The sectors worst hit by the crisis may be granted fresh tax cuts and more resources.

Federal Government and some states have extended the time allowed for monthly tax payments, thus easing pressure on corporate cash flows.

A series of tax cuts have been announced, totalling around US$ 3.67 billion, in order to boost consumption:

(i) The tax on financial operations will be cut from 3% to 1.5% for direct consumer credit operations and the overdraft credit line.

(ii) The processed products tax applicable to vehicles was temporarily cut (originally until March 2009, then for six more months up to September 2009); for the purchase of motor vehicles with cylinder capacities of up to 1,000 cc, the tax will be cut from 7% to 0%, and for those up to 2,000 cc, from 13% to 6.5% (the rate will be gradually raised again as of October 2009).

(iii) Income tax tables for physical persons were revised, introducing lower rates (7.55% and 22.5%), which favour the middle class, that is, those who earn up to US$ 875 per month.

On 30 March 2009 a new fiscal covenant was announced, with additional tax cuts of over US$ 730 million. The main measures in this package refer to the industrial products tax (IPI): as well as the extension of the reduction in IPI on vehicles for six more months (to September 2009), taxes on motorcycles and 30 categories of construction materials will also be cut. In exchange for these benefits for the automobile sector, the assembly firms agreed to maintain their level of employment. In addition, a number of sectors were added to the list of priorities of the Development Agency for the Amazon Region, which benefit from an income tax exemption: pulp and paper (if they have reforestation projects), disposable materials, toys, watches and optical materials. In order to help offset the drop in takings, tax on cigarettes will be raised as of May 2009. The cuts mentioned were later extended for a further three or six months at a total fiscal cost of US$ 1.46 billion.

Increase or early disbursement of public spending allocations

The Government will spend the US$ 6.34 billion reserved for the Sovereign Fund on projects to maintain overall demand.

An increase of US$ 4.15 billion was agreed in the area of Government investment, adding to the US$ 16.57 billion already planned.

It was announced that US$ 2.5 billion was being released for infrastructure investments. This was funded by the Unemployment Insurance Fund (FGTS).

On 4 February it was announced that resources for PAC were to be increased by over US$ 62.14 billion up to 2010 and another US$ 219.6 billion as of 2011. 90% of the first amount will go to three projects: investment in PETROBRAS, construction of a rail ink between Rio de Janeiro and São Paulo and a ports upgrading plan.

Exchange-rate and foreign-trade policies

Liquidity injections in foreign currency

Resumption of foreign exchange swap auctions in order to provide liquidity to importers.

Agreement between the central bank and the United States Federal Reserve to establish a currency swap line for up to US$ 30 billion.

The central bank announced its willingness to use up to US$ 3 billion in foreign-currency reserves for loans to ailing firms to refinance debts in the external market.

Increase in import duties and import restrictions

The Government placed a series of non-tariff restrictions on imports. Importers from 17 sectors will now have to request an import licence in advance. The main sectors affected are: wheat, plastics, copper, aluminium, iron, capital goods, electrical and electronic material, auto parts and transport material in general (this measure was temporarily suspended on 28 January 2009).

Tariff reductions

306 products included in the "ex-tariff" list (mechanism that temporarily reduces tariffs on products that do not have a locally-made counterpart), which will make it cheaper to buy imported capital goods and products in the electrical, paper and pulp, graphics, medical and hospital, automobile and electronics sectors, among others.

Export financing and support

Use of foreign-exchange reserves to finance exports, by reverse auction of bank securities to backstop foreign trade. The contracts tie in the repurchase of these instruments, thus maintaining the current level of reserves.

Central bank allowed to grant foreign-currency loans directly to private banks, exclusively to finance foreign trade transactions.

Extension of up to one year for businesses that benefited from the drawback scheme to demonstrate their exports. The same applies to businesses that benefited from advance exchange contracts (soft loans for exporters). In addition, income tax has been eliminated on measures to promote exports and the Government has announced an integrated drawback scheme, which will enable primary goods exporters to discount the tax paid on raw materials, in order to benefit agro-industry.

Sectoral policies

Housing

Creation of a real estate credit line for public servants (including staff of public enterprises and mixed public-private firms), as a means to stimulate civil building work. Banco do Brasil and the Federal Economic Fund to grant real estate loans at below-market rates.

Launch of the *Minha casa minha vida* (my home my life) housing programme which consists of US$ 8.96 billion in Treasury subsidies and has a total cost of US$ 14.87 billion.

SMEs

Creation of a guarantee fund for SMEs, for up to US$ 1.75 billion.

Two Treasury guarantee funds were also created to be administered by Banco del Brasil and BNDES, for US$ 440 million in 2009 and US$ 880 million in 2010, These will back lending to micro-enterprises and small firms for capital goods purchases.

Agriculture

US$ 6.47 billion in support for the agricultural sector:

- US$ 2.19 billion in advances of resources from Banco do Brasil.
- US$ 2.41 billion increase in the resources that banks earmark for the agricultural sector.
- Increase in rate for compulsory rural savings deposits from 65% to 70%, which represents US$ 1.09 billion.
- Use of foreign-exchange reserves to finance the rural sector through the intermediary of trading companies.
- Use of US$ 2.20 million in resources from constitutional funds.
- US$ 440 million in assistance for agricultural cooperatives.
- Allocation of US$ 150 million to family agriculture using resources from the Workers' Protection Fund (FAT).

Industry

Expansion of borrowing capacity of PETROBRÁS and the National Bank for Economic and Social Development (BNDES) (US$ 5.25 billion) to keep up planned investment levels.

Creation of a US$ 440 million guarantee fund for the maritime industry, which was subsequently expanded to US$ 2.19 billion.

Other measures

Loan totalling up to US$ 550 million approved for used vehicle firms, using resources from the Workers' Protection Fund.

Labour and social policies

Labour policy

Expansion of unemployment insurance for workers laid off as of December 2008, particularly for sectors of the economy that have experienced higher numbers of lay-offs than in the preceding months.

Minimum wage adjustments (estimated at over 12% in 2009) to be maintained.

Social programmes

Expenditure levels will be maintained for the *Bolsa Familia* programme and works included under the Growth Acceleration Programme (PAC).

Multilateral financing

	Monetary and financial policy	Fiscal policy	Exchange-rate and foreign-trade policies
BRAZIL	Announcement of the creation of an investment bank within the Federal Economic Fund to buy the stock of real estate firms, as well as other sectors (this bank will have start-up resources of between US$ 870 million and US$ 1.09 billion). This replaces the process used by these firms until recently to raise capital, through share issues.	**Other measures** The Government will launch an advertising campaign to stimulate consumption. As an additional source of receipts (around US$ 1.09 billion), it was agreed that the assets of the Federal Railway Company, which were owing to be auctioned in 2008, will be sold. The creation of a sovereign fund was agreed, with an initial amount of 0.5% of GDP (around US$ 5 billion). The Government intends to use these funds to provide the country with savings to compensate for any future economic fluctuations and finance the internationalization of Brazilian companies. This will be financed through the issue of Treasury bonds. The Government announced that it would allow the renegotiation of debts owned by mayors' offices to the social security system, for periods of up to 20 years, in order to enable offices in arrears to gain access to Government loans, especially those associated with PAC. In March 2009 public spending cuts of US$ 11.11 billion were announced. The Ministry of Justice and the Ministry of Sports and Tourism were among the worst affected.	Creation of a special line of credit for the National Bank for Economic and Social Development (BNDES) to provide guarantees to exporters. The amount will be higher the US$ 520 million limit currently established under the Export Financing Programme (PROEX).

CHILE

Monetary and financial policy

Legal reserve adjustments

Temporary relaxation of legal reserve requirement.

Liquidity injections in national currency

One stop 28-day and 60-90 day repo operations.

Calls to bid for fiscal resources in United States dollars for local banking.

Tax adjustments designed to increase liquidity and the demand for publicly offered bonds, to make them more attractive as an alternative source of financing for businesses. The costs of structuring, intermediation and issue were subsidized to encourage new medium-sized firms to use this option.

Expansion of the financing facility of the Production Development Corporation (CORFO) for banking and non-banking factoring; implementation of a new CORFO facility to guarantee loan rescheduling.

As additional monetary policy measures, the central bank announced in July 2009 that it would establish a Term Liquidity Facility (FLAP) for banks, to provide 90- and 180-day liquidity with the current monetary interest rate. It also adjusted the plan for the issue of central bank notes (PDBC) with terms of less than one year. Lastly, it suspended for the rest of 2009 the emission of debt instruments with terms of one year or more.

Changes to the monetary policy rate

The central bank has gradually cut its monetary policy rate throughout 2009, from 8.25% in January to a minimum of 0.5% in July.

It has also been announced that the rate will be held at that level for a considerable period.

Fiscal policy

Tax cuts or benefits and subsidy increases

Temporary increase in housing subsidy and new subsidy for middle-income housing.

A fiscal stimulus plan was announced in January, totalling US$ 4 billion, equivalent to 2.8% of GDP; its purpose is to stimulate growth and employment through the application of short-term measures and structural reforms. The plan includes increased public spending, tax cuts and injections of capital. It also provides for direct, targeted incentives intended to have direct impacts on the economy. The Economic and Social Stabilization Fund will be used for the first time to finance this plan; other revenue will come from the debt issue authorized in the 2009 budget (with a maximum of US$ 3 billion) and from a reduction in the fiscal regulation target.

The planned measures are as follows:

(i) Stimulating investment and consumption:
Stamp duty will be eliminated for all credit transactions in 2009 and the rate of that duty will be halved for the first semester of 2010.

(ii) Business financing:
Temporary reductions in businesses' monthly interim corporate income tax payments on the basis of their past profits. In 2009, payments by SMEs will be reduced by 15%, and those of larger businesses by 7%.

(iii) Individual support:
Income tax rebates will be brought forward for natural persons in respect of the 2010 fiscal year.

In March 2009 a payment of US$ 70 per family dependent was made available for the most vulnerable households as part of the fiscal stimulus plan.

In August 2009, low-income families eligible for family or maternity benefit or family subsidy received a further payment of US$ 70 per family dependent. Four million people are estimated to receive this payment.

Between August and September 2009, overpayments of income tax were partially refunded, almost nine months in advance of the normal date. The amount refunded was based on the average for the last three years, up to a ceiling of US$ 420. Over 1 million people are estimated to have benefited from this measure.

Increase or early disbursement of public spending allocations

Countercyclical fiscal policy in the 2009 budget law. Real increase of 5.7% in total spending (GDP 2.5%). Social spending up 7.8% (69% of total spending). Spending on infrastructure up 8.8%.

Some US$ 7 billion will be spent on public investment. The goal is to concentrate public works execution in the first half of 2009. The ministries with the largest shares in this will be those of Public Works (US$ 2.5 billion), Housing and Urban Development (US$ 1.46 billion) and Health (US$ 300 million), and the Department of Regional and Administrative Development (US$ 1.07 billion).

In the case of public works, investment will be increased by 14.6% in projects which improve connectivity, infrastructure and transport. Investment for development in the country's regions will be up by 7.3%, thanks to resources from the National Fund for Regional Development.

Exchange-rate and foreign-trade policies

Liquidity injections in foreign currency

Calls to bid for US$ 5 billion for foreign exchange swap (1 to 6 months).

Export financing and support

Enhancement of the programme covering bank loans to exporters.

Expedited processing of VAT rebates for exporters.

Sectoral policies	Labour and social policies	Multilateral financing
Housing An increase of 10% in real terms in housing investment in 2009. Temporary increase in housing subsidy. New subsidy for middle-income housing sectors. Enhanced coverage for housing foreclosure insurance. For State-subsidized housing, the maximum coverage of loans will be raised from the current level of 80% to 90% of the value of the dwelling. The Government will facilitate the use of negotiable mortgage-backed loans (mutuos hipotecarios endosables) for house purchases and will authorize the social security agencies to issue them. **SMEs** Additional resources (US$ 500 million) for Investment Guarantee Fund (FOGAIN). Capitalization of Banco Estado (US$ 500 million) to increase loans to SMEs. Additional funds totalling US$ 8.3 million will be injected into the Technical Cooperation Service (SERCOTEC) to double seed capital for microenterprises. US$ 2.5 million was injected into the Solidarity and Social Investment Fund (FOSIS), thereby tripling the capacity of programme fund, which subsidizes the operating costs of institutions that provide credit to microenterprises. Extension of the maximum period for renegotiation of tax liabilities to three years and immediate suspension of any order of restraint or seizure on account of arrears against microenterprises that avail themselves of this facility. The operations of reciprocal guarantee cooperatives and companies will be eligible for support thanks to the upgrading of the Small Enterprise Guarantee Fund (FOGAPE) and the availability of coverage for working capital will be increased. As an interim measure, larger enterprises will be authorized to apply to FOGAPE when they need support to continue operating, so that their workers will remain in employment. Support will be provided to securitize of loans for very small businesses, which will lower the cost of credit for this sector. **Agriculture** Increase in benefits under decree law 701 on incentives for the forestry industry. Support for salmon industry by means of credit guarantees of up to US$ 120 million provided by the Production Development Corporation (CORFO). **Industry** Capitalization of Corporación Nacional del Cobre de Chile (CODELCO) for US$ 1 billion to boost its investment plan. Support for small-scale mining with a price support fund of US$ 18 million.	**Labour policy** Additional budgetary allocation for labour-intensive employment or investment schemes; funds will be executed if the rise in the unemployment rate or the slowing of GDP growth exceeds expected levels. (Additional) hiring subsidies under consideration. Labour subsidy for low-wage workers between the ages of 18 and 24. It is planned to broaden the Unemployment Solidarity Fund to give access to all unemployed workers, not only those with permanent contracts. The Government proposed legislation to encourage firms to retain and train employees, by means of tax incentives and subsidies. The proposal increases employers' tax credit for spending incurred on staff training, providing they maintain the staff endowment they had in April. Alternatively, worker and employer may agree upon a special leave of absence for up to 5 months, during which the worker will not attend work, but undertake training and receive a benefit equivalent to 50% of his or her average income for the last six months, up to a ceiling of US$ 320. This benefit is paid by the firm and subsidized through unemployment insurance. **Social programmes** Payment of US$ 70 per family dependent made available for most vulnerable households in March 2009.	

	Monetary and financial policy	Fiscal policy	Exchange-rate and foreign-trade policies
CHILE		Housing investment will rise by 10% in real terms. It is intended that 140,000 new homes will be built. More roads and minor side streets will be paved, and 50,000 subsidies will be provided for the programme to protect family property. As part of the fiscal stimulus programme, a further US$ 700 million will be devoted to a massive public investment programme, which will include urban and rural road-building, housing and irrigation works throughout the country. **Other measures** US$ 1.15 billion economic stimulus programme to encourage house purchases and support financing of small companies.	
COLOMBIA	**Legal reserve adjustments** Reduction in bank reserve for current and savings accounts (from 11.5% to 11.0%) and term deposits under 18 months (from 6.0% to 4.5%). **Liquidity injections in national currency** Provision of temporary liquidity through 14- and 30-day repos. **Changes to the monetary policy rate** The central bank has gradually cut its intervention rate from 10.0% in December 2008 to 4.5% in August 2009. **Other measures** Temporary replacement of monetary contraction auctions with non-reserve interest-bearing deposits.	**Tax cuts or benefits and subsidy increases** Tax payers will benefit from cuts amounting to US$ 960 million under the tax reform of 2006, which introduced changes that will come into effect in 2009: (i) the nominal rate of income tax drops from 34% in 2008 to 33% in 2009. (ii) stamp duty comes down from 1.0% to 0.5%. (iii) the number of payments of wealth tax is reduced from three to two in 2009. **Increase or early disbursement of public spending allocations** Creation of an Infrastructure Fund for US$ 500 million for up to 12 years. The Inter-American Development bank (IDB) and the Andean Development Corporation (ADC) are participating. Priority given to infrastructure programmes and sectors (concessions, major highways, departmental roads, tertiary roads, housing, drinking water and basic sanitation) and to social and productive stimulus programmes. Total Government investment in public works in 2009 will reach over US$ 2.4 billion (US$ 1.7 billion on roads, US$ 300 million on housing and US$ 225 million on irrigation, among others). Total infrastructure spending by other public bodies (territorial agencies, decentralized bodies and infrastructure spending financed by royalties), will be US$ 7.1 billion in 2009. If this is carried out as planned, public sector demand will grow by 5.5%. Central Government to spend US$ 280 million on programmes to bolster production. **Other measures** The Ministry of Finance prefinanced the 2009 central government deficit using resources from international bond issues and disbursements from multilateral banks. The Government of Colombia signed a financial cooperation agreement with the Government of Spain to enable investment in production projects, providing up to US$ 330 million over two years at low rates of interest and with long maturities. In June 2009 Congress approved at first reading a US$ 4.5 billion rise in the national government's borrowing limit for 2010 and 2011.	**Liquidity injections in foreign currency** Approval given to Government's request to authorize free-use programmatic external borrowing and contingent credit lines with international financial entities for US$ 1.5 billion, in order to make up possible gaps. Elimination of capital controls for fixed-income portfolio investment. All capital controls on foreign portfolio investment eliminated. 40% external borrowing deposit eliminated. Suspension of auctions for direct purchase of international reserves for US$ 20 million per day. **Export financing and support** Assurance of US$ 650 million in resources for the Foreign Trade Bank of Colombia (Bancoldex), by means of a Government-backed loan from IDB, and a further US$ 260 million from ADC, to finance the export sector.

Sectoral policies	Labour and social policies	Multilateral financing
Other measures A one-off payment of US$ 41 million to the Municipal Common Fund. The lending capacity of insurance companies was increased to allow more resources to be channelled into credit; steps have also been taken to enable these companies to participate in syndicated loans.		
Housing Public works investment plan for housing construction. In April 2009, the national government will allocate US$ 230 million to housing, US$ 21 million to backing for loans to upgrade low-income housing and US$ 210 million to lowering interest rates on mortgage loans of less than US$ 70,000. In July, an additional US$ 125 million were assigned for lowering interest on home loans. The goal is to stimulate construction and the consumption of building materials, with a view to saving jobs. **SMEs** Together with the Government of the Bolivarian Republic of Venezuela, the national Government will create a joint fund to finance micro-enterprises and small businesses in the two countries. The fund will be endowed with resources of US$ 200 million (Colombia and the Bolivarian Republic of Venezuela will each contribute US$ 100 million). Under decree 525 of 23 February 2009 payroll taxes were cut for micro-enterprises and SMEs in their first three years of operation. The reduction amounts to 75% in the first year, 50% in the second and 25% in the third. **Industry** Public works investment plan for building roads and irrigation districts. A credit line of almost US$ 200 million was set up through the Foreign Trade Bank of Colombia (Bancoldex) to fund the purchase of bottom-of-the-range automobiles and prevent the loss of 4,000 assembly jobs.	**Labour policy** Decree No. 4868 set the minimum wage at US$ 207, a 7.67% increase. The National Apprenticeship Service (SENA) will use resources invested in public securities (TES) for youth training courses. SENA is to double the number of places for technical and technological training, offering 250,000 new places for unemployed 16- to 26-year-olds living in extreme poverty in urban areas. This project has a budget of US$ 130 million. **Social programmes** Protection of social investment despite public spending cuts, through the General System of Participation (SGP). Increases are planned regardless of the GDP growth rate. Increase of 1.5 million in the number of families covered by the Families in Action Programme. The transport allowance was raised to US$ 25. Government spending on social support programmes for 2009 is projected at US$ 1.29 billion, distributed as follows: US$ 710 million on Families in Action, US$ 230 million for older adult programmes and US$ 320 million in assistance for the displaced, poor and vulnerable populations. Social programmes are estimated to grow by 42% over 2008, when US$ 910 million was spent. Increase of 2.6 million in the number of families covered by the Families in Action Programme.	Creation of an Infrastructure Fund for US$ 500 million for up to 12 years. Inter-American Development bank (IDB) and Andean Development Corporation (ADC) participating. On 11 May 2009 IMF approved a loan of roughly US$ 10.5 billion to Colombia to counteract a possible tightening of external financing. The Government can use the facility in contingencies, but has not done so yet. Assurance of resources needed for external financing in 2009 through multilateral loans (IDB, World Bank and ADC), for US$ 2.4 billion. Assurance of US$ 650 million in resources for the Foreign Trade Bank of Colombia (Bancoldex), by means of a Government-backed loan from IDB, and a further US$ 260 million from ADC, to finance the export sector.

