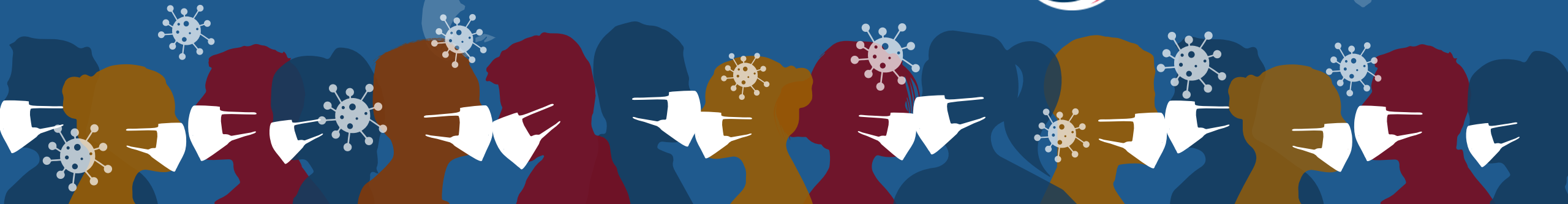


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# Korea's Policy Experience in Responding to COVID-19



Ministry of Economy  
and Finance





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## **Korean Economic Measures**

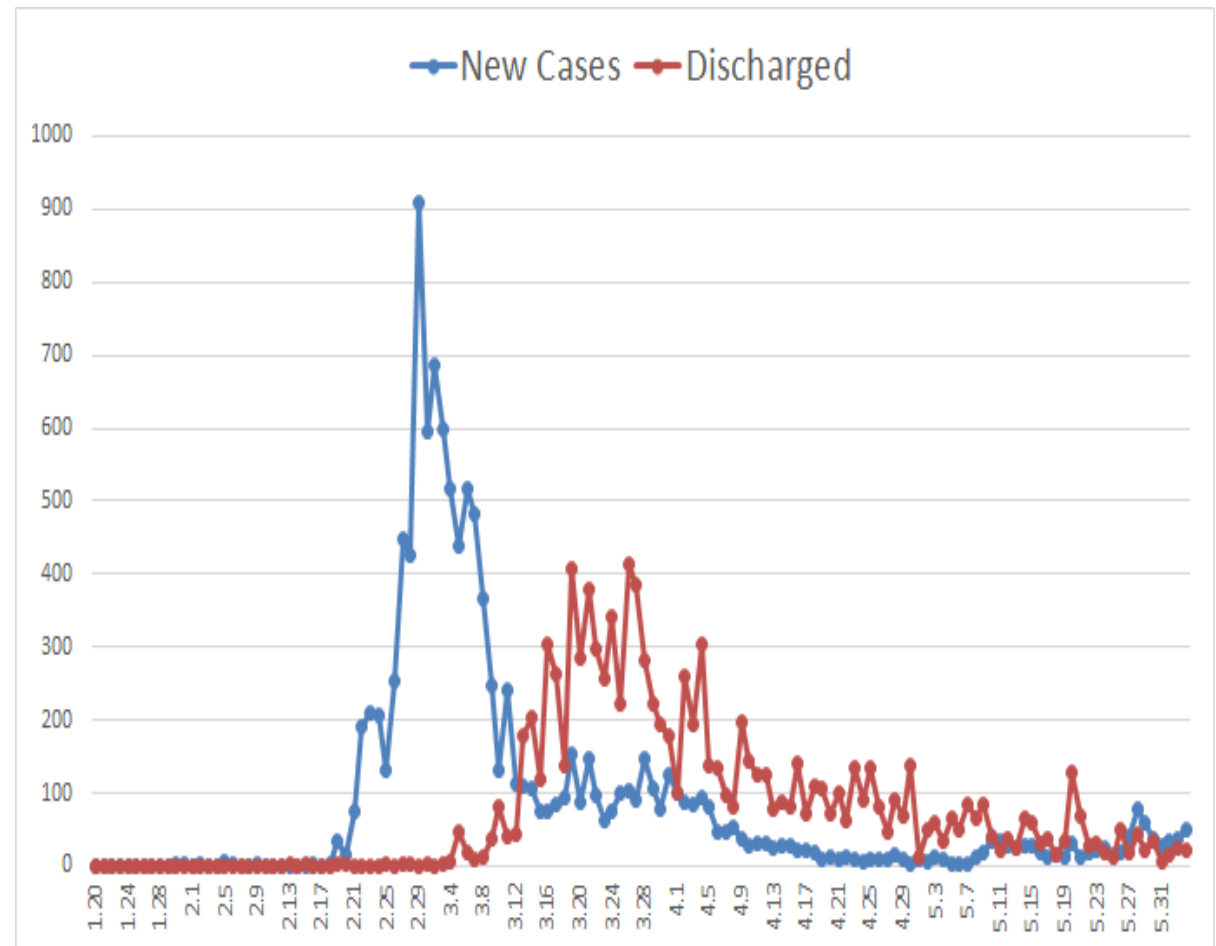
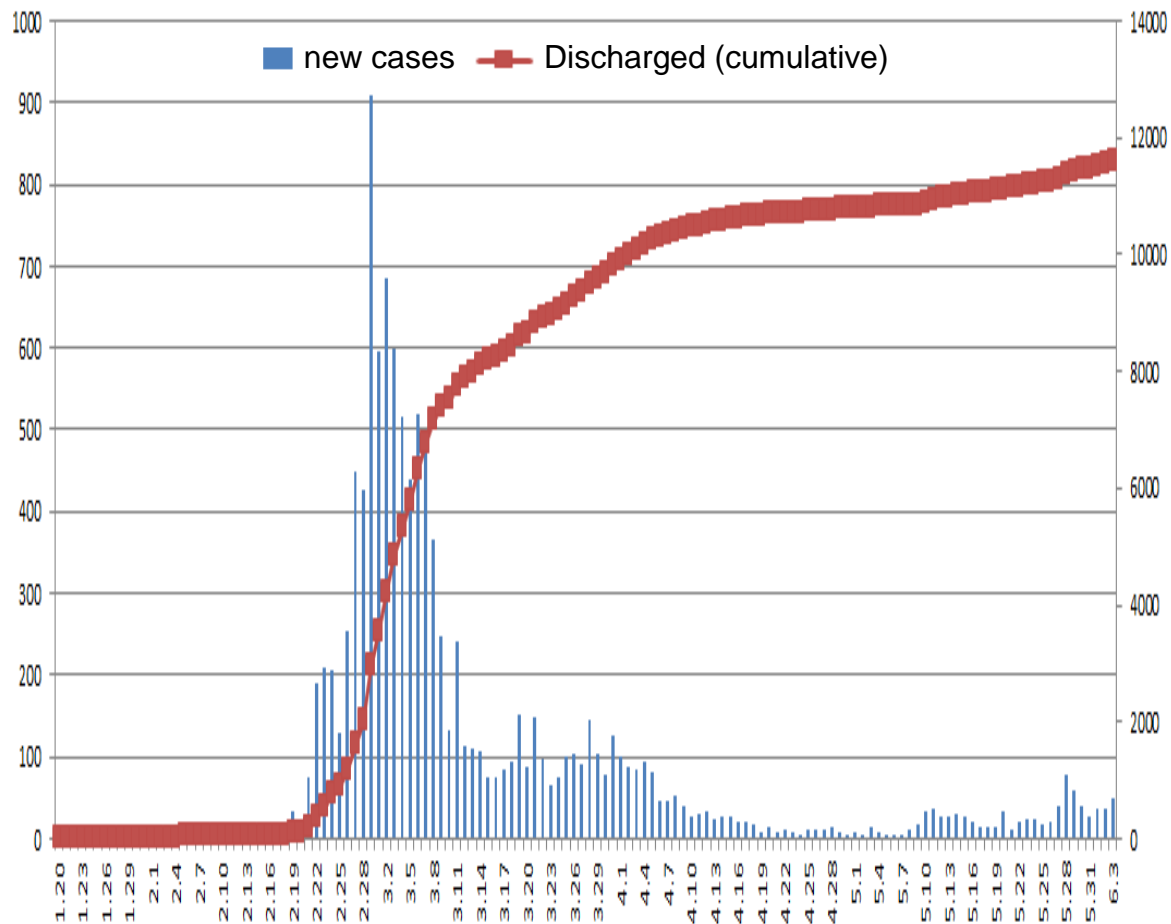
### **< Monetary policy >**

