



U.S.-U.A.E. Business Council  
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# Council Report:

## U.S. and U.A.E. Economic Stimulus Packages

March 30<sup>th</sup> 2020

The [U.S.-U.A.E. Business Council](http://usuaebusiness.org) is pleased to share the below summary of the economic measures taken by U.A.E. federal, Emirate-level, and private-sector institutions as well as initiatives by the U.S. federal government to mitigate the economic impacts of the Covid-19 global pandemic. These U.A.E. measures are particularly significant at a time when an oil price war between Saudi Arabia and Russia has depressed global oil prices and put strains on GCC coffers.

### **Federal initiatives**

To date, the U.A.E. has [announced](#) a total of \$34 billion (AED 126 billion) to mitigate the economic impacts of Covid-19. These economic measures include supporting small businesses, accelerating major infrastructure projects, and reducing labor costs.

Moreover, on March 14<sup>th</sup>, the Central Bank of the U.A.E. [announced](#) a \$27 billion (AED 100 billion) Targeted Economic Support Scheme to contain the economic repercussions of the COVID-19 outbreak. As part of this initiative, banks will be allowed to free up their regulatory capital buffers to increase lending capacity and boost the U.A.E. economy. All banks operating in the U.A.E. will also receive access to loans and advances extended at zero cost against collateral by the Central Bank of the U.A.E. This development came days after the Central Bank stated it would lower interest rates [by 50 basis points](#).

Notably, the U.A.E. Cabinet [formed](#) an interim committee to address the impact of COVID-19 on the national economy. Chaired by His Excellency Sultan Saeed Al Mansouri, U.A.E. Minister of Economy, the committee includes representatives from various government bodies and will propose measures to reduce the negative consequences of Covid-19 on the UAE's human resources and economic sector.

### **Emirate initiatives**

On March 12th, the government of Dubai launched a \$408 million (AED 1.5 billion) [economic stimulus package](#) effective immediately and valid for the next three months to enhance liquidity and support Dubai's businesses, investors, and the overall economy. The measures seek to reduce the cost of doing business and simplify business procedures and include 15 initiatives focused on the commercial, retail, external trade, tourism, and energy sectors.

For the commercial and business sectors, the government of Dubai introduced nine initiatives over the next three months including a freeze on the 2.5% market fees levied on all facilities operating in Dubai. Other initiatives include extending a refund of 20% on the custom fees imposed on imported products sold locally in Dubai markets as well as cancelling the \$13,613 (AED 50,000) bank guarantee or cash required to undertake customs clearance activity.

On March 16th, the Abu Dhabi Executive Council [launched](#) an economic stimulus package, which came into effect immediately, aimed at accelerating the implementation of key [Ghadan 21](#) economic initiatives to support economic activity, reduce the costs of living, and facilitate business in the emirate of Abu Dhabi.

The package includes an allocation of \$1.3 billion (AED 5 billion) for water and electricity subsidies for citizens and the commercial and industrial sectors. The Executive Council also allocated \$272 million (AED 1 billion) to the financial markets to establish a market maker fund, to enhance liquidity, and to sustain balance between supply and demand for stocks.

Additionally, up to a 20% rebate will be offered on rental value for the restaurant, tourism and entertainment sectors, and tourism and municipality fees for the tourism and entertainment sectors will be suspended for this year. Lastly, the measures include settling all approved government payables and invoices within 15 working days, waiving all current commercial and industrial penalties, and reducing industrial land leasing fees by 25% for new contracts.

Beyond Dubai and Abu Dhabi, other Emirates have also announced a wide variety of meaningful relief measures. For instance, HH Dr. Sheikh Sultan bin Muhammad Al Qasimi [announced](#) a 10% reduction in the Sharjah Electricity and Water Authority (SEWA) bills in the Emirate of Sharjah for three months.

### **Private-sector initiatives**

On March 29th, the Dubai Free Zones Council and several free zones including Dubai World Trade Centre, Dubai International Financial Centre (DIFC), Dubai South, and Dubai Multi

Commodities Centre (DMCC) [announced](#) a stimulus package aimed at supporting businesses, especially small and medium enterprises. The measures include postponing rent payments for six months; payment installments; refunding security deposits and guarantees; cancelling fines for both companies and individuals; and permitting temporary contracts that allow the free movement of labor between companies operating in the free zones for the rest of the year. These measures are in addition to a package announced in early March to reduce business costs and improve financial liquidity of companies operating in the free zones.

Relatedly, DMCC, a leading trade hub for commodities, will offer a range of discounts and waivers to support its 17,000 member companies. Its Business Support Package, which will be in effect from April 1st to June 30th 2020, includes waivers fees for late license renewal penalties, discounts on license renewal as well as rent suspension for some of their tenants. Additional details about DMCC's Business Support Package can be found [here](#).

U.A.E. banks, such [Abu Dhabi Commercial Bank \(ADCB\)](#) and [First Abu Dhabi \(FAB\)](#), are also taking measures to alleviate the financial impact this pandemic is having on individuals and businesses by deferring loan installments among other initiatives.

On March 26th, Dubai-based property developer Nakheel [announced](#) a \$62.6 million (AED 230 million) economic relief package. The plan includes free rental periods for its retail and hospitality customers who operate within the Nakheel Malls portfolio. The measures will come into effect when the malls reopen.

### **U.S. federal stimulus**

The United States has [signed](#) into law a \$2 trillion economic stimulus package to combat the far-reaching economic consequences of Covid-19. The historic aid package, known as the CARES Act, includes direct payments to American citizens, an expansion of unemployment benefits, funding for state and local governments, specific allocations for hospitals, and loans for small and large businesses.

#### Direct Payments:

According to the Tax Policy Center, about 90% of Americans are eligible to receive full or partial direct payments under the stimulus law. Treasury Secretary Steven Mnuchin said in a statement that he expects the administration to begin making payments within [three weeks](#); however, experts estimate that the payments will likely be distributed in a month or two. The following allocations are outlined in the law with income levels based on 2019 tax returns:

- \$1,200 to individuals making less than \$75,000

- \$2,400 to couples making up to \$150,000
- An additional \$500 for each dependent child
- Direct payment amounts decrease for individuals with incomes over \$75,000 with a cap of \$99,000 and for couples with incomes over \$150,000 with a cap of \$198,000

#### Unemployment:

Unemployed workers will receive an additional \$600 per week for four months on top of existing state benefits. Additionally, unemployment benefits will be expanded to cover independent contractors, self-employed workers, and gig economy workers affected by Covid-19. These individuals were previously considered ineligible for benefits in several states.

#### Big Businesses:

The law has allocated \$500 billion in loans and loan guarantees for big businesses in industries especially hard-hit by the coronavirus pandemic. Specific provisions of \$25 billion for passenger airlines, \$4 billion for cargo air carriers, and \$17 billion for businesses that work in national security have been outlined as part of the \$500 billion. The aid package requires businesses to retain 90% of employees "to the extent practicable" through September 30th 2020, and a [congressional oversight](#) commission will monitor how money is spent—though the applications of this provision have been contested.

#### Small Businesses:

Small businesses will receive support in the form of loans, loan guarantees, emergency grants, and changes to rules for expenses and deductions.

- \$350 billion to the Small Business Administration (SBA) for forgivable loans of up to \$10 million per business.
- \$10 billion for grants of up to \$10,000 to provide emergency funds for small businesses to cover immediate operating costs.
- \$17 billion to cover six months of payment for small businesses already using SBA loans.
- Loan forgiveness is contingent on small businesses demonstrating that they had not recently laid off employees.