	Monetary and financial policy	Fiscal policy	Exchange-rate and foreign-trade policies
COSTA RICA	**Liquidity injections in national currency** The central bank opened up a special line of financing in local currency, available to financial entities subject to the oversight of the General Financial Institute Audit Bureau. In June 2009 the life of this credit line was extended to 30 September 2009. In addition to confirming the capitalization of State banks for a sum of US$ 117.5 million, a draft law on subordinated debt, which will enable public banks to issue this sort of contact, will be promoted. **Changes in the monetary-policy rate** In mid-July, the central bank reduced the net monetary-policy rate from 10% to 9%, seeking to lower interest rates in the financial market.	**Tax cuts or benefits and subsidy increases** The 2009 budget included US$ 1.4 million to subsidize fuel for the fisheries industry, as well as spending on items such as health care, education and social security. In March 2009, a decree was signed authorizing the accelerated depreciation of assets in 2009, with a possible extension to 2010. **Increase or early disbursement of public spending allocations** On 29 January 2009 the Government announced Plan Escudo, a social protection and economic stimulus plan to deal with the international crisis. Plan Escudo has four pillars: families, workers, firms and the financial sector. The public sector aims to invest an amount equivalent to 5% of GDP in education infrastructure and road construction and refurbishment through the Plan. Much of this investment will be covered by an US$ 850 million loan from IDB, which was approved in June 2009. As a counterpart investment, the Government will contribute US$ 200 million. In March 2009 it was announced that US$ 1.26 billion would be invested in infrastructure works through trust funds. Given delays in current public works projects, however, doubts have been raised about the capacity of the public sector to carry out the infrastructure spending plan. **Other measures** In August 2008, the Government presented an extraordinary budget for US$ 90 million. In the first semester a budget of US$ 35 million was also approved to help deal with any crisis which may be caused by rising international food prices. On 19 March 2009 the Minister of Finance announced measures to deal with the growing fiscal deficit. Changes will be made to the legislation to allow increased borrowing in foreign currency (from 20% to 40%) and the use of borrowing to finance current spending. In addition, the portion of the budget of public entities that comes from the national budget will be cut by 20%. Further budget cuts were announced in July in response to falling tax receipts. It would also announced that initiatives to boost revenue, such as a 2% tax on the gross income of casinos, would be submitted to Congress. The Government will request a US$ 500 million loan from the World Bank to cover fiscal needs. In August the Ministry of Finance submitted a new plan cutting some US$ 125 million in spending from the ordinary budget, in order to address the downturn in receipts.	**Exchange-rate policy** On 22 January 2009 the adjustment rate of the exchange-rate band ceiling was increased from 6 to 20 cents daily, in order to provide more leeway to adapt to international conditions. **Export financing and support** The Foreign Trade Corporation of Costa Rica (PROCOMER) launched an assistance and advice programme for export firms in order to help reactivate exports.
CUBA	No information is available on specific measures to deal with the crisis.		

Sectoral policies

Housing

The Government asked banks to reduce by 2% the interest rate on mortgage loans of less than US$ 89,000. The National Institute of Cooperative Development (INFOCOOP) made a commitment to reduce mortgage rates by 2.5%.

Ceiling of Family Housing Benefit lifted to over US$ 8,900.

SMEs

Economic support in the form of start-up capital for young people wishing to develop production projects (PROJOVEN).

Resources in the amount of US$ 400 million for loans to small producers and merchants affected by the international situation.

Negotiation with banks to reduce the interest rate by 2% for loans to micro-enterprises and SMEs. Reduction of 1% in interest rate on INFOCOOP micro-credit.

The three State banks agreed in May 2009 to provide more flexible terms on loans to micro-enterprises and small companies. In particular, they will postpone amortization payments for 24 months and increase loan maturities by 2 years. The measure is applicable to some 34,500 loan operations.

Agriculture

Creation of the National Food Plan, which includes production development policies.

Industry

Congress approved a loan of US$ 500 million from IDB to bolster the Costa Rican Electricity Institute.

Other measures

To support companies that supply the public sector and enable them to recover their investments quickly, the Government will reduce its invoice payment period to 30 calendar days.

Labour and social policies

Labour policy

Social security coverage for workers who lose their jobs and for their dependent family members, has been increased from three months to six months.

Draft law establishing an agreement between employers and workers, whereby firms reduce the number of hours worked, but do not reduce hourly wages or dismiss staff.

Project to modernize labour legislation, to introduce more flexible schemes, such as the four-day week and annualized working hours.

Employee training for firms hurt by the crisis. Grants for employees wishing to train in exchange for a guarantee from the firm of job stability and payment of social contributions.

Social programmes

Increase in Government spending on social affairs. Part of this went to subsidies on food, transport and gasoline. Social spending on education and housing also rose.

Increase of 15% in pensions of the non-contributory regime of the Costa Rican social security fund.

Project to offer children's meals at weekends in child-care centres in the country's 37 poorest districts.

Increase in the number of beneficiaries of the *Avancemos* programme, with more grants for young people.

Revision of pricing procedures so that the drop in the oil price can be passed through more quickly to public transport fares.

Multilateral financing

Congress approved a loan of US$ 500 million from IDB to bolster the Costa Rican Electricity Institute.

A financial support agreement was signed with IMF. If necessary, Costa Rica may draw up to US$ 780 million in exchange for a commitment to follow particular fiscal, monetary, exchange-rate and financial policies. Following an initial review of the economic plan, IMF allowed the Government to draw down the first US$ 585 million in September 2009.

The Government will request a US$ 500 million loan from the World Bank to cover fiscal needs, given the significant downturn in receipts.

In June 2009 IDB approved an US$ 850 million loan for infrastructure investment. The first phase of the investment was approved at the end of September and consists of US$ 375 million in projects, mainly in the rural areas.

Monetary and financial policy

Legal reserve adjustments

As of February 2009 monetary policy began to be eased by making the legal reserve more flexible, among other measures.

In its second resolution (12 February 2009), the monetary board authorized the central bank to free US$ 210 million corresponding to the legal reserve and up to US$ 84 million against Government bond issues provided for in the 2009 budget law, for financial intermediation agencies to lend to production sectors, including agriculture, manufacturing, construction, micro-enterprises and SMEs. The central bank established a preferential rate of 17% for the production sectors that borrow from the released legal reserve funds.

On 25 March 2009, the prudential regulations for the banking sector were temporarily made more flexible to stimulate bank lending.

Liquidity injections in national currency

Approval of a short-term liquidity mechanism for financial intermediation entities through repos of securities issued by the central bank or other eligible instruments.

On 20 March 2009, IDB approved a loan of US$ 360 million to improve liquidity in the private sector. Of this amount, US$ 300 million will be transferred to the central bank for lending to commercial banks, and the remaining US$ 60 million will be used to provide budget financing for productivity and competitiveness programmes.

Changes to the monetary policy rate

On 16 February 2009 the central bank cut the overnight interest rate to 6.0% and the Lombard rate to 11.5%, which was one percentage point lower than the rates a month earlier. On 1 April 2009, these rates were lowered to 5.0% and 10.5%, respectively. The interest rates on fixed-term savings certificates were also lowered by between two and three percentage points.

On 29 June, the central bank cut the interest rate on over-the-counter certificates by 100 basis points. After this cut, 1-year certificates carry an interest rate of 7% and 3-year certificates a rate of 12%.

In August, the central bank lowered its benchmark rates. The monetary policy rate was reduced from 5% to 4% and the Lombard rate from 10.5% to 9.5%.

Fiscal policy

Tax cuts or benefits and subsidy increases

The following subsidies were allocated in 2008:

- Subsidy to the electric power sector: 2.4% of GDP.
- Subsidy for liquefied petroleum gas: 0.5% of GDP.
- Fuel price subsidy: 0.25% of GDP.
- Direct subsidy to free zone export firms: 0.13% of GDP.
- Subsidies to the agricultural sector: 0.17% of GDP.

In March, the Government extended for the rest of fiscal year 2009 the exemptions it had granted to the agricultural sector: on advance payments of income and assets taxes and on the withholding of income tax on payments made by the State.

Draft legislation was also drawn up to:

- Exempt insurance policies purchased by agribusinesses from tax.
- Lower from 5% to 0.5% the withholdings on payments made by the State and its agencies for the purchase of goods and services.
- Eliminate the 2% charged for reregistering a mortgage.
- Allow education expenses to be deducted from income tax.

In May the Government announced tax and rates exemptions for construction companies building low-cost housing projects, as well as mortgage loans with rates fixed for at least three years. The Government also proposed the creation of a *Bono Tierra* (land bonus), through which State-owned land will be given over for low-cost housing.

The Senate approved draft legislation to make educational expenditures tax-deductible for persons liable for income tax.

In August, the authorities published a compendium of advances on the measures announced in the framework of the National Unity Summit convened in response to the global economic crisis. The main points include:

- Approval of a law reducing the rate at which payments made the State are withheld as payment towards income tax, from 5% to 0.5%
- Approval of legislation exempting restructuring operations from the 2% mortgage tax
- Approval of a law making spending on education deductible from personal income tax.

Increase or early disbursement of public spending allocations

On 19 March 2009, several projects to stimulate economic growth were announced. These included the Coral road project, the Viadom project, a second line for the Santo Domingo underground railway system and the Haina-Santiago railway line. These projects will be financed by the private sector and with a loan from, among other sources, the Andean Development Corporation.

Exchange-rate and foreign-trade policies

Tariff reductions

On 10 March 2009, the tax paid by airlines for transporting cargo was eliminated to lower export costs.

Export financing and support

Also on 10 March 2009, the Presidential Export Promotion Board was set up to assess export performance and develop a unified export policy. A fund to promote export supply and attract foreign direct investment was also established.

Sectoral policies

Housing

The central bank announced that all mortgages applied for in March 2009 for new house purchases, up to a limit of US$ 340,000, will have a fixed interest rate of 15% up to 1 January 2010.

In May the Government announced tax and rates exemptions for construction companies building low-cost housing projects, as well as mortgage loans with rates fixed for at least three years. The Government also proposed the creation of a *Bono Tierra* (land bonus), through which State-owned land will be given over for low-cost housing.

SMEs

In May the Government announced the creation of a fund totalling some US$ 42 million to stimulate the development of micro-enterprises and SMEs. Of these resources, US$ 28 million will be channelled through the National Council for the Promotion and Support of Micro-Enterprises and SMEs (PROMIPYME), with the support of the Reserve Bank of the Dominican Republic, and the other US$ 14 million will be lent through institutions that specialize in credit for small businesses.

Agriculture

In the second week of February a series of measures were announced to protect and strengthen food security programmes, rural prosperity and competitiveness. It was agreed to boost the financing extended by the Agricultural Bank and allocate US$ 100 million from National Bank for the Promotion of Housing and Production (BNV) to develop the sector. A training programme for rural youth will also be rolled out, endowing young people with land from the agrarian reform to attract them into the sector.

In March, the Government extended for the rest of fiscal year 2009 the exemptions it had granted to the agricultural sector: on advance payments of income and assets taxes and on the withholding of income tax on payments made by the State.

Tourism

In March 2009, the Committee for the Implementation of a Comprehensive Unified Service System for Investment in Tourism was established.

Labour and social policies

Labour policy

As of August 2008 the public sector minimum wage, including civil and military pensions and retirement benefits, was adjusted by 67%.

On the same date, a 15% wage rise was decreed for public-sector employees earning up to US$ 840 per month, which benefits 97.6% of civil servants.

Social programmes

The liquefied petroleum gas (LPG) subsidy has been targeted since the last quarter of 2008 to benefit the poorest segments of the population. Two programmes were created: (i) a targeted LPG subsidy for public transport, which benefits 24,000 public transport drivers, and (ii) a targeted LPG subsidy for households, with an estimated coverage of 800,000 homes.

As of the last quarter of 2008, the coverage of the Dominican Republic's main social welfare scheme, the Solidarity Programme, was extended to 50,000 new households. This scheme includes subsidies for the purchase of food, school aid and assistance for the elderly.

The transfer corresponding to Solidarity Programme's subsidy for food purchases ("Eating comes first") was increased by 27%.

School attendance incentives created for over 292,000 children and adolescents in households identified through the Solidarity Programme.

An increase of 33% is expected in food purchase transfers under the Older Adult Programme, which will benefit 50,000 elderly people.

In March 2009, family health coverage was extended within the contributory social security scheme with a view to stimulating competition and reducing the expenses of its members.

Multilateral financing

On 20 March 2009, IDB approved a loan of US$ 360 million to improve liquidity in the private sector. Of this amount, US$ 300 million will be transferred to the central bank for lending to commercial banks, and the remaining US$ 60 million will be used to provide budget financing for productivity and competitiveness programmes.

On 19 March 2009, several projects to stimulate economic growth were announced. These include the Coral road project, the Viadom project, a second line for the Santo Domingo underground railway system and the Haina-Santiago railway line. These projects will be financed by the private sector and with a loan from, among other sources, the Andean Development Corporation.

	Monetary and financial policy	Fiscal policy	Exchange-rate and foreign-trade policies
ECUADOR	**Changes to the monetary policy rate** Suspension of the reduction of interest rates until June 2009. **Other measures** Establishment of a monthly tax on available funds and investments held abroad by private entities regulated by Superintendency of Banks and Insurance and the Stock Market Division of the Superintendency of Companies. Loans extended to public officials (up to three months' wages) to stimulate domestic demand. Coupon payments on Global 2012 bonds fell into technical arrears in November 2008 and those on Global 2030 bonds in February 2009; the two bonds represented total commitments of US$ 3.2406 billion (23.6% of total public debt and 32.1% of external public debt). In April 2009 the Government proposed to exchange those bonds for cash in a modified Dutch auction, setting a floor price of 29.5% plus 50 basis points over the bond's nominal value.	**Tax cuts or benefits and subsidy increases** Tax credit allowed for above-minimum bank provisions. Moratorium on advance income tax payment up to December 2009 for exporters in the sectors worst affected by the crisis; reduction in the withholding tax on interest paid abroad, to 0% for the banking sector and 5% for private firms until December 2009 (except for capital from tax havens). Taxes on private banks to be temporarily reduced and financial institutions to be required to capitalize their profits. Banks will also be allowed access to fiscal incentives in exchange for issue of credit to the production sectors. A tax reform bill has been drafted and will need to be approved by the legislative commission, to assist the production sector and strengthen the country's financial system. **Increase or early disbursement of public spending allocations** It was announced that almost US$ 1.6 billion will be drawn from the Free Liquidity International Reserve (RILD) for investment in production and job creation. The funds will be administered by the central bank and the ministries coordinating economic policy and production, and will be invested in infrastructure projects and lending to the production sector. The central bank also authorized the Ecuadorian Social Security Institute (IESS) to invest US$ 300 million from RILD in the National Finance Corporation (CFN). **Other measures** Banks' stocks of external assets to be taxed to encourage national saving and levy on capital outflows to be raised from 0.5% to 1%. Negotiation of a US$ 500 million loan from IDB to finance fiscal policy. The Government reduced the State-financed part of Petroecuador's budget to US$ 3 billion in 2009 (compared to US$ 4.884 billion in 2008). This will be accomplished by means of staff cuts, among other measures. The Government is engaged in negotiations to obtain financing for large infrastructure works, such as the Pacific Refinery, the Coca Codo Sinclair hydroelectric project and others. In August 2009, a tax refrom was signed into law with the following measures: (i) the tax on foreign exchange transfers will be raised from 1% to 2%, with the first US$ 500 of each transaction exempt; (ii) the advance payment of corporate income tax will become a minimum payment, i.e., if the advance payment exceeds the company's real tax liabilities, it will not necessarily be returned; (iii) tax on dividends received by company shareholders; (iv) changes were made to the method of calculating the special consumption tax (ICE) on cigarettes and alcoholic and carbonated beverages. A VAT rate of 12% will apply to imports of paper used in the manufacture of newspapers and magazines; (v) incentives for the production sector, such as a VAT rebate for tour operators for inbound tourism, more flexible conditions for reinvestment of earnings in science and technology (subject to the firm maintaining its staff levels) and extension of the 0% VAT rate for artisans qualified by the Ministry of Production, Employment and Competitiveness and the National Board for the Protection of Artisans. (vi) 12% VAT rebate for the public sector.	**Liquidity injections in foreign currency** Tax credit of 12.5% of the amount allocated to loans to the production sector using fresh capital from the financial sector. Extension of second-tier credit lines by National Development Bank. These credit lines will be available to financial institutions which sustain their operations using remittances from outside the country. On 11 March 2009 the Ecuadorian Social Security Institute announced the decision to buy US$ 400 million in performing mortgage portfolio from the private banking sector. The banks have committed to plough these funds back into new lending and to apply the same loan mortgage conditions as they did in 2008. **Increase in import duties and import restrictions** Introduction of safeguard measures on imports for an (initial) period of one year, in order to help to offset the balance-of-payments deficit estimated for 2009. This includes countries with which Ecuador has preferential trade agreements. The determination first increases tariffs by 30% or 35% in ad valorem terms for 73 subcategories and creates specific tariffs for 283 others. Second, it places quantitative restrictions on 248 subcategories by allocating quotas by importer and by subcategory. In total, 627 subcategories are covered by the measure. On 10 July 2009, Ecuador imposed tariff surcharges on 1,346 subcategories of imports from Colombia. The surcharge involved eliminating the existing tariff preferences in the Andean Community (CAN). The secretariat of CAN granted Ecuador the right to adopt these measures in respect of Colombian imports; the justification for this was the adoption of exchange-rate safeguards owing to the appreciation of the dollar against the Colombian peso. **Tariff reductions** Elimination of tariffs on inputs and capital goods not produced in the country. **Export financing and support** Expediting (from 30 days to 5) and reducing red tape for tax returns (drawbacks), leading to earlier reimbursement of tax pre-payments by exporters. Export sectors hurt by the crisis will be exempted from advance payment of income tax in 2009. A credit line of US$ 100 million will be opened by the National Finance Corporation for external trade operations. **Other measures** The external investment limit for investment funds will be lowered from 50% to 20%.

Sectoral policies	Labour and social policies	Multilateral financing
		Negotiation of a US$ 500 million loan from IDB to finance fiscal policy. In April 2009, the Latin American Reserve Fund approved a US$ 480 million loan to Ecuador. The loan has a maturity of three years and a one-year grace period for capital amortizations.

	Monetary and financial policy	Fiscal policy	Exchange-rate and foreign-trade policies
EL SALVADOR	**Legal reserve adjustments** Banks were required to hold 3% of assets (1.1% of GDP) in the central bank as cash reserves. As of April 2009, these reserves began to be returned with a view to increasing the system's liquidity and the credit supply. **Other measures** Financial Stability Committee created.	**Tax cuts or benefits and subsidy increases** Subsidies for the entire population on consumption of electric power, water, liquefied gas and public transport, for US$ 400 million (1.8% of GDP). The blanket electrical energy subsidy (US$ 163 million, equivalent to 0.7% of GDP) was modified in February 2009 to apply only to clients that consume less than 99 kilowatts per month (these consumers account for 80% of total demand). Setting of benchmark prices for gasoline and diesel. **Other measures** In June 2009, the Government announced a comprehensive plan to combat the crisis, at a total estimated cost of US$ 587 million (coverage has been secured for 60% of the plan and the rest will depend on support from international agencies). This plan includes a strategy aimed at strengthening public finances. An austerity programme will be created to restrict superfluous spending and some US$ 150 million will be saved through subsidy streamlining and targeting. In addition, a programme is to be started up to combat tax avoidance and evasion, smuggling and corruption.	**Liquidity injections in foreign currency** Measures to be taken to strengthen instruments of participation in the repo market and the mechanism to facilitate the operability of the interbank market. The IDB Executive Board approved a loan for US$ 400 million to the central bank under the Liquidity for Growth Sustainability Project, in response to the liquidity squeeze in the international financial markets.

Sectoral policies

SMEs

In the framework of the plan to combat the crisis, the Government announced the creation of a State bank for production development, which will provide timely financing to different branches of the economy, mainly micro-enterprises and SMEs. This bank will also channel a system of guarantees to give businesses access to private bank loans.

Agriculture

In the agricultural sector, there are plans to strengthen the improved seed programme and provide small farmers with fertilizers.

Creation of a strategic reserve of maize and beans to guarantee supply.

Fertilizers and agricultural inputs will be imported and distributed at cost price to small and medium-sized producers. This will benefit 450,000 producers in 160 municipalities in 2009 and 600,000 producers throughout the country in 2010.

Labour and social policies

Labour policy

The comprehensive counter-crisis plan will provide support for the creation of 100,000 direct jobs in the next 18 months. The temporary employment programme will take the form of a scheme to extend and upgrade public services, utilities and social housing.

Social programmes

Solidarity Network programme to combat extreme poverty strengthened by doubling the amount of assistance per family, from US$ 150 to US$ 300 for families with children in primary education.

Alliance for the Family programme implemented to increase standards of living for middle-income families through discounts on schooling costs, broader health coverage, increase in pensions, and 100% payment of salaries to working mothers registered with the Salvadorian Social Security Institute (ISSS) during maternity leave, among other measures.

Loan of US$ 297 million secured from IDB and the World Bank to strengthen social development.

As part of the counter-crisis plan, the Government announced an urban community solidarity scheme aimed at improving living conditions in precarious urban settlements. This will involve upgrading infrastructure and utilities, repairing and building 11,000 houses, providing an education benefit for children between 6 and 18 years of age and adopting measures to increase public safety.

The Government announced the construction of 25,000 urban dwellings (including 2,000 with state subsidy for land acquisition) and 20,000 floor and ceiling structures in rural communities in extremely poor municipalities.

The Solidarity Network, renamed Rural Communities in Solidarity, is to be upgraded and extended. Improvements are planned in the quality and coverage of water, electric power, sanitation, health-care and education services in 32 poor municipalities. A basic pension will be provided for the entire older adult population in the 100 municipalities covered by the programme.

Comprehensive health care and nourishment will be provided for children between 0 and 3 years of age in 100 municipalities with high levels of undernutrition. The school meals programme will be extended through urban educational establishments (this will extend to another 500,000 students from pre-school up to the third cycle in the rest of 2009). Uniforms and school supplies will be provided free of charge.

Multilateral financing

In December 2008, IMF announced that it would backstop the Salvadoran Government's economic programme for 2009 with a 15-month stand-by agreement for the equivalent of 513.9 special drawing rights (about US$ 800 million). The Government intends to treat the agreement as a precautionary measure.

The IDB Executive Board approved a loan for US$ 400 million to the central bank under the Liquidity for Growth Sustainability Project, in response to the liquidity squeeze in the international financial markets.

In November 2008 a loan was agreed with IDB and the World Bank for US$ 653 million to restructure the Eurobond debt (issued after the earthquakes of 2001) maturing in 2011.

Loan of US$ 297 million from IDB and the World Bank to strengthen social development efforts.

In mid-September 2009, it was announced that the Government of El Salvador had reached a preliminary agreement with IMF for the conclusion of a precautionary arrangement for an amount of US$ 800 million over three years to replace the agreement signed in early 2009.

	Monetary and financial policy	Fiscal policy	Exchange-rate and foreign-trade policies
EL SALVADOR			
GUATEMALA	**Legal reserve adjustments** Temporary, moderate easing of restrictions of banks' accounting of reserves (November 2008). Loan portfolio reserve requirement implemented (100% coverage of the ailing portfolio). **Liquidity injections in national currency** Issues of fixed-term certificates of deposit of over seven days were suspended and a facility was created to allow their early redemption. Government cash resources were used to increase liquidity in December 2008.	**Tax cuts or benefits and subsidy increases** A proposal for gradual income tax reform was sent to Congress. Like most of the measures implemented, this proposal forms part of the National Emergency and Economic Recovery Programme (PNERE) implemented in January 2009. **Increase or early disbursement of public spending allocations** Priority will be afforded to spending on labour-intensive physical and social infrastructure. Development programmes totalling US$ 950 million financed by external loans. **Other measures** With the decline in tax revenue (in particular from taxes on foreign trade), as a result of the crisis, Congress approved an increase in the issuance of national currency bonds to the tune of US$ 380 million. In addition, in September, the Congress Finance Committee tabled a bill for the approval of a US$ 350 million loan from the World Bank (of which 45% would be received in 2009 and the rest in 2010) and for a US$ 125 million increase in the general budget of State income and expenditure. Most of these funds will be used for social development and for investment in infrastructure.	**Liquidity injections in foreign currency** Establishment by the central bank of a special account to inject dollar liquidity, with pre-established ceilings. The Monetary Board authorized the Bank of Guatemala to supply dollar liquidity to banks in the system for as much as US$ 290 million up to 31 May 2009. **Exchange-rate policy** The margin of fluctuation of the moving average of the flexible exchange-rate system was increased from 0.50% to 0.75%.
HAITI		**Tax cuts or benefits and subsidy increases** Programmes to subsidize food and transport costs.	

Sectoral policies	Labour and social policies	Multilateral financing
	Affiliates of the Salvadoran Social Security Institute (ISSS) who have lost their jobs will temporarily be guaranteed access to the Institute's health services (for six months). The fees for public health services will be eliminated and all establishments in the public system will be provided with essential medicines. In June 2009 a basic universal pension was created. This will benefit 42,000 older adults aged 70 or over without social security who reside in the country's poorest municipalities. In July 2009, the authorities introduced a programme of improvements and construction in the area of social housing ("Casas para todos" – Homes for All). During the first stage of the programme, 5,600 units will be built, priced at up to US$ 28,500 and financed by the Banco Multisectoral de Inversiones, as well as 2,200 units worth up to US$ 13,000, financed by the Fondo Nacional de Vivienda Popular. Lastly, the Ministry of Housing will invite bids for the construction of 1,500 units costing US$ 5,000.	
Housing A liquidity facility known as the Housing Financing Fund was create to provide lines of credit to finance housing, and a guarantee fund for banking institutions was set up to increase the availability of financing for the housing segment. **SMEs** Implementation of a programme to strengthen SMEs. **Tourism** A strategy has been created to promote local and foreign tourism. **Industry** Projects in electric, thermal, hydroelectric and oil-fired power. **Agriculture** In the framework of budget reorganization, an allocation was earmarked to support rural productive development through the Rural Development Programme (PRORURAL) (US$ 50 million); the Guatemalan Exporters' Association (AGEXPORT) (US$ 2 million); the Ministry of Agriculture, Livestock and Food/International Agricultural Development Fund (MAGA/FIDA) (US$ 17 million); the Forestry Incentives Programme (PINFOR) (US$ 12 million); the supply of fertilizers (US$ 26 million); and land leases (US$ 10 million).	**Labour policy** The minimum wage for workers in the agricultural and non-agricultural areas was increased by 10.7%. The maquila industry was not included, because the commission responsible for deciding on the increase was unable to reach a resolution. Regularization of part-time work through legal reform. **Social programmes** A budgetary allocation was made to ensure the consolidation of the *Mi Familia Progresa* scheme, as well as other social programmes. By the end of 2009, another 200,000 families from over 47 municipalities are expected to join, making a total of 458,000 families who will have benefited directly. Design and implementation of measures to stimulate sustainable productive activity in the municipalities with the highest poverty levels. Implementation of rural development programmes, with a budget allocation of US$ 70 million in 2009.	Congress will take measures to activate loan commitments with multilateral agencies and negotiate credit lines for banks in the financial system with regional and international agencies. Precautionary stand-by agreement signed with IMF. In February 2009, five external loans were approved, totalling US$ 950 million for financing different development programmes. Talks are ongoing with IDB and CABEI regarding the opening of credit lines for the private sector. In June 2009, IMF inaugurated its Technical Assistance Center for Central America, Panama, and the Dominican Republic (CAPTAC-DR) in Guatemala, with a view to promoting growth and development in the region and helping to drive regional economic integration.
Agriculture Policies for productive development in the agricultural sector.	**Social programmes** Programmes to subsidize food and transport costs.	

HONDURAS

Monetary and financial policy

Legal reserve adjustments

Reduction in legal reserve requirement from 12% to 10% (October 2008).

Reduction of the legal reserve in dollars and in lempiras for any bank at least 60% of whose loan portfolio is devoted to production activities (December 2008).

Liquidity injections in national currency

More flexible requirements so that private banks can make US$ 1.16 billion in surplus liquidity available to the production sectors. Debts in arrears owned by producers to be restructured to enable them to surmount the financial crisis or problems caused by natural phenomena. The Government will share the credit risk with the banking system to stimulate lending to producers.

The central bank disbursed some US$ 120 million raised from public funds and multilateral sources through the trust fund of the Honduran Bank for Production and Housing (BANHPROVI).

Changes to the monetary policy rate

The monetary policy rate was reduced to 5.75% in March 2009, followed by further cuts in mid-April, to 4.5%, and in June, to 3.5%. In July, however, in response to possible pressure on international reserves, the rate was increased to 4.0%

Other measures

The financial system to be strengthened by guaranteeing savers' deposits and capitalizing the deposit insurance fund. A special fund has also been created to protect the financial system.

Fiscal policy

Tax cuts or benefits and subsidy increases

The Government took a series of measures to subsidize fuel and stabilize food prices in mid-2008 in response to rising oil and food prices, especially in urban areas.

In January 2009, Congress approved a new decree on income tax exemptions for employees earning less than US$ 7.940 per year. This decree came into effect for the 2009 tax year.

Increase or early disbursement of public spending allocations

The implementation of public investment to be expedited to safeguard growth with equity and create jobs, particularly in road and energy infrastructure. Public investment to be increased to US$ 750 million.

Other measures

The authorities announced a fiscal austerity plan, with a 8.2% cut in the budget in relation to 2008 and a 10% reduction in central government current expenditure. There will be cuts in spending on purchase of vehicles, travel and subsistence allowances, fuel purchases and advertising.

Exchange-rate and foreign-trade policies

Sectoral policies

Housing

Temporary credit lines for some US$ 106 million for mortgage loans for new social housing.

The Bolivarian Republic of Venezuela committed to buying Honduran bonds for a total value of US$ 100 million for housing programmes.

SMEs

IDB extended US$ 2.1 million to the Network of Micro-Finance Institutions of Honduras (REDMICROH), to enable it to offer soft loans to micro-enterprises and SMEs. This is a non-repayable fund that will help to improve access to and coverage of financial services in low-income segments, with a particular emphasis on rural areas.

SMEs will have preferential rates on private-sector loans financed by public funds.

Targeted support of US$ 32 million to finance agricultural micro-enterprises and small businesses and US$ 21 million to support other social sectors.

Agriculture

Another series of measures were taken in 2008 to increase the availability of production resources in the agricultural sector, especially to ensure the supply of staple grains and avoid price speculation.

Signature of agreements with the Venezuelan Government and in the framework of the Bolivarian Alternative for Latin America and the Caribbean (ALBA): bilateral agreement on food security between Honduras and the Bolivarian Republic of Venezuela; loans of up to US$ 30 million for agricultural producers.

US$ 42 million is to be allocated to vouchers for the payment of past-due agricultural debt and the formalization of ownership of urban plots. The Government will pay rural landowners in order to extend definitive registration documents to the organized farmer groups that benefitted under agrarian reform (the "reformed sector") and bring these plots into the production system.

Industry

Investment of US$ 530 million of public funds to finance the private production sectors. Broadening of credits for construction, urban developments, industrial parks, commercial centres and education establishments, hospitals, hotels and so forth. Financing for the construction of small hydroelectric projects. As at April 2009, of the total funds allocated, approximately US$ 40 million had been disbursed.

Measures relating to electric power and fuel will be taken to provide support to the production sector.

Other measures

Creation of credit lines to facilitate payment of suppliers, contractors and micro-enterprises, and to pay for health-care provision.

Facilities and support to be provided to businesses in the environmental licensing process.

Labour and social policies

Labour policy

In January 2009 a new monthly minimum wage was approved: of US$ 290 for urban areas and US$ 215 for rural areas.

Social programmes

Budgets were increased for programmes such as school lunches, free matriculation, community schools (in rural areas), the basic health services package, reforestation, various education benefits, and subsidies for fuel and electric power.

Targeted support of US$ 159 million for the social sectors, to be channelled to social housing, support for SMEs and other social sectors.

In March 2009, the number of families in the poorest municipalities receiving transfers was increased from 150,000 to 220,000.

Multilateral financing

The Government requested, together with other Governments of the region, loans from the Central American Bank for Economic Integration (CABEI) and IDB.

MEXICO

Monetary and financial policy

Liquidity injections in national currency

Additional short-term financing lines for banks. Temporary authorization to banks to inject liquidity into their own investment funds.

Announcement of a plan to buy back medium- and long-term Government securities for up to US$ 2.83 billion.

The Secretariat of Finance and Public Credit and the central bank announced a cut in long-term debt issues and the launch of a forward swap mechanism to inject money into the markets.

The central bank created a forward swap programme for US$ 6 billion, which will enable banks to swap the exposure of instruments with long-term fixed rates for variable-rate short-term securities.

In 2009 Nacional Financiera (NAFIN) and Bancomext will provide financing of over US$ 12.81 billion —24% more than the resources authorized in 2008— to support 1.3 million firms. This measure is intended to inject liquidity into businesses and encourage commercial banks to boost lending.

Changes to the monetary policy rate

The central bank gradually reduced its monetary-policy target rate, from 8.25% in early 2009 to 4.5% in July. No further reductions are expected in the rate.

Fiscal policy

Tax cuts or benefits and subsidy increases

An economic support programme presented on 3 March 2008 contained 10 measures covering taxes, social security contributions, employment generation, tariff simplification, public spending, development of marginalized areas, electric power rates and financing for development banks to boost economic activities, investment and employment.

The National Agreement on Family Economy and Employment (ANFEFE), announced on 7 January 2009, included the following:

(i) In 2009, gasoline prices will be frozen and the price of liquefied petroleum gas will be cut by 10%. The rise in diesel prices is also cut by 75%.
(ii) The price of electric power will be lowered. The formula for determining electric power charges for industry will be modified, and more businesses will be allowed to opt for a 12-month fixed-rate system.

On 25 March 2009, a decree was issued to expedite tax rebates, to allow for taxes owing to be paid in instalments, and in some cases, to waive fines.

Increase or early disbursement of public spending allocations

On 8 October the Government announced the Growth and Employment Stimulus Programme (PICE), which comprises the following:

(i) Fiscal stimulus for US$ 6.39 billion, equivalent to 0.7% of GDP, largely as additional expenditure on infrastructure.
(ii) Increase of US$ 11.68 billion in financing: US$ 9.2 billion through the development banks and US$ 2.48 billion through the National Infrastructure Fund.
(iii) Government procurement programme to support development of SMEs.
(iv) Comprehensive reform of the investment scheme of Petróleos Mexicanos (PEMEX) and reforms to expedite spending on infrastructure.

The National Infrastructure Programme will be accelerated in the framework of ANFEFE.

Other measures

The Government took out coverage at US$ 70 per barrel against fluctuation in the oil price (at a cost of US$ 1.5 billion to cover 90% of exports). Resources are also available from the Petroleum Stabilization Fund.

Public spending cut by US$ 6 billion (almost 4% of the original budget). This measure was prompted by the downturn in public finances caused by sharply falling activity levels and the drop in oil export volumes.

In September 2009, the Executive presented the Federation's draft budget of expenditure for 2010, which provides for a real decrease in spending. In order to make up for the decline in government revenue, the fiscal package for 2010 contains proposals for tax adjustments including a higher rate for some taxes and the creation of new ones.

Exchange-rate and foreign-trade policies

Liquidity injections in foreign currency

The central bank set up a swap mechanism of US$ 30 billion with the United States Federal Reserve.

Tariff reductions

Cuts in tariffs, particularly for products imported from countries with which Mexico has no free trade agreement.

Sectoral policies	Labour and social policies	Multilateral financing
Housing Credit support will be increased in the framework of the National Agreement for Family Economy and Employment (ANFEFE). **SMEs** The following measures will be implemented in the framework of ANFEFE: (i) The Government will make at least 20% of its purchases from small or medium-sized enterprises in 2009. (ii) A US$ 350 million trust fund will be established to launch the development programme for SMEs that supply the country's oil industry. (iii) SMEs will be provided with technical assistance and will receive financial support through the México Emprende trust fund, which will have US$ 500 million to generate support to the tune of US$ 17.69 billion in loans in 2009-2012. In order to offset the damage caused by the outbreak of influenza A(H1N1), the Government announced a financing programme of US$ 779 million, which will be supported by fiscal resources to constitute guarantees of US$ 156 million. These resources will be channelled through Nacional Financiera (NAFIN), Bancomext and, to a lesser extent, Agricultural Trust Funds (FIRA) and Financiera Rural. US$ 354 million will be earmarked for supporting SMEs. In July, NAFIN made available to the commercial banking sector an additional US$ 180 million to support SMEs affected by the influenza outbreak, by granting loans and rescheduling repayments. **Agriculture** In the framework of ANFEFE, credit for the rural sector, through Financiera Rural and FIRA, will increase by 10% to US$ 5.945 billion. US$ 71 million will go to the pig-farming sector as part of the measures to offset the damage caused by the outbreak of influenza A(H1N1). **Tourism** US$ 142 million will go to companies in the tourism, restaurant and leisure industry as part of the measures to offset the damage caused by the outbreak of influenza A(H1N1). A programme has been implemented to boost tourism after the outbreak of influenza A (H1N1), involving the investment of US$ 85 million to conduct an advertising campaign in diverse media. **Industry** Overhaul of the investment scheme of Petróleos Mexicanos (PEMEX). Announcement that an oil refinery is to be built (PICE). As announced under ANFEFE, in addition to the resources already approved, PEMEX will receive an additional US$ 1.2 billion for investment, and the individual states will receive an additional US$ 990 million for infrastructure investments Also under ANFEFE, the National Bank for Public Works and Services and the National Infrastructure Fund will provide loans and guarantees totalling over US$ 4.6 billion for the execution of infrastructure projects planned for 2009 in partnership with the private sector.	**Labour policy** Additional assignment (US$ 50 million, March 2008) to the national employment and training system, to be used to broaden the coverage and quality of the National Employment Service. In December 2008, minimum wages for 2009 were raised 4.6% across the board. In the framework of the National Agreement for Family Economy and Employment (ANFEFE), the following measures have been taken: (i) The temporary employment programme at the federal level was expanded by 40% over what had been planned, bringing it up to US$ 160 million in 2009. (ii) US$ 140 million was earmarked under the Employment Preservation Programme for protecting sources of employment in businesses which are the most vulnerable to world events and are declaring layoffs. (iii) Expansion of the savings withdrawal capacity in case of unemployment. (iv) Expansion of social security coverage for unemployed workers. (v) Strengthening of the national employment service, with a budget of around US$ 88 million. The Employment Preservation Programme will support workers affected by technical stoppages in industries involved in manufacturing, assembly and repair of non-electrical, electrical and electronic machinery and equipment and in transport and auto parts. Under the Programme, resources of up to US$ 140 million will be used to support some 500,000 sources of work. The Programme started on 11 February 2009 and complements ANFEFE. On 9 February two amendments were proposed to strengthen the commitments made under ANFEFE. The first of these reforms the provisions of the social security law in order to improve the flexibility of requirements to access retirement funds upon unemployment and to increase the amount of workers' retirement funds available. The second amendment reforms a number of provisions of the Workers' National Housing Fund Institute (INFONAVIT) in order to make more flexible use of housing contributions so that part of these can be put towards retirement savings. The Government will offer monthly support of up to US$ 110 for urban unemployed for four to six months providing they participate in social programmes; this will be implemented through the temporary urban employment programme. It is estimated that 60,000 urban workers will benefit from these measures.	The credit from the World Bank and IDB will be increased to US$ 7.1 billion (US$ 5.3 billion for the Federal Government and US$ 1.8 billion for development banks). The Government applied to IMF for a preventive, one-year stand-by line of credit for US$ 47 billion. This instrument will act as financial "armourplating" for the economy. IMF approved the allocation of US$ 4 billion to the Bank of Mexico (BANXICO) in special drawing rights; this allocation is unrelated to the stand-by loan and Mexico will not have to disburse resources to access it. A loan of US$ 1.5 billion was secured from the World Bank for social programmes.

	Monetary and financial policy	Fiscal policy	Exchange-rate and foreign-trade policies
MEXICO			

Sectoral policies	Labour and social policies	Multilateral financing

Sectoral policies

On 17 February, NAFIN announced the launch of a credit line of US$ 670 million for the automobile industry, with three pillars: first, US$ 310 million for brand lenders, which NAFIN will allocate to credit lines destined for vehicle purchases; the second, also US$ 280 million, earmarked for guarantees to back commercial bank auto loans; and third, US$ 280 million to lend to automobile distributors at preferential rates (interbank equilibrium rate plus 5%).

NAFIN announced another credit line for the auto parts sector and an additional loan for distributors. Also, Banco Nacional de Comercio Exterior will provide US$ 980 million to that sector.

A vehicle renovation programme was announced, to provide subsidies to the owners of vehicles 10 or more years old so that they can replace them with new cars. Initially, the programme has a budget of US$ 35 million.

Other measures

Programme of federal support for mass transit, with an investment of US$ 1.24 billion in 2009, supported by the Growth and Employment Stimulus Programme (PICE).

The following measures will be implemented in the framework of ANFEFE:

(i) Direct or financial support worth US$ 53 million to enable low-income families to replace their electrical appliances with new, more energy-efficient models.

(ii) NAFIN and Bancomext will increase direct and indirect financing for businesses to a total credit balance of US$ 12.46 billion.

(iii) Direct lending and credit generated by the development banking sector will rise by over US$ 8.85 billion in 2009 (an increase of over 26%).

(iv) A new brand with the slogan "Made in Mexico" will be registered and disseminated to promote purchases of Mexican goods and services.

After the outbreak of influenza A (H1N1), the Government announced credit lines for firms damaged by the epidemiological emergency, for a total of US$ 1.06 billion.

In addition, US$ 212 million will go to airline companies as part of the measures to offset the damage caused by the outbreak of the disease.

Labour and social policies

More flexible rules were announced on 25 March 2009 for participation in the Employment Preservation Programme (or the technical stoppages programme) to make it easier for companies in the worst-hit sectors to obtain support. The following changes were introduced:

(i) The support period was extended retroactively to November and December 2008.

(ii) The scope of the Programme was expanded to include construction, electronic products and auto parts given that these sectors have been hit particularly hard.

(iii) Companies no longer need to register with or obtain the prior approval of conciliation and arbitration boards for it to be established that they face a technical stoppage.

(iv) The Programme will no longer be limited to workers earning between 1 and 10 times the minimum wage. Companies may now choose to include up to 75% of the payroll regardless of wage levels.

In May 2009, the rules for accessing this programme were made more flexible. The main changes were: a reduction in the requirements and information requested from firms; additional support of US$ 4 per worker for as long as the epidemiological emergency lasts; the use of drop in daily sales, instead of payroll reduction, as a criterion for calculating support for each firm; and, lastly, worker retention calculated on the reference period January-February 2009.

A productivity support programme was launched to benefit 105,000 workers with short-term vocational training and provide expert technical advice to SMEs.

An emergency programme amounting to US$ 14 million has been put in place through the National Employment Service to project the jobs of over 50,000 tourism-sector workers employed in the country's main tourist destinations. The support will go to lower-income workers and consists of one to two minimum wages for up to two months.

Social programmes

On 30 April 2008 a food support programme was established in priority areas, aimed at improving nourishment and nutrition in households in very isolated areas not covered by other Government food programmes.

The World Bank approved a US$ 1.5 billion loan to expand the Government's "Opportunities" social programme.

Multilateral financing

	Monetary and financial policy	Fiscal policy	Exchange-rate and foreign-trade policies
NICARAGUA	**Liquidity injections in national currency** Through the Central American Integration System (SICA), the Central American Bank for Economic Integration (CABEI) was asked to extend a line of credit to its members to provide loans for central and private banks.	**Tax cuts or benefits and subsidy increases** Subsidies created for fuel purchases, targeting urban collective transport. **Increase or early disbursement of public spending allocations** On 20 January the Government presented the Production, Growth and Employment Support Programme of 2009, whose main pillars are: financial stability and external cooperation; public investment; production and private investment; promotion of employment; and promotion of fiscal austerity. US$ 300 million will be allocated to road, school and sanitation infrastructure. Central Government social spending was increased. **Other measures** Public-sector wages were frozen and expenditures on vehicles, computer equipment and foreign travel was reduced by 50%. On 2 March 2009 it was announced that a new budget cut would have to be made for 2009, in addition to the US$ 66 million announced previously. The Government is assessing the possibility of using international reserves to cover shortfalls in the public budget. A number of measures were also announced to enhance efficiency in public spending. On 23 June the executive sent a proposal to the National Assembly for a fresh spending cut of US$ 41 million, which would affect health and education, (among other areas), the supreme court and the municipalities. The Government also proposed to increase domestic borrowing by US$ 28 million through bond issues. In August, the Ministry of Finance and Public Credit issued a tax reform proposal entitled "Tax agreement for stability, economic growth and employment". The main measures it suggested were changes to income tax and the temporary suspension of exemptions for sectors that had benefited from them. The reform is in the process of discussion and approval.	**Tariff reductions** Import tariffs temporarily reduced or eliminated for various products (edible oils, beans, cereal products and barley, among others) in order to offset the rise in international food prices. In June 2009 agricultural activities and industrial and fishery SMEs were granted exemption from import duties and taxes on imports of raw materials, intermediate goods, capital goods, and parts and accessories for machinery and equipment up to 30 June 2010. **Exchange-rate policy** The crawling-peg rate will be maintained at 5% per year and free convertibility of foreign currency is to be guaranteed. Efforts will be made to keep international reserves at the 2008 level. **Other measures** Steps will be taken to open new markets and strengthen trade ties with the Russian Federation, Iran and the countries of the Bolivarian Alternative for Latin America and the Caribbean (ALBA).
PANAMA	**Liquidity injections in national currency** In January the Government announced a financial stimulus programme (PEF) for US$ 1.11 billion, to focus on stimulating credit and investment. The funds were to be provided through loans from the Andean Development Corporation, IDB and the National Bank of Panama. PEF was amended in June and an additional credit item of US$ 230 million was incorporated to stimulate investment and finance short-term loans. These amendments were made after US$ 500 million from IDB were turned down. These changes have lowered the PEF funds to US$ 610 million. **Other measures** Panama reopened its 2015 global bond in March, selling US$ 323 million to cover borrowing needs arising in the 2009 general budget.	**Tax cuts or benefits and subsidy increases** The Government introduced new legislation lowering the income tax rate for workers with a monthly wage of less than US$ 1,000. As of 2009, workers earning less than US$ 2,500 will also benefit. There are also income tax exemptions for workers earning less than US$ 800 per month. **Other measures** In mid-June the Government amended the fiscal responsibility law to allow the public deficit to rise to 2.5% of GDP providing that, for two consecutive quarters, the United States economy has grown at a rate not exceeding 1% and the Panamanian economy at a rate not exceeding 5%.	**Export financing and support** In August, the National Bank of Panama created a new financing scheme to stimulate exports and expand the sector's access to credit.

Sectoral policies	Labour and social policies	Multilateral financing
Housing The construction of 4,800 dwellings was announced, with financing from IDB and the Central American Bank for Economic Integration (CABEI). **Agriculture** US$ 17 million to be allocated to strengthening the food production programme. Procedures for obtaining exemption benefits for essential goods for the agricultural sector will be simplified and tax exemptions will be extended for agriculture. **Tourism** Tourism will be promoted by eliminating visa requirements. **Industry** Free-zone procedures will be facilitated and simplified to attract foreign direct investment. In May a one-stop services facility was created to expedite procedures for free-zone firms. On 18 May the National Assembly approved a loan agreement between the Government and IDB, which will provide US$ 40 million to continue the project to upgrade the Central American Electrical Interconnection System.	**Labour policy** Steps will be taken to open the labour market to recent university graduates through agreements with business associations. Training will be provided to groups of unemployed people, especially young people. This training will focus on the skills required in the free zones and other priority production sectors. It is hoped that the National Labour Market Integration Programme will incorporate 1,000 young people into the workforce. The public employment service promotes and facilitates link-ups between labour supply and demand. **Social programmes** Government social spending increased. Different types of food support and subsidies provided by strengthening or launching initiatives such as the Food for the People programme and the Food Distribution and Sale at Fair Prices programme. Transfers to vulnerable and low-income sectors to soften the impact of food and energy price rises.	Through the Central American Integration System (SICA), the Central American Bank for Economic Integration (CABEI) was asked to extend a line of credit to its members to provide loans for central and private banks. A loan of US$ 300 million is being sought from IDB to be channelled through the national financial system in order to support production activities. Efforts will be made to re-establish relations with foreign cooperation agencies to reactivate budgetary assistance allocations not received in 2008. A loan of US$ 200 million to be sought from CABEI to strengthen production activities. The construction of 4,800 dwellings was announced, with financing from IDB and CABEI. On 18 May the National Assembly approved a loan agreement between the Government and IDB, which will provide US$ 40 million to continue the project to upgrade the Central American Electrical Interconnection System. On 28 August, IMF disbursed US$ 150.7 million to the Central Bank of Nicaragua as part of the multilateral financial support package brokered by the Group of Twenty (G20), in order to strengthen the country's international reserve position. Nicaragua and IMF reached a preliminary agreement on support for the growth plan. The financial institution could release US$ 35 million in October providing that the country pledges to continue to apply a prudent economic and fiscal policy.
Agriculture Implementation of the Agro Compita programme, with preferential financing for producers of food sold in the market at lower prices. Maintenance of the Food Solidarity Programme (provision of tools, inputs and animals to boost agricultural production for own consumption).	**Social programmes** The Government approved a loan of US$ 11.11 million for programmes to enhance the basic consumption basket, subsidies for staple grains producers and health programmes for the uninsured in the regions of Chilibre, Las Cumbres and San Miguelito. The funds will be channelled through the Ministry of Agrarian Development, under the supervision of the Ministry of Health. Users whose monthly energy consumption is below a certain limit will receive a discount in the payable rate.	In January the Government announced a financial stimulus programme for US$ 110 million, to focus on stimulating credit and investment. The funds were to be provided through loans from the Andean Development Corporation, IDB and the National Bank of Panama. PEF was modified in June after US$ 500 million from IDB were turned down.

Monetary and financial policy

Legal reserve adjustments

The legal reserve in national currency was lowered from 17% to 15% in October 2008. In February 2009, it was reduced to 0% for deposits of over one year.

The legal reserve in foreign exchange was lowered from 26.5% to 21% for all deposits of up to 360 days in October 2008. In February 2009 it was reduced to 0% for all deposits of over 541 days.

Banking provisions were increased to up to 1.5% of the entire loan portfolio for entities failing to comply with the requirements of the central bank (1 January 2009).

Liquidity injections in national currency

A liquidity facility was set up for local financial entities, known as the Short-term Liquidity Facility through Repurchase of Monetary Regulation Instruments (FLIR) (October 2008).

A facility was opened for automatic early payment of IRMs (November 2008).

In March 2009 the central bank set up a short-term liquidity facility for repurchase of monetary regulation instruments and letters of commitment issued by the central bank, treasury bonds and Development Finance Agency bonds.

Long-term provision of funding to banks through the Development Finance Agency (US$ 155 million).

Changes to the monetary policy rate

The curve of the base interest rate for monetary regulation instruments was cut 1% in October and again in November 2008.

Other measures

In October 2008 the maximum daily variation of the net foreign-exchange position was limited to US$ 1 million and the ceiling ratio of this position was reduced from 50% to 30% of effective assets (October 2008).

The central bank was bolstered by the adoption of a scheme that allows it to maintain an adequate level of capitalization.

Fiscal policy

Increase or early disbursement of public spending allocations

An expansionary fiscal policy was adopted for 2009, including:

- Investment in road infrastructure (US$ 194 million, double the budget for 2008).
- Investment in social housing (US$ 37 million, double the budget for 2008).
- Expansion of conditional transfer programme to benefit 120,000 families.

The Ministry of Finance requested budget increases totalling US$ 173.8 million to carry out three large operations under the Government's Economic Reactivation Plan: US$ 114.5 billion for the Development Finance Agency's credit operations, US$ 33 million for the Ministry of Public Works and US$ 26.3 million for the National Electricity Administration.

Other measures

Loans amounting to US$ 300 million to be secured to finance the 2009 budget through contingency credit lines with international agencies. This measure was submitted to Congress in May 2009.

Concessions and public-private partnerships to be approved by Congress in the first semester of 2009 (US$ 542 million).

An inter-agency unit is to be created to monitor trends in economic activity. In 2009 management and auditing controls will be strengthened in the different entities.

Administrative procedures for public procurement to be expedited.

In July 2009, the Finance Ministry received a grant of US$ 8 million from Taiwan Province of China, to be allocated to the economic recovery and social assistance plan which the country's government established in response to the world financial crisis.

Exchange-rate and foreign-trade policies

Increase in import duties and import restrictions

Measures to eliminate protectionist measures in MERCOSUR: Temporary application of special import tariffs to correct trade distortions in intra-zone commerce.

Export financing and support

US$ 50 million in funds to support export activity.

Other measures

Control of contraband.

Sectoral policies

Housing

Budget of US$ 37 million given to the National Housing Council (CONAVI) and to the Social Action Secretariat (SAS) to build low-cost housing.

SMEs

Loans to micro-enterprises and SMEs (US$ 125.4 million).

Agriculture

Implementation of a policy to support the agricultural sector in order to soften the impact of the drought and safeguard the 2009/2010 harvest; this includes loans, technical assistance and seed distribution. The Development Finance Agency also has US$ 50 million to finance the harvest and exports.

Creation of a regime to promote agricultural development and a Preferential mark-up scheme in Government and municipal procurement processes. Preference margins of up to 70% will be afforded to agricultural products from the rural family production system.

Credit lines amounting to US$ 30 million for 30,000 small producers through the agricultural loans facility (CAH), with 150,000 beneficiaries.

Industry

US$ 194 million in investment in road infrastructure.

Creation of a regime to promote production, industrial development and the use of national labour, as well as a preferential mark-up scheme in Government and municipal procurement processes. Preference margins of up to 70% will be afforded to national manufactured products.

Labour and social policies

Labour policy

Implementation of a job creation programme based on labour-intensive construction projects for the community. This programme will be implemented in the short term by the municipalities of six of the country's departments. The total investment will be US$ 6 million, using funds from the Itaupú and Yacyretá binational entities.

Under law 2051/03 on public procurement, it was established that successful bidders in tenders for provincial and municipal works or services must employ at least 70% local workers.

Social programmes

Expansion of conditional transfers programme to benefit 120,000 extremely poor families (US$ 50 per family). Up to May, the programme covered some 43,000 families. Another 20,000 indigenous families joined as of June through the food transfer modality. Congress has been asked to approve a budget expansion and, if this is approved, payments will continue into the second semester of 2009, bringing in the 60,000 remaining families between July and August. The benefits will extend to 600,000 people, i.e., half of those living in extreme poverty.

Multilateral financing

External loans awaiting approval by Congress: US$ 105 million (March 2009). The projects chosen will afford priority to the impact on employment (rural and community development, road networks) and to the reorganization of the State (strengthening of justice system, modernization of fiscal, tax and customs administration).

External loans being sought from financial agencies: US$ 285 million allocated to the economic reactivation plan. This financing will be channelled to the upgrading of rural roads, basic health care, the supply of funds through the Development Finance Agency, education reform, and modernization of the drinking water and sanitation system.

Up to July 2009, international bodies had approved US$ 250 million of the US$ 285 million earmarked for the economic recovery plan. Of the amount approved, US$ 100 million (funds from the World Bank payable to the treasury) are awaiting approval by congress.

Monetary and financial policy

Legal reserve adjustments

Legal reserve requirement reduced five times for local-currency deposits and three times for foreign-currency deposits. The minimum reserve requirement therefore stands at 6.0% and the marginal rate for foreign-currency reserves at 30%.

With effect from 1 September, the central bank of Peru has granted exemption from the reserve requirement to long-term investment funds that provide financing to microfinance institutions.

Liquidity injections in national currency

The central bank of Peru lengthened the maturities of loans to some financial institutions.

A number of monetary policy measures have been proposed to keep up levels of liquidity in the financial system, including:

- Repo operations of up to 12 months
- Repurchase of central bank certificates in the secondary market.
- Exemption from legal reserve of external liabilities with maturities of two years or more held by financial institutions.
- Reduction in the minimum reserve funds banks must keep in their current account with the central bank, from 2.0% to 1.0%.

In March, the Government issued US$ 1 billion in Global Bonds at a rate of 7.125% to prefinance the 2010 budget.

In April 2009, the central bank started conducting repo operations with smaller financial institutions, which were allowed to sell their loans portfolio temporarily to the central bank.

In June the central bank simplified registration procedures for this mechanism and lowered the risk rating requirements in order to broaden access to more financial institutions.

Changes to the monetary policy rate

In February 2009, the central bank reduced the benchmark rate of interest by 0.25 percentage points to 6.25% (the first cut since 2003). The central bank continued to gradually lower the rate, which reached 1.25% in August 2009.

Fiscal policy

Increase or early disbursement of public spending allocations

An economic stimulus plan amounting to about US$ 4 billion (3.2% of GDP) was announced for the 2009-2010 biennium. In 2009, the main components of the plan are infrastructure works (US$ 1.65 billion), support for sectors hit by the crisis (non-traditional exporters, SMEs and workers) for a total of US$ 290 million, and social protection (especially social infrastructure) for almost US$ 230 million.

On 29 January the first package of measures for implementing the economic stimulus plan was announced. The package amounted to US$ 1.42 billion (about 1.1% of GDP) and included:

- Payments of Government debt to refineries, feeding through into a reduction in fuel prices.
- Increase in investment resources and simplification of procedures.
- Resource transfer to local governments.

Other measures were also announced, mainly aimed at expediting investment. They include a fund of resources from the public sector and pension fund administrators to finance infrastructure works through concessions or public-private partnerships. Also announced was the transfer of funds to the Ministry of Transport and Communications and to local governments, for infrastructure work, an accelerated depreciation scheme, the creation of guarantees for raising long-term capital for financing private infrastructure works, a cut in the initial rate of interest for purchasing social housing and the creation of a central bank fund for refinancing microfinance institutions.

Other measures

Resources from the Fiscal Stabilization Fund (which in March 2009 held US$ 1.8 billion, equivalent to around 1.5% of GDP) may be used to finance increased public spending. The resources that would have been deposited in the Fund from the 2008 fiscal balance were transferred directly to the budget.

The Fiscal Responsibility and Transparency Act was altered to allow a larger increase in public spending.

In March, the Government issued US$ 1 billion in Global Bonds at a rate of 7.125% to prefinance the 2010 budget.

Exchange-rate and foreign-trade policies

Liquidity injections in foreign currency

Swap operations in foreign currency as a means of maintaining foreign-currency liquidity in the financial system.

Export financing and support

Temporary increase in the rate of tax rebate on non-traditional exports (from 5% to 8%).

Sectoral policies

Housing

Among others, extra support was allocated to programmes such as the My Home fund, My Roof, My Neighbourhood and Water for All, as well as the COFICASA mortgage loan programme managed by the Development Finance Corporation (COFIDE).

SMEs

Funds were approved for support to SMEs, including direct State procurement for US$ 47 million.

The Business Guarantee Fund (FOGEM) was set up to help micro-enterprises and SMEs to gain access to credit.

Industry

The Government has allocated additional resources to construction and infrastructure maintenance.

The "scrap metal" bonus was created to revitalize the automobile park. Financing for this scheme is included in the budget proposal for 2010.

Labour and social policies

Labour policy

Promotion of the formalization of workers.

A special programme has been set up to help workers who lose their jobs because of the crisis to find other employment.

Direct implementation of works to be allowed under the "Building Peru" programme (emergency job creation), which will expedite the start-up of such works.

To boost workers' purchasing power, the Government approved a scheme whereby in 2009 workers may withdraw 100% of the two payments that are made for time served. The percentage that workers are allowed to withdraw will be reduced over time. The two payments made out of salaries into social security and the pension system will be covered by public funds in 2009, also to boost purchasing power.

Social programmes

Additional resources are being invested in maintaining and equipping education and health institutions, and the budgets of social programmes (the equality fund and the food supplement programme) are being expanded.

Multilateral financing

Monetary and financial policy

Liquidity injections in national currency

Early redemption, in two stages, of securities issued by the central bank, which offers the possibility of obtaining liquidity in local currency or dollars (November 2008).

Measures by which tax rebate certificates can be swapped for cash through the central bank, which will allow access to some US$ 100 million, also helping to inject liquidity into the economy.

Changes to the monetary policy rate

The central bank reduced the monetary policy rate from 10% to 9% on 18 March. The 10% rate had been adopted on 12 January, replacing the 7.75% rate that had been in place since October 2008.

Fiscal policy

Tax cuts or benefits and subsidy increases

Bonus in the form of 120% exemption from the economic activities income tax (IRAE) for investments made in 2009, in the framework of the law on investment and the new weighting that rewards projects that create more employment.

The manufacture of energy equipment will be 100% exempted from IRAE starting this year, then the rebate will be gradually lowered to 50% in 2018. In addition, VAT will be reimbursed on imports of inputs for equipment manufacture and waived for local purchases of such inputs.

In the case of agricultural machinery, VAT exemption will be raised from 75% to 100% for the purchase of manufacturing inputs, and an IRAE exemption regime will also be applied.

One and a half times the real value of some expenditures (particularly those involved in funding innovation and technology projects) may be deducted from IRAE payments.

VAT on purchases of diesel in the manufacturing sector may be deducted for a 90-day period.

Other measures

Cut of at least 5% in spending and investment by the Government and public enterprises.

Increase in specific domestic tax (Imesi) on cigarettes.

Exchange-rate and foreign-trade policies

Liquidity injections in foreign currency

Early redemption, in two stages, of securities issued by the central bank, which offers the possibility of obtaining liquidity in local currency or dollars (November 2008).

Increase in import duties and import restrictions

Postponement of cut (from 2% to 1%) of the consular rate on imports, originally planned for June 2009.

Advance of the economic activities income tax (IRAE) payments on imports of certain consumer goods, such as clothing and footwear, will be upped from 4% to 8%.

Customs valuation procedures will be stepped up to avoid undervaluation of import reference prices in the clothing and footwear sectors.

Tariff protection on specific segments of vehicle manufacture to be reviewed.

Tariff reductions

Advances on IRAE will be levied on imports of consumer goods, as already occurs with VAT.

Extension of tax-free imports of inputs for re-export (temporary admission).

Export financing and support

Measures by which exporters can swap tax rebate certificates for cash through the Banco de la República Oriental del Uruguay, which will allow firms access to up to US$ 100 million.

Increase in rate for 180-day credits to pre-finance exports, from 1.78% to 2.78%, up to December 2009.

Preferential rates for pre-financing of textile exports to be maintained until December 2009. This regime to be extended to the leather and automobile sectors.

An additional US$ 125 will be made available to help the banking system to fund investment projects and pre-finance exports.

Banco de la República Oriental del Uruguay: guarantee fund of US$ 20 million created for exports to countries that classified as representing a non-payment risk.

Sectoral policies	Labour and social policies	Multilateral financing
Housing A new policy of State-subsidized mortgage loans for housing purchases and/or construction. **SMEs** Creation of a national guarantee system to facilitate access to credit. Increase in guarantee fund for SME loans administered by the National Development Corporation. Regulations are issued for the Subprogramme of Public Contracting for the development of micro-enterprises and SMEs. Implementation of a programme called "Exporta Fácil" ("easy exports") for micro-enterprises and SMEs. Greater benefits for SMEs under the investment promotion law. **Agriculture** Measures to provide loans and support to the dairy sector. **Tourism** Implementation of a system whereby tourists can buy national products tax-free. Real-estate companies' commissions for rentals to non-residents included in the services export regime. Tax Administration Department (DGI) to keep a record of dwellings offered for seasonal rental. **Industry** VAT reduction on purchases of diesel for the manufacturing sector, for a 90-day period. Tax rebate certificates may be swapped for cash under the special regime for the automobile industry (which receives a 10% reimbursement in addition to the 2% all sectors receive). The amount of the exemption from RAE will depend on the labour employed and exports generated by investment projects. The auto, electronics and naval industries have been added to the categories promoted. Banco de la República Oriental del Uruguay: the amount earmarked to fund investment in industry, commerce and service provision will be doubled to US$ 200 million in 2009, with especially favourable rates and maturities. Steps to promote the production of renewable energy equipment and agricultural machinery, through tax exemptions. In the case of agricultural machinery, VAT exemption will be raised for the purchase of manufacturing inputs, and a similar exemption scheme for the economic activities income tax (IRAE) will also be applied.	**Labour policy** Training subsidy (US$ 5 million), consisting of subsidizing training and part of the wage of workers in training, through the Labour Reconversion Fund of the National Employment Board (JUNAE).	

	Monetary and financial policy	Fiscal policy	Exchange-rate and foreign-trade policies
VENEZUELA (BOLIVARIAN REPUBLIC OF)		**Other measures** The following measures were announced on 21 March 2009: - Increase in the VAT rate from 9% to 12%. - Window for increasing public borrowing in 2009 up to US$ 17.4 billion (starting from the previous authorized amount of US$ 5.7 billion). - A draft law is to be sent to the National Assembly, aimed at changing the premises of the 2009 budget. In the new scenario, the average annual price of oil will be revised from US$ 60 per barrel to US$ 40 per barrel and the oil production target will be lowered from 3.6 million bpd to 3.17 million bpd. This, in turn, will make it necessary to revise public spending downwards for 2009. Wage ceilings to be established for senior civil servants. Spending cuts decreed for budget items the authorities considered to be superfluous, such as changes of vehicles and representation expenditures.	
BAHAMAS	**Other measures** In December legislation was approved to strengthen controls on money laundering and financing for terrorist activities. A commitment was made to ensure the use of international best practices in order to avoid being considered an uncooperative jurisdiction. Following the bailout of CLICO financial group in Trinidad and Tobago in January 2009, in February the Government of the Bahamas took judicial control of CLICO operations in the Bahamas. At the end of May, the Government announced that it would guarantee CLICO Bahamas' obligations in order to facilitate the sale of CLICO's policy liabilities. The guarantee is expected to be for a maximum of US$ 30 million and for a period of five years. The Government has also introduced bills in the House of Assembly that seek to reform the insurance sector in the wake of the collapse of CLICO Bahamas. In June it was confirmed that a Financial Services Authority is to be created to consolidate and improve financial regulation in the Bahamas. During August and September, the Bahamas increased its external reserves through access to Special Drawing Rights from IMF totalling US$ 168.6 million.	**Increase or early disbursement of public spending allocations** Expedited implementation of projects to develop and expand infrastructure. **Other measures** Government borrowing capacity increased from US$ 100 million to US$ 150 million as of November 2008. In February the Government announced that it was arranging a loan of US$ 200 million from a consortium of banks to provide funding for the stimulus programme. In February, the Government announced that it would apply a policy to absorb the reduction in revenues and keep current expenditures steady. In the budget communication for fiscal year 2009-2010 it was announced that the Government will streamline revenue collections to facilitate the payment of taxes and fees and will impose several fiscal discipline measures, such as the reduction to a minimum of international travel and staff appointments.	

Sectoral policies	Labour and social policies	Multilateral financing
	Labour policy A 20% rise in the minimum wage was announced.	
Agriculture The Government has launched a series of initiatives to increase domestic food production and reduce food imports and is planning more. **Tourism** Pursuit of a marketing campaign, especially in the United States, to promote the country and limit the drop in tourist arrivals. In May, the Government announced its commitment to maintain capital expenditures for its major projects, such as the New Providence Roads Project, the Nassau Harbour Project the redevelopment of the old City Market site and the upgrade of Marsh Harbour International Airport.	**Labour policy** Surplus funds in the Medical Benefit Branch of the National Insurance Board (NIB) have been used to provide unemployment relief for workers who have lost their jobs or been placed on reduced work-weeks. At the end of April, the Government announced that temporary unemployment benefits would be paid to 5,150 registered persons for a period of 13 weeks. The Government had allocated US$ 20 million to this initiative and the payments of benefits would start in May. The Government intends to establish a national training and retraining programme for recently laid off workers. In June the Government announced that it was redoubling efforts to help recently displaced workers apply for unemployment benefits, job and personal counselling, etc. **Social policy** In August, the Government announced the suspension of its Educational Guarantee Loan Programme, due to a high default rate and the need to prioritize public expenditures.	During August and September, the Bahamas increased its external reserves through access to Special Drawing Rights from IMF totalling US$ 168.6 million.

BARBADOS

Monetary and financial policy	Fiscal policy	Exchange-rate and foreign-trade policies
Liquidity injections in national currency In October and November 2008, the Government issued debentures and treasury bills for a total of US$ 135 million to provide liquidity to the public sector. Following the bailout of CLICO financial group in Trinidad and Tobago in January 2009, in February the central bank took steps to support CLICO subsidiaries in Barbados, providing liquidity funds and opening a facility for further liquidity support. In January 2009 the central bank announced the establishment of a repurchase agreement facility to help commercial banks to obtain cheaper credit. In April, the central bank governors of Trinidad and Tobago, Barbados and the Eastern Caribbean Currency Union announced the establishment of an US$ 80 million regional Liquidity Support Fund to provide financial resources to the Eastern Caribbean territories affected by the collapse of CLICO. Barbados would be providing US$ 5 million to the Fund. In August the Government signed a US$ 120 million bond with Scotiatrust and Merchant Bank Trinidad and Tobago Limited, securing funds to support the country's international reserves and contribute to the financing of its capital works programmes. In addition, in September, the Government announced an issue of US$ 50 million in debentures (bonds) as part of an overall loan of US$ 2 billion. This loan is being raised to assist with the financing of the Development Plan. **Changes to the monetary policy rate** In October 2008 and January 2009 the central bank cut the minimum rate of interest payable on deposits. **Other measures** Explicit support to Credit Union Movement (locally-owned financial institutions) in order to increase oversight and regulation, promote corporate governance, protect investors' interests and combat money-laundering. In March the Government of Barbados entered into discussions regarding the acquisition of CLICO Life (a CLICO subsidiary in Barbados), with the intention that the funds generated by the purchase would be injected back into the entity. Monitoring of the financial sector was increased. In May, the Government announced that a Memorandum of Understanding had been signed between the Government and CLICO which placed the sale of the subsidiaries of CLICO Holdings in the hands of a Government-controlled committee, comprised by, among others, representatives from the Ministry of Finance, Economic Affairs and Energy and the central bank.	**Tax cuts or benefits and subsidy increases** Temporary subsidies for basic food staples. Establishment of tax exemptions for low-income workers. In May, the Government presented its budgetary proposals for fiscal year 2009-2010. To balance the budget and protect jobs, it proposed the following measures: (1) a reduction of the excise tax payable on vehicles; (2) an increase from US$ 75,000 to US$ 100,000 in the amount of building material expenses for which first-time homeowners can claim a VAT refund; (3) a general adjustment of water tariffs to preserve access and affordability for all.	

Sectoral policies	Labour and social policies	Multilateral financing
SMEs In January the central bank expanded the range of entities eligible for credit guarantees under the Small Business Guarantee Scheme, to include medium-sized companies in the tourism and manufacturing sectors. In February, the Government announced proposals to create a Special Department or Ministry of Innovation and Economic Empowerment to support the small business sector. **Agriculture** Efforts are planned to mobilize more credit for small farmers. **Tourism** The Government is increasing the marketing budget of the Barbados Tourism Association. In September, the central bank announced the extension of the Credit Guarantee Scheme to the tourist and tourism-related sectors. This extension included guarantees of moratoria on repayment of principal and interest for a period of six months from 15 September 2009 to 15 March 2010.	**Labour policy** Establishment of tax exemptions for low-income workers. In May, the Government presented the Employment Stabilization Scheme which allows employers that commit to uphold current employment levels to receive the equivalent of a loan from the National Insurance Scheme. The Employment Stabilization Scheme is supposed to start in July 2009, and the loans will be repayable in five years at a 3% interest rate. The fiscal cost has been estimated at about US$ 17 million over six years. **Social programmes** A conditional transfer programme is being designed with assistance from the World Bank, and economic support is being negotiated with IDB to expand health care in the country's poorest areas. Expansion of welfare grants and pensions.	

	Monetary and financial policy	Fiscal policy	Exchange-rate and foreign-trade policies
BELIZE	**Other measures** Following the bailout of CLICO financial group in Trinidad and Tobago in January 2009, in March the Government of Belize took judicial control of CLICO Belize, through the Supervisor of Insurance. In April, the authorities appointed a judicial manager for CLICO Belize and imposed a series of restrictions on its operations in order to protect policyholders, such as forbidding the issue of new contracts, the disposal of assets and the repatriation of funds out of Belize.	**Tax cuts or benefits and subsidy increases** Taxes on fuel were cut to offset the high cost of living during 2008. However, in March 2009 the Prime Minister announced a rise in the excise tax on fuels in the 2009 budget. In January the Government approved a cut in the retail price of domestic gas, and in February negotiated a reduction in the price of flour. In February the Government re-established the position of Controller of Supplies to monitor and enforce price controls.	**Increase in import duties and import restrictions** In March the Prime Minister announced a rise in the import duty on gasoline and diesel in the 2009 budget.
GUYANA	**Other measures** Discussion of reforms to enhance the financial system's transparency and solvency, including the establishment of credit systems to improve credit information, measures to make the payments system more solid and laws to combat money-laundering. Following the bailout of CLICO financial group in Trinidad and Tobago in January 2009, in February the Government of Guyana took judicial control of CLICO Guyana. In March the Government reiterated support and guarantees for CLICO Guyana's shareholders. In April, the President announced that the Government would allocate US$ 34 million over 10 years to cover guarantees made to CLICO Guyana policyholders and investors. In May, the National Assembly passed the anti-money laundering bill. In June the Government announced that it would allow the sale of CLICO Guyana assets.	**Tax cuts or benefits and subsidy increases** Several fiscal measures were taken in 2008 to deal with the rising cost of living: fuel tax was reduced and VAT was eliminated for some staple items. Cash subsidies and capital transfers to the electricity sector. **Other measures** Renewed efforts to secure and conclude debt relief agreements with bilateral and commercial creditors. In June the World Bank approved the new Country Assistance Strategy (CAS) for Guyana for 2009-2012.	**Other measures** In February, the President called for a moratorium in the implementation of the Economic Partnership Agreement (EPA) between CARIFORUM and the European Union to enable the Caribbean countries to pull through the global economic crisis.

Sectoral policies

SMEs

In March the Government announced the approval of a US$ 10 million loan for the Development Finance Corporation (DFC) of Belize, a public financial institution that provides credit for small farmers, young entrepreneurs and small business.

Agriculture

In March the Government announced the approval of a US$ 10 million loan for the Development Finance Corporation (DFC) of Belize, a public financial institution that provides credit for small farmers, young entrepreneurs and small business.

Labour and social policies

Social programmes

A support programme was designed with help from the World Bank, based on conditional money transfers.

With support from IDB, the coverage of a primary health care programme in underprivileged areas of the country was expanded.

In March the Government proposed a sharp increase in its funding of the National Health Insurance Programme to compensate for the cessation of the Social Security Board's funding for the scheme.

Multilateral financing

In March the Government announced that it was seeking loans for around US$ 100 million during 2009 from IDB, the Caribbean Development Bank, the World Bank, the European Commission and IMF, among others, for investment in infrastructure rehabilitation and upgrading after the floods and to provide a stimulus to activity.

Housing

In June an increase in the ceiling on loans granted by mortgage finance companies for low-income housing purposes was announced.

Agriculture

In February 2009 the Government renewed its commitment to support the sugar and rice sectors.

Increased support for the agricultural sector, including the "Grow More" campaign, the Agriculture Export Diversification Programme, and the Rural Enterprise and Agricultural Development Programme.

Direct intervention in the flour, rice and sugar markets through cash transfers to producers and suppliers and the introduction of subsidies.

Industry

Cash subsidies and capital transfers to the electricity sector.

In February the Government announced its renewed commitment to provide support for the traditional sectors: sugar, rice and bauxite, including engagements with the major operators to ensure the viability and realization of planned investments, especially in the bauxite and alumina industries.

Labour policy

Adjustments in wages and salaries of public-sector employees and pensioners to compensate for the increased cost of living.

Social programmes

In June the Government and the Inter-American Development Bank launched the second phase of the US$ 27.2 million Low Income Housing Settlement Programme (LISP).

In May, Guyana signed a Country Strategy Paper with the European Commission under the 10th European Development Fund, which clears the way for a US$ 73 million grant for development objectives.

In June it was announced that Guyana was one of four Latin American and Caribbean nations to obtain increased access to funding from the Inter-American Development Bank during 2009 and 2010. Guyana will be able to borrow up to US$ 28.6 million (previously the ceiling was US$ 20.6 million).

Monetary and financial policy

Legal reserve adjustments

In December the Bank of Jamaica increased the cash reserve and liquid assets requirements for commercial banks, merchant banks and building societies. Further rises were decreed in January and February 2009.

Liquidity injections in national currency

In November 2008 the Bank of Jamaica established an intermediation facility in foreign currency to facilitate the flow of credit. Later, this facility was extended to cover deposits and loans in local currency.

In November, the Government of Jamaica secured an emergency credit line from IDB, for US$ 500 million, in order to provide commercial banks with funds to lend to the production sectors.

Changes to the monetary policy rate

In October and December 2008, the Bank of Jamaica increased interest rates across the spectrum of open-market instruments.

In July, the central bank reduced interest rates twice : by 100 and 150 basis points respectively.

Fiscal policy

Tax cuts or benefits and subsidy increases

In December the Government announced an economic stimulus package that included tax cuts and low-cost loans for business, manufacturing and tourism activities.

In January the tax on dividends paid by non-listed companies was abolished and the transfer tax was reduced from 6.5 % to 5%, while the income tax threshold was increased.

In May, the Ministry of Finance and Planning announced a partial reversal of the tax measures presented in April. The General Consumption Tax will be waived for a number of imported goods (estimated revenue loss of US$ 23 million). To compensate for this loss, the Government increased the Special Consumption Tax on cigarettes and established a new single rate of 25% for the Special Consumption Tax on certain spirits and beer. Those measures are expected to boost tax revenue by an additional US$ 23 million.

Increase or early disbursement of public spending allocations

Additional expenditure of US$ 29 million for local infrastructure such as roads, drains, gullies (and other urgent repairs) was authorized.

Other measures

The Government is negotiating with the European Union for funds to finance the budget for 2009 and to cover the projected shortfall in income.

The Senate agreed to lift the public borrowing ceiling from US$ 9 billion to US$ 12 billion.

In early 2009 two US$ 100-million loans were secured from the World Bank and the Caribbean Development Bank, respectively, to support the fiscal sustainability and debt programmes.

At the beginning of April, the Prime Minister announced a 15% cut in his salary and called for Members of Parliament to do likewise.

In April, the Government announced a major package of tax measures to increase fiscal income and finance the 2009-2010 budget. Among the measures announced were:

(a) A major increase in the special fuel tax and an increase in the customs user fee levied on selected petroleum products.
(b) The broadening of the General Consumption Tax to cover goods previously exempted.
(c) A 100% increase in the income tax threshold.
(d) The establishment of a Large Taxpayer Office to deal with the 3% of taxpayers that provide 80% of the country's tax income.
(e) The establishment of a Forensic Data-Mining Intelligence Unit to inspect the tax affairs of the self-employed.

In order to comply with the conditions dictated by the IMF to grant the requested loan, there would be a contraction in public expenditure, but preserving spending on public security, education and health. In August it was announced that the Government must cut spending for the current fiscal year by 20% because of falling revenue.

Exchange-rate and foreign-trade policies

Liquidity injections in foreign currency

In October 2008 the Bank of Jamaica established a special loan facility in foreign currency for security dealers and deposit-taking institutions.

In November 2008 the Bank of Jamaica established an intermediation facility in foreign currency to facilitate the flow of credit.

Tariff reductions

Effective 15 December 2008, barrels imported before the end of December containing articles totalling less than US$ 3,000 in value were to be allowed in duty-free.

Sectoral policies

Agriculture

Creation of promotional programmes and subsidies to boost agricultural output.

Tourism

In December the Government announced an economic stimulus package that included tax cuts and low-cost loans for business, manufacturing and tourism activities.

Intensive marketing campaign in the United States to position Jamaica as a sports tourism destination.

In August, the government agreed to extend the tourism stimulus package to September. The package included a 50% reduction in the General Consumption Tax rate paid by the sector as well as a loan scheme accompanied by an increased advertising budget.

Industry

In December the Government announced an economic stimulus package that included tax cuts and low-cost loans for business, manufacturing and tourism activities.

At the beginning of April, it was announced that a Special Task Force had been set up to look at proposals for the reform and restructuring of the bauxite sector. In May, the Government held talks with overseas stakeholders to determine the fate of the three bauxite plants whose operations have been scaled down. In July the Ministry of Energy and Mining announced that the Task Force had been working in collaboration with the bauxite and alumina companies to ensure compliance with the regulation, closely monitoring critical aspects of the closing-down process within the bauxite and alumina sector and its economic, environmental and social impact.

At the end of April, the Minister of Industry, Investment and Commerce announced that the Government was exploring the possibility of generating cash by importing damaged vehicles to have them repaired in free-zone facilities for re-export.

In June Trinidad and Tobago's Prime Minister announced that sending liquefied natural gas (LNG) to stimulate investments in Jamaica's alumina sector was now feasible. Trinidad and Tobago signed an agreement in 2004 to supply Jamaica with 1.1 million tons of LNG per year for 20 years, beginning in 2009, for use by the Jamalco refinery and the Jamaica Public Service Company's electric power plants.

Labour and social policies

Labour policy

Wage rise for civil servants and adjustment of the national minimum wage.

In August it was announced that the Government is determined to avoid job cuts in Jamaica's public sector, regardless of spending cuts, but has ruled out salary increases in order to keep the public sector wage bill under control.

Social programmes

A loan is being negotiated with IDB to maintain and broaden the Programme of Advancement Through Health and Education (PATH), and training and community empowerment.

The Government announced that PATH would be provided with an additional US$ 9.2 million to undertake an ambitious expansion that would extend the Programme's coverage to an estimated 120,000 additional beneficiaries.

In May, the Government announced that it would spend US$ 15 million during fiscal year 2009-2010 to ensure that poor Jamaicans were protected by its social safety net. This includes an additional US$ 11 million to expand the PATH Programme, the scope of which was increased to 307,000 beneficiaries in February 2009. Allocations to the School Feeding Programme have also been increased, from US$ 3 million to US$ 11 million, and funding for public health services has been boosted by an additional US$ 20 million.

Multilateral financing

The Government is negotiating with the European Union for funds to finance the budget for 2009 and to cover the projected shortfall in income.

In November 2008, the Government of Jamaica secured an emergency credit line from IDB, for US$ 500 million, in order to provide commercial banks with funds to lend to the production sectors.

A negotiated US$ 300 million lending facility for January 2009 was negotiated with IDB (to be accessed through the EXIM Bank and other commercial banks).

In early 2009 two US$ 100-million loans were secured from the World Bank and the Caribbean Development Bank, respectively, to support the fiscal sustainability and debt programmes.

In April, the Government announced that in the preceding months it had successfully negotiated a total of US$ 951 million in credit from the World Bank, IDB and the Caribbean Development Bank to balance and support the fiscal and monetary accounts.

In May, the Government announced "pre-emptive" talks with IMF. In June, it was announced that there would be discussion on the terms under which Jamaica should enter into a funding arrangement with the Fund. At the end of July, it was announced that the loan would amount to US$ 1.2 billion; that there would be a contraction in public expenditure to meet the conditionalities dictated by IMF, but preserving spending on public security, education and health. The Government expects to make a formal submission for the loan in September.

	Monetary and financial policy	Fiscal policy	Exchange-rate and foreign-trade policies
SURINAME	**Other measures** Following the bailout of CLICO financial group in Trinidad and Tobago in January 2009, in late March the central bank of Suriname announced that it was closely monitoring the status of CLICO operations in Suriname to protect policyholders' interests, and was consulting with CLICO officers to find a solution to the growing liquidity and solvency problems faced by that firm's operations in Suriname.		
TRINIDAD AND TOBAGO	**Liquidity injections in national currency** In April, the central bank governors of Trinidad and Tobago, Barbados and the Eastern Caribbean Currency Union announced the establishment of an US$ 80 million regional Liquidity Support Fund to provide financial resources to the Eastern Caribbean territories affected by the collapse of CLICO. Trinidad and Tobago would be providing US$ 50 million to the Fund. **Changes to the monetary policy rate** In late March the central bank reduced the repo rate by 25 basis points to 8.5%. **Other measures** CLICO financial group was bailed out to prevent contagion from spreading to other financial institutions. Regulation and supervision of the financial sector was improved. In April, the governor of the central bank announced that Trinidad and Tobago would be spending US$ 800 million during the next two years on the bailout of CLICO. In April and May, the central bank performed forensic audits on CLICO and the CLICO Investment Bank. In May, the Government presented CLICO Financial Group's main shareholders with a list of demands for managerial control of the privately-owned conglomerate, including the reversal of a controversial and unauthorized sale of a 51% holding in CLICO Energy Co. Ltd., carried out in February, days after the Group was granted a bailout. In June the Government took over management of CLICO Financial Group.	**Other measures** With revenue falling short of projections given the decline in energy prices, the Government has cut current spending and postponed some non-essential investment projects in order to avoid generating a fiscal deficit. In June the Government declared that it planned to use the US$ 2.9 billion saved in the Heritage and Stabilisation Fund (HSB) to fuel growth and to promote Trinidad and Tobago as a major provider of financial services. The budget for fiscal year 2009-2010 approved in September contains (i) a stimulus package for contractors; (ii) expansion of financing to the National Entrepreneurship Development Company to provide financing to the small and medium-sized enterprises; (iii) expansion of the Fair Share Programme for awarding public contracts to small contractors; (iv) increases in Motor Vehicle Transfer Tax by 50%; (v) an increase in excise and import duty on alcohol and tobacco of 15%; and (vi) introduction of a revised property tax regime for residential, commercial and agricultural lands.	**Increase in import duties and import restrictions** The budget for fiscal year 2009-2010 includes an increase in excise and import duty on alcohol and tobacco of 15%.

Sectoral policies	Labour and social policies	Multilateral financing
Industry Following the announcement by BHP Billiton that it will pull out of Suriname in 2010 (affecting the Bakhuys aluminium development project), the Government has engaged in talks with Alcoa regarding that company's possible takeover of the project.		
SMEs The budget for fiscal year 2009-2010 allocates increased funding to the National Entrepreneurship Development Company to provide financing to the small and medium-sized enterprises. **Tourism** The budget for fiscal year 2009-2010 includes a US$ 4 million stimulus package for tourism. **Industry** The budget for fiscal year 2009-2010 includes increased tax incentives for capital retooling in the manufacturing sector. It also foresees a proposal of a single-regime Supplemental Petroleum Tax (SPT for the energy sector.	**Labour policy** The Government has committed to maintaining key social programmes to provide employment to the poor.	

Monetary and financial policy	Fiscal policy	Exchange-rate and foreign-trade policies

EASTERN CARIBBEAN MONETARY UNION

ANGUILLA

Monetary and financial policy

Liquidity injections in national currency

In April, the central bank governors of Trinidad and Tobago, Barbados and the Eastern Caribbean Currency Union announced the establishment of an US$ 80 million regional Liquidity Support Fund to provide financial resources to the Eastern Caribbean territories affected by the collapse of CLICO. The Eastern Caribbean Currency Union would be providing US$ 10 million to the Fund.

Fiscal policy

Other measures

The Government has announced that it is considering cutting back on capital expenditure in order to control its overall expenditure.

In June a specific Eight Point Stabilization and Growth Programme to address the economic crisis was formalized at a meeting of the Organisation of Eastern Caribbean States (OECS)/Eastern Caribbean Currency Union (ECCU). The Programme includes fiscal reform, debt management, public sector investments and financial safety nets, amalgamation of indigenous commercial banks, and rationalization, development and regulation of the insurance sector. This is an ongoing initiative to be implemented at both the national and sub-regional level. In September, the first elements of the Programme were finalized.

ANTIGUA AND BARBUDA

Monetary and financial policy

Liquidity injections in national currency

In April, the central bank governors of Trinidad and Tobago, Barbados and the Eastern Caribbean Currency Union announced the establishment of an US$ 80 million regional Liquidity Support Fund to provide financial resources to the Eastern Caribbean territories affected by the collapse of CLICO. The Eastern Caribbean Currency Union would be providing US$ 10 million to the Fund.

Other measures

In February the Eastern Caribbean Central Bank assumed control of the Bank of Antigua Ltd. (part of the Stamford financial group) in order to protect the interests of depositors and preserve the stability of the country's financial system.

In June the chief financial regulator was dismissed for his role in the Stanford financial fraud case. In the aftermath of this case, a wide inquiry on the regulatory regime and administrative procedures was launched in July.

Fiscal policy

Tax cuts or benefits and subsidy increases

Extension of list of articles subject to a zero rate for the Antigua and Barbuda Sales Tax.

Elimination of consumption tax on certain articles (mainly food items).

Reduction in service charge on certain articles (mainly food items).

Subsidized utilities for pensioners.

Other measures

Pension payments increased.

Negotiation with the Caribbean Development Bank for a US$ 30 million loan to provide budgetary support for 2009.

In April, the Government was evaluating a fiscal consolidation plan to balance public expenditure and revenue in light of the impact of the global recession. Among the measures included were the improvement of procurement practices, better management of vehicles, evaluation of the utility of rental quarters and the enhancement of revenue efficiencies.

In June a specific Eight Point Stabilization and Growth Programme to address the economic crisis was formalized at a meeting of the Organisation of Eastern Caribbean States (OECS)/Eastern Caribbean Currency Union (ECCU). The Programme includes fiscal reform, debt management, public sector investments and financial safety nets, amalgamation of indigenous commercial banks, and rationalization, development and regulation of the insurance sector. This is an ongoing initiative to be implemented at both the national and sub-regional level. In September, the first elements of the Programme were finalized.

In August the Government received emergency funds —half loan, half grant— of US$ 50 million from the Bolivarian Alternative for Latin America and the Caribbean (ALBA) to help pay back wages of hundreds of public employees who had not been paid since July.

Sectoral policies	Labour and social policies	Multilateral financing
Tourism In November the Government implemented an Emergency Economic Plan which seeks to provide some relief to the tourism sector in meeting the cost of its operations, and to protect workers in the industry from being laid off. Some measures included are discounting of electricity bills for hotels, establishment of joint marketing strategy and preferential tax rates.	**Labour policy** An unemployment fund was created to provide income for people who have lost their jobs. **Social programmes** Subsidized utilities for pensioners. Pension payments increased. Expansion of the School Uniform Grant and School Meals Programmes.	Negotiation with the Caribbean Development Bank for a US$ 30 million loan to provide budgetary support for 2009.

	Monetary and financial policy	Fiscal policy	Exchange-rate and foreign-trade policies
DOMINICA	**Liquidity injections in national currency** In April, the central bank governors of Trinidad and Tobago, Barbados and the Eastern Caribbean Currency Union announced the establishment of an US$ 80 million regional Liquidity Support Fund to provide financial resources to the Eastern Caribbean territories affected by the collapse of CLICO. The Eastern Caribbean Currency Union would be providing US$ 10 million to the Fund.	**Tax cuts or benefits and subsidy increases** Increase in income tax allowance and cut in tax rates. **Increase or early disbursement of public spending allocations** In April, the Government introduced a number of economic stimulus measures, including accelerated implementation of the public sector investment programme. **Other measures** In April, the Government adopted austerity measures that included a freeze on international travel by civil servants except in exceptional circumstances, a freeze on procurement of non-essential goods and services and a reduction in public agencies' consumption of electrical power and telecommunications services. In June a specific Eight Point Stabilization and Growth Programme to address the economic crisis was formalized at a meeting of the Organisation of Eastern Caribbean States (OECS)/Eastern Caribbean Currency Union (ECCU). The Programme includes fiscal reform, debt management, public sector investments and financial safety nets, amalgamation of indigenous commercial banks, and rationalization, development and regulation of the insurance sector. This is an ongoing initiative to be implemented at both the national and sub-regional level. In September, the first elements of the Programme were finalized.	**Tariff reductions** Tariff reductions for selected articles (mainly food items).
GRENADA	**Liquidity injections in national currency** In April, the central bank governors of Trinidad and Tobago, Barbados and the Eastern Caribbean Currency Union announced the establishment of an US$ 80 million regional Liquidity Support Fund to provide financial resources to the Eastern Caribbean territories affected by the collapse of CLICO. The Eastern Caribbean Currency Union would be providing US$ 10 million to the Fund.	**Other measures** The Value Added Tax Bill 2009 was presented in the Senate. It will be implemented on 1 February 2010. In June a specific Eight Point Stabilization and Growth Programme to address the economic crisis was formalized at a meeting of the Organisation of Eastern Caribbean States (OECS)/Eastern Caribbean Currency Union (ECCU). The Programme includes fiscal reform, debt management, public sector investments and financial safety nets, amalgamation of indigenous commercial banks, and rationalization, development and regulation of the insurance sector. This is an ongoing initiative to be implemented at both the national and sub-regional level. In September, the first elements of the Programme were finalized.	**Tariff reductions** Suspension of common external tariff on selected goods.
MONTSERRAT		**Other measures** In June a specific Eight Point Stabilization and Growth Programme to address the economic crisis was formalized at a meeting of the Organisation of Eastern Caribbean States (OECS)/Eastern Caribbean Currency Union (ECCU). The Programme includes fiscal reform, debt management, public sector investments and financial safety nets, amalgamation of indigenous commercial banks, and rationalization, development and regulation of the insurance sector. This is an ongoing initiative to be implemented at both the national and sub-regional level. In September, the first elements of the Programme were finalized.	

Sectoral policies	Labour and social policies	Multilateral financing
	Labour policy Minimum wage increased. **Social programmes** Social welfare payments increased by 10%. Exemption from hospital costs for certain sectors of the population. Increase in school transfer subsidy.	At the beginning of July, the Government presented a formal request for a US$ 5 million emergency loan to IMF under the Rapid-Access Component of the Exogenous Shocks Facility (ESF), in response to the adverse external economic conditions.
	Social programmes Free-milk programme for families with small children and persons with special needs. Food basket distribution programme.	

	Monetary and financial policy	Fiscal policy	Exchange-rate and foreign-trade policies
SAINT KITTS AND NEVIS	**Liquidity injections in national currency** In April, the central bank governors of Trinidad and Tobago, Barbados and the Eastern Caribbean Currency Union announced the establishment of an US$ 80 million regional Liquidity Support Fund to provide financial resources to the Eastern Caribbean territories affected by the collapse of CLICO. The Eastern Caribbean Currency Union would be providing US$ 10 million to the Fund. **Other measures** On 31 July 2009, the High Court ordered that the business conducted in Saint Kitts and Nevis by British American Insurance Company Limited, part of CLICO Financial Group, be placed under judicial management. A full audit is to be carried out on the company's operations.	**Tax cuts or benefits and subsidy increases** Elimination of consumption tax on 10 food and non-food products. Price controls extended to a larger number of goods. **Other measures** In June a specific Eight Point Stabilization and Growth Programme to address the economic crisis was formalized at a meeting of the Organisation of Eastern Caribbean States (OECS)/Eastern Caribbean Currency Union (ECCU). The Programme includes fiscal reform, debt management, public sector investments and financial safety nets, amalgamation of indigenous commercial banks, and rationalization, development and regulation of the insurance sector. This is an ongoing initiative to be implemented at both the national and sub-regional level. In September, the first elements of the Programme were finalized.	**Tariff reductions** Suspension of common external tariff on 31 food and non-food products.
SAINT LUCIA	**Liquidity injections in national currency** In April, the central bank governors of Trinidad and Tobago, Barbados and the Eastern Caribbean Currency Union announced the establishment of an US$ 80 million regional Liquidity Support Fund to provide financial resources to the Eastern Caribbean territories affected by the collapse of CLICO. The Eastern Caribbean Currency Union would be providing US$ 10 million to the Fund.	**Tax cuts or benefits and subsidy increases** Suspension of consumption tax on nine articles. Increase in subsidies for bulk imports of rice, flour and sugar. Number of staple foods and health-related articles subject to price controls increased from 15 to 44. **Increase or early disbursement of public spending allocations** The Government has implemented a stimulus package (US$ 10 million) directed mainly at creating short term employment. **Other measures** In June a specific Eight Point Stabilization and Growth Programme to address the economic crisis was formalized at a meeting of the Organisation of Eastern Caribbean States (OECS)/Eastern Caribbean Currency Union (ECCU). The Programme includes fiscal reform, debt management, public sector investments and financial safety nets, amalgamation of indigenous commercial banks, and rationalization, development and regulation of the insurance sector. This is an ongoing initiative to be implemented at both the national and sub-regional level. In September, the first elements of the Programme were finalized.	**Tariff reductions** Suspension of common external tariff.
SAINT VINCENT AND THE GRENADINES	**Liquidity injections in national currency** In April, the central bank governors of Trinidad and Tobago, Barbados and the Eastern Caribbean Currency Union announced the establishment of an US$ 80 million regional Liquidity Support Fund to provide financial resources to the Eastern Caribbean territories affected by the collapse of CLICO. The Eastern Caribbean Currency Union would be providing US$ 10 million to the Fund.	**Tax cuts or benefits and subsidy increases** Extension of list of zero-rated and VAT-exempt articles, including staple foods. **Other measures** In June a specific Eight Point Stabilization and Growth Programme to address the economic crisis was formalized at a meeting of the Organisation of Eastern Caribbean States (OECS)/Eastern Caribbean Currency Union (ECCU). The Programme includes fiscal reform, debt management, public sector investments and financial safety nets, amalgamation of indigenous commercial banks, and rationalization, development and regulation of the insurance sector. This is an ongoing initiative to be implemented at both the national and sub-regional level. In September, the first elements of the Programme were finalized.	**Tariff reductions** Review of common external tariff on certain commodities.

Sectoral policies	Labour and social policies	Multilateral financing
Agriculture Distribution of 224 acres of land to rural workers for agricultural production. **Tourism** In July, the Tourism Minister stated that the government had introduced stimulus measures for small hotels, and negotiated with airlines and big resort operators to try to maintain the flow of visitors. A stimulus package for restaurants was implemented in July in order to preserve jobs. This stimulus package will extend for a period of one year and allows qualifying restaurants access to duty-free imports of food and wine, as well as a one-time duty-free import of cutlery, plates, glasses, furniture and kitchen appliances and equipment.	**Labour policy** Revision of minimum wage.	
Housing A housing project totalling US$ 26 million will be implemented in Fort Vieux in 2009. **SMEs** The government will use resources approved by IMF to fund small businesses. **Tourism** The Government has increased resources available for tourism marketing. **Industry** A number of infrastructure projects will be rolled out in 2009: the National Hospital (US$ 52 million), the construction and rehabilitation of several major roads and the redesign of Castries port.	**Labour policy** The Government has implemented a stimulus package (US$ 10 million) directed mainly at creating short-term employment in various projects.	At the end of July, IMF approved a US$ 10.7 million disbursement under the Exogenous Shock Facility to help the country cope with the effects of the global crisis. The resources will be used to fund small businesses for financing the 2009/2010 budget.
Tourism The Government established several measures to support the tourism sector: a preferential rate for electricity, tax rebates for hotel and yacht operators and a loan facility for hoteliers.	**Labour policy** The Government has proposed that the National Insurance Service (NIS) provide a contribution to persons who are displaced or become unemployed as a result of the crisis. **Social programmes** Strengthening of social safety nets including increased benefits for the poor, a student support programme, and an increase in the non-contributory pension for the elderly.	In May, IMF approved a US$ 5.7 million disbursement under the Exogenous Shock Facility to help the country to cope with the effects of the global crisis.

Monetary and financial policy

Liquidity injections in national currency

Crisis liquidity facilities: the following measures were taken to provide liquidity to the financial system:

(i) On 12 December 2007, the Bank of Canada announced that it would enter into term purchase and resale agreements (term PRAs).

(ii) The Bank of Canada announced the expansion of the range of acceptable collateral for its Standing Liquidity Facility (SLF). SLF provides liquidity to institutions that participate directly in the Large Value Transfer System (LVTS) and the Automated Clearing Settlement System (ACSS) (12 December 2007). This measure included:
- Lowering the minimum pool size for the National Housing Act Mortgage-Backed Securities (NHA-MBS) accepted as SLF collateral (5 June 2008).
- The addition of United States Treasury securities (25 June 2008) and Asset-Backed Commercial Paper (ABCP) (31 March 2008) to the list of SLF-eligible securities.
- Changes in eligibility requirements for ABCP accepted as collateral (11 September 2008).

(iii) Canada Mortgage and Housing Corporation (CMHC) launched a new quarterly 10-year Canada Mortgage Bond maturity on 31 July 2008; this was expected to raise up to US$ 8.4 billion in supplementary funding for financial institutions in 2009.

(iv) As part of the G7 Action Plan, the Bank of Canada introduced the following new measures to provide liquidity to the financial system:
- To provide significant term liquidity to the financial sector, the amount to be auctioned on 15 October of the 27-day Term Purchase and Resale Agreement (PRA) —an open-market operation designed to lower overnight interest rates and increase the money supply— was set at US$ 8.4 billion.
- To enhance the distribution of liquidity, term PRAs were permitted to be transacted with direct participants in LVTS as well with primary dealers until further notice (effective 21 October 2008).
- To enhance the functioning of money markets, the Bank of Canada offered a new term PRA facility on a temporary basis, directly for primary dealers and indirectly for other money market participants (term PRA facility for private sector money market, 14 October 2008).
- To give institutions greater flexibility in managing collateral, the Bank of Canada is accepting an assignment of non-mortgage loan portfolios as eligible collateral for LVTS and SFL purposes, effective from 20 October 2008 until 2 November 2009.
- Up to US$ 21 billion in NHA-MBS insured mortgage pools to be purchased through CMHC to maintain availability of longer-term credit (10 October 2008).

(v) As part of the G7 Action Plan, the Canadian Lenders Assurance Facility (CLAF) was created on 23 October 2008: this is a temporary programme to guarantee mid- to long-term debt issued by Canadian banks and other federally-regulated deposit-taking institutions.

(vi) The base commercial pricing of CLAF was reduced by 25 basis points, and the 25 basis points across-the-board surcharge for insurance provided under the Facility was waivered until further notice, making the facility more competitive with similar programmes offered in other countries (12 November 2008).

(vii) The Office of the Superintendent of Financial Institutions (OSFI) announced an increase in the allowable limit of innovative and preferred shares in Tier 1 capital, providing financial institutions with more sources of funds to support lending (12 November 2008).

(viii) Further to the measures implemented under the G7 Action Plan, the Bank of Canada announced a Term Loan Facility (TLF) allowing LVTS participants to use non-mortgage portfolios as collateral for term loans (12 November 2008). On 22 September 2009, the Bank of Canada announced that the facility would expire at the end of October 2009 because of better market conditions.

(ix) To provide a source of liquidity for off-the-run Government of Canada securities, the Bank of Canada announced the following changes to the cash management and regular buyback programmes: the existing buyback floors were reduced to US$ 2.5 billion for all maturities; buyback operations were scaled back for the remainder of the fiscal year (22 December 2008).

(x) Extraordinary Financing Framework (EFF) of the Economic Action Plan (27 January 2009): this framework will provide up to US$ 170 billion to address difficulties in specific credit market segments, mitigate systemic risks and put financial institutions on a more level playing field with initiatives undertaken by trading partners:
- An additional US$ 42 billion of insured mortgage pools will be purchased under the Insured Mortgage Purchase Program (IMPP), in addition to the US$ 63 billion of purchases already authorized, increasing the total size of the Programme to US$ 105 billion.
- The resources and scope of action available to the federal Crown corporations was enhanced, with US$ 11 billion being provided in incremental financing to the business sector.
- To further help small businesses gain access to financing, the Government increased the maximum eligible loan amount under the Canada Small Business Financing Programme for loans made after 31 March 2009 (lending under the scheme could be increased by some US$ 250 million per year).
- Up to US$ 10 billion will be allocated to a new Canadian Secured Credit Facility to purchase term asset-backed securities backed by loans and leases on vehicles and equipment (facilitating vehicle and equipment financing).
- The deadline for CLAF was extended to 31 December 2009.

(xi) A new term PRA facility was created for private sector instruments (23 February 2009), incorporating four major changes to the previous term PRA facility for this sector: the set of eligible securities was expanded to include corporate bonds; the range of potentially eligible counterparties now includes federally or provincially regulated market participants who have significant activity in the corporate bond market; the minimum bid rate has been significantly reduced; and the term of transactions has been expanded from 2 weeks to 1 and 3 months. On 22 September 2009, the Bank of Canada announced that the facility would expire at the end of October 2009 because of better market conditions.

(xii) Bank of Canada announced on 25 June 2009 the extension of the following temporary liquidity facilities: auctions of regular term PRA will continue through at least the end of January 2010; the Bank will continue to accept, for a temporary period until at least 1 February 2010, an assignment of non-mortgage loan portfolios as eligible collateral for LVTS and standing liquidity facility purposes.

(xiii) On 21 July 2009, the Bank of Canada released the new schedules for its Term PRA Facility for Private Sector Instruments and Term Loan Facility (TLF). It also announced changes to the amounts managed by these programmes, as conditions in funding markets have improved.

Changes to the monetary policy rate

The Bank of Canada lowered its overnight interest rate target from 0.50% to 0.25% on 21 April 2009; this decision brings the cumulative monetary policy easing to 425 basis points since December 2007. The Bank reaffirmed its commitment to hold the policy rate at that level until the end of the second quarter of 2010.

Other measures

In June 2009, the Minister of Finance announced the launch of the Transition Office, which will head the effort to establish a Canadian securities regulator. The Minister also announced the establishment of a Task Force on Financial Literacy to help create a cohesive national strategy to support initiatives across Canada aimed at improving financial education.

Fiscal policy

Tax cuts or benefits and subsidy increases

Tax relief measures benefiting both businesses and private households were announced on 31 December 2008, amounting to a tax reduction of US$ 26 billion in fiscal year 2009-2010:

(i) Introduction of the Tax-Free Savings Account.
(ii) Reduction of the general corporate income tax rate from 19.5% to 19%.
(iii) Extension of accelerated capital cost allowance treatment for three years for investment in manufacturing or processing machinery and equipment.
(iv) As part of the Fifth Protocol to the Canada-United States Income Tax Convention, the rate of withholding tax on interest payments from Canada to non-arm's length United States lenders is reduced from 7% to 4%.
(v) Proposal of a one-time change allowing Registered Retirement Income Fund (RRIF) holders to reduce their required minimum withdrawal by 25% for 2008.

In the framework of the Economic Action Plan, US$ 17 billion will be made available in personal income tax relief in the next five fiscal years, and employment insurance rates will be kept low.

Increase or early disbursement of public spending allocations

Economic Action Plan: unveiled with the Budget 2009 on 27 January 2009, the plan will provide temporary economic stimulus of almost US$ 25 billion (equivalent to 1.9% of GDP) to help Canadian families and businesses deal with short-term challenges. This plan includes the following measures:

(i) Investment in infrastructure, roads, bridges, broadband internet access, electronic health records, laboratories and border crossings countrywide (US$ 10 billion).
(ii) Action to stimulate housing construction (US$ 6.5 billion); measures include a home renovation tax credit providing an estimated 4.6 million Canadian families with up to US$ 1,130 each, funding for energy retrofits, investments for social housing, and low-cost loans to municipalities.
(iii) Action to help the Canadians worst affected by the crisis (US $7 billion).
(iv) Support for businesses and communities (US$ 6.3 billion).

Recreational Infrastructure Canada (RInC) Programme (11 May 2009): The RInC Programme was created under Canada's Economic Action Plan, providing US$ 458 million over two years to upgrade or rehabilitate existing recreational facilities in cooperation with provinces and territories.

Exchange-rate and foreign-trade policies

Liquidity injections in foreign currency

Currency swaps: swap facility with United States Federal Reserve, the Bank of England, the European Central Bank (ECB), the Bank of Japan and the Swiss National Bank, as part of coordinated central bank actions to improve the liquidity conditions in global financial markets:

(i) To respond to continued strains in short-term funding markets the swap facility was expanded from US$ 10 billion to US$ 30 billion on 29 September 2008.
(ii) To address continued pressures in global United States dollar funding markets, on 3 February 2009 the temporary reciprocal currency arrangements between the United States Federal Reserve, the Bank of Canada and other central banks was extended to 30 October 2009.
(iii) On 25 June 2009 the Bank of Canada and the United States Federal Reserve announced that they had agreed to extend their expanded US$ 30 billion swap facility to 1 February 2010.

Sectoral policies

Housing

Action to stimulate housing construction in the framework of the Economic Action Plan: US$ 6.5 billion to build quality housing, stimulate construction and enhance energy efficiency.

Agriculture

Targeted support will be provided for forestry as part of the Economic Action Plan's measures to support businesses and communities.

Industry

Action to support businesses and communities (part of the Economic Action Plan): US$ 6.3 billion provided in extra support for sectors, regions and communities. This includes targeted support for the automotive and manufacturing sectors, as well as funding for clean energy.

Automotive sector:

(i) Canada contributed US$ 3.3 billion to the short-term automotive rescue announced by the United States Administration, providing emergency loans to the Canadian arms of General Motors (US$ 2.5 billion) and Chrysler (US$ 0.8 billion) to support them while they restructure their businesses (20 December 2008).
(ii) Canadian Secured Credit Facility in the framework of the Extraordinary Financing Framework of the Economic Action Plan: up to US$ 10 billion will be allocated to this facility to purchase term asset-backed securities backed by loans and leases on vehicles and equipment, to help the competitiveness of the auto industry.
(iii) 7 April 2009: US$ 570 million was added to Export Development Canada's (EDC) Accounts Receivable Insurance (ARI) programme for auto parts suppliers.
(iv) 7 April 2009: the Canadian Warranty Commitment Programme was launched to ensure consumer warranties are honoured on new vehicles purchased from General Motors of Canada Limited and Chrysler Canada Inc. during a limited period of restructuring.
(v) 16 April 2009: US$ 120 million in funding over five years was granted to Automotive Partnership Canada to keep the Canadian auto industry competitive and sustainable.

(vi) 30 April 2009: the Governments of the United States and Canada reviewed and approved the restructuring plans of Chrysler LLC and its subsidiaries, including Chrysler Canada Inc. The Governments will provide US$ 10.5 billion in financing, including short- and medium-term capital and debt-in-possession financing to assist with the court-supervised restructuring of Chrysler LLC. Of this amount, the United States is contributing US$ 8.08 billion and Canadian governments (including the Government of Canada and Government of Ontario) US$ 2.42 billion. The details of the Government of Canada and the Government of Ontario's support are:

- A medium-term restructuring loan of up to US$ 1 billion repayable in three instalments over eight years.
- The Governments of Canada and Ontario will also participate in a joint Canada-United States debtor-in-possession (DIP) loan to Chrysler LLC with the Canadian amount totalling US$ 1.22 billion.
- Effective immediately, a working capital loan of up to US$ 180 million will be offered to Chrysler Canada through EDC.
- The final instalment of US$ 200 million as part of the US$ 0.8 billion interim loan announced on 20 December 2009, and reconfirmed 30 March 2009, will be advanced on 1 May 2009.
- The Governments of Canada and Ontario will together receive 2% of the equity of the new Chrysler and will have the right to select one independent director.

(vii) The Governments of the United States and Canada reviewed and approved on 1 June 2009 the restructuring plan of General Motors and its subsidiaries. The Governments of Canada and Ontario will participate alongside the United States Treasury by lending US$ 9.5 billion to General Motors and new General Motors. They will receive approximately US$ 1.7 billion in debt and preferred stock as well as approximately 12% of the equity of the new General Motors and will have the right to select one initial director.

Other measures

The Government announced on 22 May 2009 the launch of the Canadian Life Insurers Assurance Facility (CLIAF), which will provide insurance on the wholesale term borrowing of federally regulated life insurance companies. As part of the Extraordinary Financing Framework (EFF) of the Economic Action Plan, this programme is designed to help Canada's life insurance industry access wholesale debt markets.

Labour and social policies

Labour policy

Action to help Canadians in the framework of the Economic Action Plan: US$ 7 billion for the Canada Skills and Transition Strategy , which includes extra support for Canadians most affected by the economic downturn, including enhancements to employment insurance and increased funding for skills and training.

Social programmes

Action to stimulate housing construction (part of the Economic Action Plan): includes investments for social housing to support low-income Canadians, older adults, persons with disabilities and Aboriginal Canadians, and low-cost loans to municipalities.

Monetary and financial policy

Liquidity injections in national currency

(1) Provision of short-term liquidity to sound financial institutions:

(i) Term Auction Facility (TAF) (announced on 12 December 2007): provides term funding of 28-day or 84-day maturity to eligible depositary institutions. The programme's loan ceiling was reduced from US$ 150 billion per auction prior to 25 June 2009 to US$ 75 billion in September, owing to improving market conditions. Continuing its gradual reduction in TAF amounts, the Federal Reserve will offer US$ 50 billion in 70-day credits in October.

(ii) Term Securities Lending Facility (TSLF) (announced on 11 March 2008): the TSLF loans Treasury securities to primary dealers for 28 days against eligible collateral.

(iii) Primary Dealer Credit Facility (PDCF) (announced on 16 March 2008): the PDCF is an overnight loan facility that provides funding to primary dealers. The Federal Reserve announced a sharp easing of the terms under the PDCF in September 2008, taking a wider range of assets as collateral.

(iv) Currency swap lines: the Federal Reserve concluded bilateral temporary currency liquidity agreements with 14 foreign central banks to relieve funding pressures in the global market for dollar liquidity. The programme has been extended until 30 October 2009. The temporary reciprocal currency arrangements (swap lines), with the exception of the arrangement with the Bank of Japan, were extended to 1 February 2010 (on 25 June 2009).

(v) On 25 June 2009, the Federal Reserve announced the extension of the TSLF and the PDCF to 1 February 2010. The following changes were also announced: the size of upcoming TAF auctions will be trimmed and auctions under TSLF Schedule 1 and TSLF Options programmes will be suspended. The frequency of Schedule 2 TSLF auctions and the amounts offered will be reduced.

(2) Provision of liquidity directly to borrowers and investors in key credit markets:

(i) Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility (AMLF) (announced on 19 September 2008): the AMLF is a lending facility that finances the purchases of high-quality asset-backed commercial paper (ABCP) from money market mutual funds by United States depository institutions and bank holding companies.

(ii) Temporary Guarantee Program for Money Market Funds (announced on 19 September 2008): Under the program, the Treasury will insure the holdings of any eligible publicly offered money-market fund, making available as necessary the assets of the Exchange Stabilization Fund for up to US$ 50 billion. The programme was opened on 29 September 2008 and expired as anticipated on 18 September 2009.

(iii) Commercial Paper Funding Facility (CPFF) (announced on 7 October 2008): The CPFF provides a liquidity backstop to United States issuers of commercial paper through a specially created limited liability company, the CPFF LLC. This company purchases three-month unsecured and asset-backed commercial paper directly from eligible issuers. The Federal Reserve provides financing to the LLC through the CPFF.

(iv) Money Market Investor Funding Facility (MMIFF) (announced on 21 October 2008): the MMIFF provides liquidity to United States money market mutual funds and certain other money market investors.

(v) On 18 March 2009, the Federal Reserve announced that the set of eligible collateral for loans extended by the TALF was being expanded. On 1 May 2009, the Federal Reserve announced that, starting in June, commercial mortgage-backed securities (CMBS) and securities backed by insurance premium finance loans would be eligible collateral. On 19 May 2009, it announced that, starting in July, certain high-quality CMBS issued before 1 January 2009 (legacy CMBS) would become eligible collateral.

(vi) Support for specific institutions: the Federal Reserve has lent to certain specific institutions in order to avert disorderly failures, for example, Bear Stearns, AIG, Citigroup, Bank of America.

(vii) On 25 June 2009, the Federal Reserve announced the extension of the AMLF and CPFF to 1 February 2010. The authorization for the MMIFF, which expires on 30 October 2009, was not extended.

(viii) On 17 August 2009, the Federal Reserve and the Treasury approved extension of TALF loans against newly issued ABS and legacy CMBS up to 31 March 2010, and against newly issued CMBS up to 30 June 2010.

(3) Purchasing long-term securities:

(i) Mortgage-related paper (announced on 25 November 2008): the Federal Reserve will purchase the direct obligations of housing-related Government-sponsored enterprises Fannie Mae, Freddie Mac, and the Federal Home Loan Banks (up to US$ 100 billion), and mortgage-backed securities backed by Fannie Mae, Freddie Mac and Ginnie Mae (US$ 500 billion). The purpose is to reduce the cost and increase the availability of credit for the purchase of housing.

(ii) On 18 March 2009 the Federal Reserve announced an increase in its purchases of agency debt (from US$ 100 billion to US$ 200 billion) and an expansion in its purchases of agency mortgage-backed securities (MBS) (from US$ 500 billion to US$ 1.25 trillion) in 2009.

(iii) On the same date, the Federal Reserve also announced plans to purchase up to US$ 300 billion of longer-term Treasury securities over the next six months.

Temporary supplemental financing (announced on 17 September 2008): the programme consists of a series of Treasury bills, apart from the Treasury's current borrowing programme, which provides cash for use in the Federal Reserve's lending and liquidity initiatives. On 16 September 2009, the Department of the Treasury announced that the programme would decrease to US$ 15 billion in coming weeks, as outstanding Supplementary Financing Program bills mature and are not rolled over.

Troubled Assets Relief Programme (TARP) (part of the Emerging Economic Stabilization Act (EESA), announced on 19 September 2008): the Treasury submitted legislation to Congress requesting authority (to expire two years from the date of enactment) to issue up to US$ 700 billion to purchase troubled assets from financial institutions. The purchases were intended to be residential and commercial mortgage-related assets.

(i) EESA, approved by Congress on 3 October 2008, included some key modifications to the original TARP: the original amount of US$ 700 billion would be released in instalments, with US$ 350 billion made available immediately; taxpayers would get a stake in participating companies and profit opportunities in the form of equity warrants; ability for the Government to buy troubled assets from pension plans, local governments and small banks; selective restriction of executive compensation; an independent oversight board; and assistance to homeowners.

(ii) Deposit insurance: temporary lift of the limit on Federal Deposit Insurance Corporation (FDIC) deposit insurance from US$ 100,000 to US$ 250,000.

(iii) TARP Capital Purchase Program (CPP) (announced on 14 October 2008): a voluntary capital purchase programme under which the Treasury will invest a part of TARP to obtain stakes in United States banks. Under the Program, it would purchase up to US$ 250 billion (the first instalment of TARP) of senior preferred shares on standardized terms. Nine major financial institutions had already agreed to participate in the Program (receiving injections totalling US$ 125 billion). On 27 October 2008 the Treasury funded 22 United States banks in a second round of recapitalization (US$ 38 billion).

(iv) Temporary Liquidity Guarantee Program (TLGP) (announced on 14 October 2008): enables the FDIC to temporarily guarantee the senior debt of all FDIC-insured institutions and certain holding companies, as well as deposits in non-interest bearing deposit transaction accounts.
(v) Interim final rule on TARP standards for compensation and corporate governance (announced on 10 June 2009): limits executive compensation for certain executives and highly compensated employees at companies receiving TARP funds; appoints a special master to review compensation plans at firms receiving exceptional assistance; implements and expands upon key Recovery Act provisions; and sets additional compensation and governance standards to improve accountability and disclosure.

Credit Union System Investment Program (CU SIP) (November 2008) facilitates lending by supporting corporate credit unions.

Financial Stability Plan (FSP) (10 February 2009), the plan consists of:

(i) The Financial Stability Trust, which includes:
- A comprehensive stress test for all banks with assets in excess of US$ 100 billion.
- Capital Assistance Program (CAP): institutions that have been thoroughly tested will then have access to funds provided by the Treasury under this programme.
- A separate entity set up to manage the Government's investments in United States financial institutions.

(ii) Public-Private Investment Fund: up to US$ 500 billion in public funds (with the potential to expand up to US$ 1 trillion) to provide financial institutions with greater means to cleanse their balance sheets of "legacy" assets.
(iii) Consumer and Business Lending Initiative: an expansion of TALF from US$ 200 billion to US$ 1 trillion, to encourage new consumer/business lending. The initial scope of TALF was expanded to include commercial mortgage-backed securities (CMBS).
(iv) New Era of Transparency, Accountability, Monitoring and Conditions: firms will have to show how public funds are enabling them to preserve or generate lending; all recipients are committed to undertake measures to mitigate mortgage foreclosures restrictions apply to the participating firms in relation to paying dividends, repurchasing shares and pursuing acquisitions until the Government's investment has been repaid; the recipients are obliged to comply with the senior executive compensation restriction.
(v) Housing Support and Foreclosure Prevention: a US$ 50 billion fund to prevent avoidable foreclosures.
(vi) Small Business and Community Lending Initiative: intended to finance the purchase of AAA-rated Small Business Administration (SBA) loans to unfreeze secondary markets for small business loans.

(16 March 2009): as part of the Financial Stability Plan and the Consumer and Business Lending Initiative (CBLI), the Treasury will: jump-start credit markets for small businesses by purchasing up to US$ 15 billion in securities; temporarily raise guarantees to up to 90% in the Small Business Administration (SBA) 7(a) Loan Program; temporarily eliminate certain SBA loan fees to reduce the cost of capital; require the 21 largest banks receiving Financial Stability Plan assistance to report their small-business lending monthly and call for all banks to increase small business lending; issue guidance for an expanded carry-back provision as part of the tax cut package for small businesses provided for in the American Recovery and Reinvestment Act.

Public-Private Investment Program (PPIP)

(23 March 2009): the Treasury releases details of the programme first mentioned in February with the announcement of the Financial Stability Plan. Under the PPIP the Treasury will make targeted investments in multiple Public-Private Investment Funds (PPIFs) that will purchase legacy real estate-related assets, using up to US$ 100 billion from the TARP to generate US$ 500 billion in financing for this purpose, with the potential to expand to US$ 1 trillion over time. The plan has two key elements:

(i) Legacy Loans Program: combines a FDIC guarantee of debt financing with equity capital from the private sector and the Treasury to support the purchase of troubled loans from insured depository institutions.
(ii) Legacy Securities Program: combines financing from the Federal Reserve and Treasury through the TALF with equity capital from the private sector and the Treasury to address the problem of troubled securities.
(iii) On July 2009, the Treasury announced the Program has been scaled back, given improved financial market conditions. The Program will launch with a government investment of up to US$ 30 billion in a partnership with nine fund managers to buy legacy securities from banks.

Changes to the monetary policy rate

Primary credit programme: On 17 August 2007, the Federal Reserve reduced the spread between the primary credit rate and the federal funds target rate to 50 basis points and began to allow the provision of primary credit for terms as long as 30 days. On 16 March 2008, the Federal Reserve further reduced this spread to 25 basis points and increased the maximum maturity to 90 days.

Cuts in the federal funds rate: the Federal Reserve began to ease monetary policy in September 2007, with the monetary policy rate easing by a cumulative 425 basis points from 5.25% in September 2007 to 1% in October 2008. In December 2008, the Federal Reserve set a range of 0 to 25 basis points for the federal funds target rate.

Other measures

Capital Assistance Program (CAP) and Supervisory Capital Assessment Program (SCAP): the results of the SCAP (the stress test) of the 19 largest United States banks were announced on 7 May 2009. Any bank needing to augment its capital buffer had until 8 June 2009 to develop a detailed capital plan and until 9 November 2009 to implement it.

On 1 June 2009, the Federal Reserve outlined the criteria it would use to evaluate applications to redeem United States Treasury capital from the 19 bank holding companies (BHC) that participated in SCAP. Any BHC seeking to redeem United States Treasury capital must demonstrate an ability to access the long-term debt markets without reliance on the Temporary Liquidity Guarantee Program (TLGP) of the Federal Deposit Insurance Corporation (FDIC), as well as access to public equity markets. The Federal Reserve's review of a BHC application will also consider 5 other criteria.

On 9 June 2009, the United States Department of Treasury announced that 10 of the largest United States financial institutions participating in the CPP met the requirements for repayment established by the primary federal banking supervisors, becoming eligible to complete the repayment process if they choose to do so (the Treasury would receive US$ 68 billion in repayment proceeds).

Regulatory reform agenda: on 26 March 2009, the Treasury outlined a framework for regulatory reform, which has four broad components: addressing systemic risk; protecting consumers and investors; eliminating gaps in regulatory structure; and fostering international coordination. In terms of addressing systemic risk, the focus will be on five elements:

(i) A single independent regulator with responsibility over systemically important firms and critical payment and settlement systems.

(ii) Higher standards on capital and risk management for systemically important firms.
(iii) Registration of all hedge fund advisers with assets under management above a moderate threshold.
(iv) A comprehensive framework of oversight, protections and disclosure for the Over-The-Counter (OTC) derivative market.
(v) New requirements for money market funds to reduce the risk of rapid withdrawals.

On 13 May 2009, the Treasury offered more details for the regulatory reform of OTC derivatives, requiring clearing of all standardized OTC derivatives through regulated central counterparts, which should impose margin requirements and other necessary risk controls.

On 17 June 2009, the President proposed a comprehensive regulatory reform plan to modernize and protect the integrity of the financial system. This plan will:

(i) Require that all financial firms that pose a significant risk to the financial system at large are subjected to strong consolidated supervision and regulation.
(ii) Increase market discipline and transparency to make markets strong enough to withstand system-wide stress and the potential failure of one or more large financial institutions.
(iii) Rebuild trust in markets by creating the Consumer Financial Protection Agency to focus exclusively on protecting consumers in credit, savings, and payment markets.
(iv) Provide the Government with the tools needed to manage financial crises so it is not forced to choose between bailouts and financial collapse.
(v) Raise international regulatory standards and improve international coordination. In this regard, the plan proposes: international reforms to support domestic efforts, including strengthening the capital frameworks; improving oversight of global financial markets; coordinating supervision of internationally active firms; and enhancing crisis management tools.
(vi) Delivery to Congress of draft legislation related to several aspects of the plan for regulatory reform (consumer and investor protection, compensation fairness and systemic risk).
(vii) On 11 August 2009, the final piece of legislative language —focusing on the regulatory reform of over-the-counter (OTC) derivatives— was delivered to Congress.

The Fraud Enforcement and Recovery Act (20 May 2009): the legislation expands the Department of Justice's authority to prosecute crimes involving mortgage fraud, commodities fraud, and fraud involving United States government assistance provided during the recent economic crisis. The legislation authorizes new resources for fiscal years 2010 and 2011 to hire fraud prosecutors and investigators. This legislation creates a bipartisan Financial Crisis Inquiry Commission to investigate the financial practices that led to the economic crisis.

Financial Accounting Standards No. 166 and 167 (FAS 166 and 167) were published on 12 June 2009 and are to become effective in 2010. These new standards address weaknesses in accounting and disclosure standards for off-balance sheet vehicles.

On 15 July 2009, the Federal Reserve approved an interim final rule to require creditors to increase the amount of notice consumers receive before the rate on a credit card account is increased or a significant change is made to the account's terms. These revisions are the first stage in the Federal Reserve Board's implementation of the Credit Card Accountability, Responsibility and Disclosure Act of 2009 (Credit Card Act). In May 2009, the Credit Card Act amended the Truth in Lending Act (TILA) and other statutes to establish fair and transparent practices for open-ended consumer credit plans, including credit cards.

Fiscal policy

Tax cuts or benefits and subsidy increases

Tax rebates (February 2008): US$ 150 billion in rebates for individuals and tax breaks for businesses was signed into law in early February 2008.

Increase or early disbursement of public spending allocations

American Recovery and Reinvestment Act (ARRA) (17 February 2009): the estimated cost of the economic recovery package is US$ 787 billion (5.5% of GDP) over the fiscal years 2009-2019:

(i) Tax provisions account for 38% of the stimulus in the next three years, of which more than 45% will be through the Making Work Pay tax credit for workers earning less than US$ 75,000.
(ii) Aid to states, the unemployed, for access to health care and to students account for about 35%. The plan includes aid to states for Medicaid and to support state budgets, mainly for education. It includes spending on student grants, special education and education for the disabled; help for the unemployed and struggling families, health insurance assistance for the unemployed and nutritional assistance.
(iii) Spending accounts for 27%. The package includes spending on modernization of the electric grid, road and bridge infrastructure, public transit improvements, high-speed rail investments, health information technology, health research, investments in energy and water, upgrading government buildings, and homeland security and defence.
(iv) Highlights of the impact of this measure during the first 200 days include: US$ 66.1 billion in estimated tax benefits, US$ 502 million in payments made to promote renewable energy production, US$ 2.3 billion provided to 37 states to spur development of affordable housing and US$ 28.2 billion in Build America Bonds issuances to help 37 states finance a variety of public improvement projects.

New Markets Tax Credit (NMTC) awards (15 May 2009): US$ 1.5 billion in NMTC was awarded to 32 organizations throughout the country, using resources from the ARRA. The NMTC programme injects private-sector capital investment into communities to create jobs, stimulate growth and jumpstart the lending necessary for financial stability. The 32 awardees have planned investments in renewable energy projects, charter schools, health-care facilities, manufacturing companies and retail centres.

Exchange-rate and foreign-trade policies

Liquidity injections in foreign currency

Foreign-currency liquidity swap lines: on April 6 2009, the Federal Open Market Committee (FOMC) announced foreign-currency liquidity swap lines with the Bank of England, the European Central Bank, the Bank of Japan and the Swiss National Bank. These lines are designed to provide the Federal Reserve with the capacity to offer liquidity to United States institutions in foreign currency. If drawn upon, the foreign-currency swap lines would support Federal Reserve operations to address financial strains by providing liquidity to United States institutions in sterling in amounts of up to US$ 43 billion, in euros in amounts of up to US$ 105 billion, in yen in amounts of up to US$ 105 billion, and in Swiss francs in amounts of up to US$ 35 billion. FOMC authorized these liquidity swap lines up to October 30, 2009.

The foreign-currency swap arrangements were extended though 1 February 2010 (on 25 June 2009). The extension currently applies to the swap lines with the Bank of England, the European Central Bank and the Swiss National Bank. The Bank of Japan will consider the extension and announce its decision following its next Monetary Policy Meeting.

Sectoral policies

Housing

Housing sector:

(i) The Government took control of Fannie Mae and Freddie Mac:
- On 6 September 2008, the Treasury and the Federal Housing Authority (FHA) announced that the two largest Government-sponsored enterprises (GSEs) were placed into "conservatorship" (under the control of the United States Government). The move would accelerate stabilization in the housing market by bringing down the cost of home loans. The Treasury and the Federal Housing Finance Agency (FHFA) established Preferred Stock Purchase Agreements, contractual agreements between the Treasury and the conserved entities, totalling US$ 200 billion, US$ 100 billion for each GSE.
- On 25 November 2008, the Federal Reserve initiated a programme to purchase the direct obligations of housing-related GSEs Fannie Mae and Freddie Mac and the Federal Home Loan Banks, and mortgage-backed securities (MBS) backed by Fannie Mae, Freddie Mac, and Ginnie Mae (up to US$ 600 billion).

(ii) Hope for Homeowners programme (1 October 2008): mortgage assistance for homeowners at risk of foreclosure. The programme will refinance mortgages for borrowers who are having difficulty making their payments but can afford a new FHA-insured loan. The FHA is authorized to insure up to US$ 300 billion refinanced housing loans under this programme, which will end on 30 September 2011.

(iii) Credit Union Homeowners Affordability Relief Program (CU HARP) (November 2008): a two-year, US$ 2 billion programme to provide assistance to credit union members who face delinquency, default, or foreclosure. This programme will lower monthly mortgage payments for struggling low-income and moderate-income credit union members and provide interest-rate relief to an estimated 10,000 households. The National Credit Union Administration (NCUA) will funnel federal loans to credit unions through the Central Liquidity Facility (CLF) by allowing participating creditworthy credit unions to borrow money at a discount from the Treasury, at rates lower than those available through private sources.

(iv) Housing Support and Foreclosure Prevention (part of the Financial Stability Plan (FSP), 10 February 2009): a US$ 50-billion fund to prevent avoidable foreclosures.

(v) Homeowner Affordability and Stability Plan (Making Home Affordable) (announced on 17 February 2009 and updated on 4 March 2009) will:
- Provide access to low-cost refinancing for 4 to 5 million homeowners, whose principal exceeds the current 80% loan-to-value rate (the Home Affordable Refinancing Program).
- A US$ 75-billion homeowner stability initiative to reach up to 3 to 4 million at-risk homeowners, assisting them to modify mortgage loans so payments would not exceed 31% of household income (the Home Affordable Modification Program (HAMP)). Under this initiative, the lender would voluntarily lower the interest rate, and the Government would provide subsidies to the lender. The plan includes a proposal to allow courts to modify mortgages during bankruptcy proceedings for borrowers who have run out of options.
- Support low mortgage rates by strengthening confidence in Fannie Mae and Freddie Mac: the Treasury is increasing its Preferred Stock Purchase Agreement to US$ 200 billion each from their original level of US$ 100 billion each; the Treasury will continue to purchase Fannie Mae and Freddie Mac MBS to promote stability and liquidity in the marketplace; the Treasury will increase the size of the GSEs' retained mortgage portfolios by US$ 50 billion to US$ 900 billion along with corresponding increases in the allowable debt outstanding.

(vi) Helping Families Save Their Homes Act (20 May 2009): the Act expands on the success of the Making Home Affordable (MHA) programme, authorizing new important tools to assist in stabilizing the financial system during the current economic downturn: extension of temporary increase in deposit insurance; increase in the borrowing authority for the Federal Deposit Insurance Corporation (FDIC) to $100 billion; increase in the borrowing authority for the National Credit Union Administration (NCUA) to $6 billion. The legislation also establishes protections for renters living in foreclosed homes. It significantly increases aid to homeless Americans, appropriating US$ 2.2 billion to help solve the crisis of homelessness. In addition, it consolidates homelessness programmes to improve effectiveness and streamline administration, and targets assistance on families with children.

(vii) On 1 June 2009, the federal financial institution regulatory agencies jointly issued for public comment proposed rules requiring mortgage loan originators who are employees of agency-regulated institutions to meet the registration requirements of the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (S.A.F.E. Act).

(viii) On 31 July 2009, the Treasury announced the Home Price Decline Protection (HPDP) programme, a component of the Home Affordable Modification Program (HAMP), with an allocation of up to $10 billion (but the actual amount spent will depend on home price trends). The HPDP programme will provide additional incentive payments for modifications on properties located in areas where home prices have recently declined.

SMEs

(i) The Small Business and Community Lending Initiative —part of the Financial Stability Plan (FSP)— announced on 10 February 2009) is intended to finance the purchase of AAA-rated Small Business Administration (SBA) loans to unfreeze secondary markets for small business loans.

(ii) Unlocking Credit for Small Businesses (16 March 2009): as part of the Financial Stability Plan and the Consumer and Business Lending Initiative (CBLI), the Treasury will: jump-start credit markets for small businesses by purchasing up to US$ 15 billion in securities; temporarily raise guarantees to up to 90% in the Small Business Administration (SBA) 7(a) Loan Program; temporarily eliminate certain SBA loan fees to reduce the cost of capital; require the 21 largest banks receiving Financial Stability Plan assistance to report their small business lending monthly and call for all banks to increase small business lending; issue guidance for an expanded carry-back provision as part of the American Recovery and Reinvestment Act tax cut package for small businesses.

Industry

Automotive rescue plan:

(i) Automakers General Motors and Chrysler LLC received US$ 17.4 billion in federal loans on 19 December 2008. These funds came from the troubled asset relief programme (TARP).

(ii) At the end of December 2008 the Government committed a further US$ 6 billion to stabilize GMAC LLC, a financing company considered vital to the future of General Motors.

(iii) On 17 February 2009 the Government announced the release of US$ 4 billion in additional aid to General Motors and created a task force to oversee the restructuring of the sector.
(iv) On 19 March 2009 the Treasury announced a US$ 5 billion programme to aid struggling autoparts suppliers.
(v) After a month of close engagement with the Auto Task Force, Chrysler, Fiat and their key stakeholders executed an agreement on 30 April 2009:
- Fiat will contribute a free license to use its intellectual property and know-how to capitalize Chrysler in exchange for 20% of the equity of the reorganized Chrysler.
- The newly reorganized Chrysler will purchase all of the assets of the old Chrysler out of a chapter 11 bankruptcy case in exchange for a US$ 2 billion payment to its secured lenders.
- The new Chrysler will establish an independent trust (VEBA) that will provide health-care benefits for Chrysler's retirees. VEBA will be funded by a note of US$ 4.6 billion payable over approximately 13 years with a 9% rate of interest and will receive 55% of the equity of new Chrysler. It will also have the right to select one independent director.
- The Chrysler Pension Plans will be preserved and strengthened by the Daimler contribution of US$ 600 million.
- The United States Treasury will receive 8% of equity of the new Chrysler and will select the initial group of four independent directors.
- The Governments of Canada and Ontario will together receive 2% of the equity of the new Chrysler and will have the right to select one independent director (the Governments of Canada and Ontario will participate alongside the United States Treasury in lending money to Chrysler and the new Chrysler based on a 3:1 formula using Canadian currency).
- United States Government support will consist of: US$ 3.3 billion in debtor-in-possession financing to support Chrysler through an expedited chapter 11 proceeding; US$ 4.7 billion in the form of a term loan to new Chrysler, with US$ 2.1 billion due in 30 months and 50% of the balance on the 7th anniversary and the other 50% on the 8th anniversary of the loan.

(vi) 21 May 2009: the Treasury announced additional investment of US$ 7.5 billion in GMAC LLC. GMAC will be allowed to issue government-backed debt for the first time. The aid includes US$ 4 billion to support anticipated growth in Chrysler dealer and retail loans. The other US$ 3.5 billion will help to fulfil capital needs based on the Federal Reserves stress tests.
(vii) On 1 June 2009, the President announced that General Motor's restructuring plan is deemed viable and that the Government is making US$ 30 billion of additional federal assistance available to support the plan. To implement its plan, General Motors will use Section 363 of the United States Bankruptcy Code to clear away the remaining impediments to its successful re-launch.
(viii) Car Allowance Rebate System (CARS)/"Cash for Clunkers": a US$ 1 billion programme that helps consumers buy or lease a more environmentally-friendly vehicle from a participating dealer when they trade in a less fuel-efficient car or truck. The programme is designed to energize the economy; boost auto sales and put safer, cleaner and more fuel-efficient vehicles on the roads. At the end of July, the House of Representatives voted to bolster the programme with an additional US$ 2 billion from an Energy Department loan fund.

The Administration also announced several steps to support demand for automobile sales:

(i) It will ensure that American Recovery and Reinvestment Act (ARRA) funds to purchase government cars are released as quickly as possible, and will work through the budget process to accelerate other federal fleet purchases as well.
(ii) It will accelerate efforts being made through the Treasury's Consumer and Business Lending Initiative (CBLI), and is working with automobile finance companies to increase credit to consumers and dealers.
(iii) It will offer a new tax benefit for automobile purchases made between 16 February 2009 and the end of the year.
(iv) It will work with Congress to identify parts of ARRA that could be trimmed to fund a fleet modernization programme to provide credit to consumers who turn in old, less fuel-efficient cars and purchase cleaner cars.

A new Director of Recovery for Auto Communities and Workers was designated to ensure that the full resources of the federal Government are leveraged to assist workers, communities and regions that rely on the automobile industry.

Other Sectors: ARRA (17 February 2009) contains spending on energy, transport, infrastructure, and homeland security.

(i) Modernizing roads, bridges, transit and waterways: about US$ 70 billion.
(ii) Energy efficiency: about US$ 60 billion, including spending on energy efficiency initiatives and tax incentives to spur energy savings.
(iii) An estimated US$ 3 billion for renewable energy projects funded through the ARRA. The programme will provide direct payments in lieu of tax credits in support of an estimated 5,000 biomass, solar, wind, and other types of renewable energy production facilities.
(iv) Investing in scientific research (more than US$ 15 billion) and extending broadband services (about US$ 7 billion).
(v) Health information technology: about US$ 19 billion.

Labour and social policies

Labour policy

The Government designated a new Director of Recovery for Auto Communities and Workers to ensure that the full resources of the federal Government are leveraged to assist workers, communities and regions that rely on the automobile industry.

As part of the Recovery Act's effort to jump-start the economy by providing tax cuts to working families, Treasury announced the disbursement to Puerto Rico of US$ 600 million that is expected to benefit more than 1 million workers.

Social programmes

The American Recovery and Reinvestment Act (ARRA) of 17 February 2009 includes aid to the unemployed, for access to health care and to students. It includes spending on student grants, special education, and education for the disabled. It includes help for the unemployed and struggling families, health insurance assistance for the unemployed and spending on training activities for dislocated workers, and nutritional assistance, including food stamps.

As part of the Administration's efforts to strengthen communities and ease pressures on the housing market, the Treasury announces US$ 885 million in ARRA funding to spur the development of affordable housing units in several States.