- Financing for SPV to purchase Corporate bonds · CPs

# Introduction

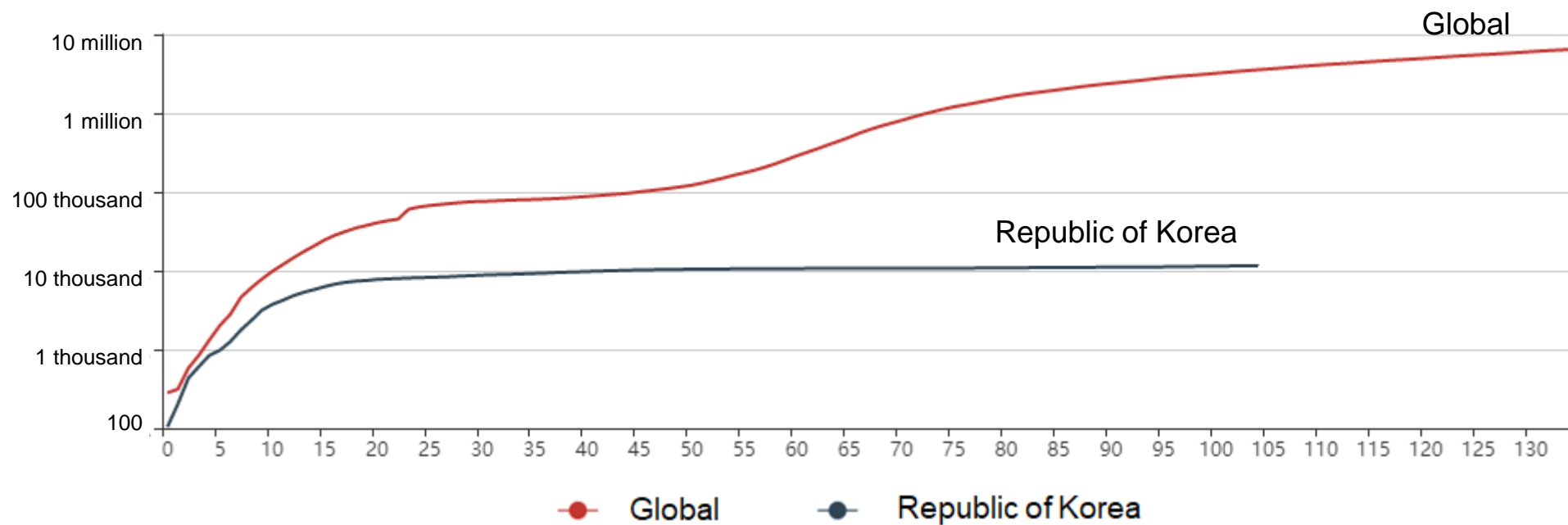
COVID-19

## Flattening the COVID-19 Curve in Korea(as of June 3)



### Flattening the COVID-19 Curve in Korea(as of June 3)

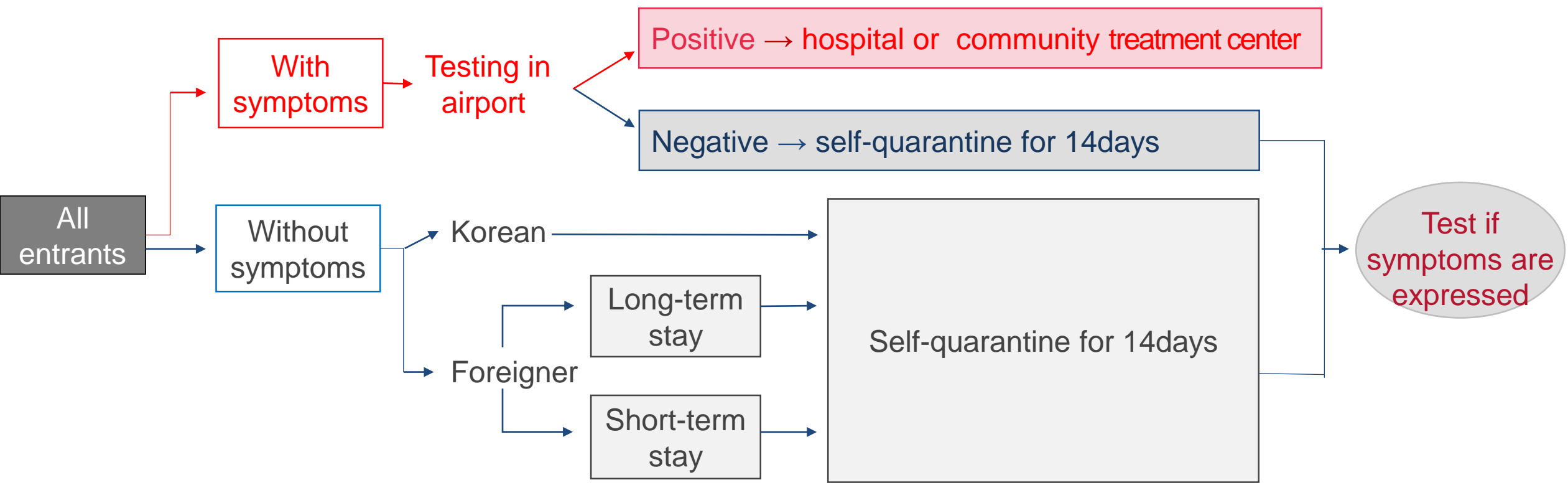
#### Log scale of cumulative cases



\* Days since the 100<sup>th</sup> confirmed case occurred

case 1

# Adopting Special Entry Procedure



✓ **Return-Home Process (e.g. Seoul ):**

(**Objective**) Complete isolation from the public on the way home

(**Implementation**) Special taxi/airport bus → Testing all → Self-owned car/ Designated car → Home



## ***Economic Measures***

*Fiscal policy: 3P (Protecting · Promoting· Preparing)*

# Korean Economic Measures: Fiscal Policy

COVID-19

## Summary

I . Three Rounds of Financial Stimulus Packages – **Early Phase**  
: Five consumption coupons & emergency financing Support for SMEs

## II. Step-by-step Large-scale Measures – **Middle Phase**

### Key Policies

## Emergency Economic Council Meeting

**1<sup>st</sup>**

**Introduce Emergency Financial Package 1**

**2<sup>nd</sup>**

**Announce Emergency Financial Package 2**

**3<sup>rd</sup>**

**Provide Emergency Relief Payments**

**4<sup>th</sup>**

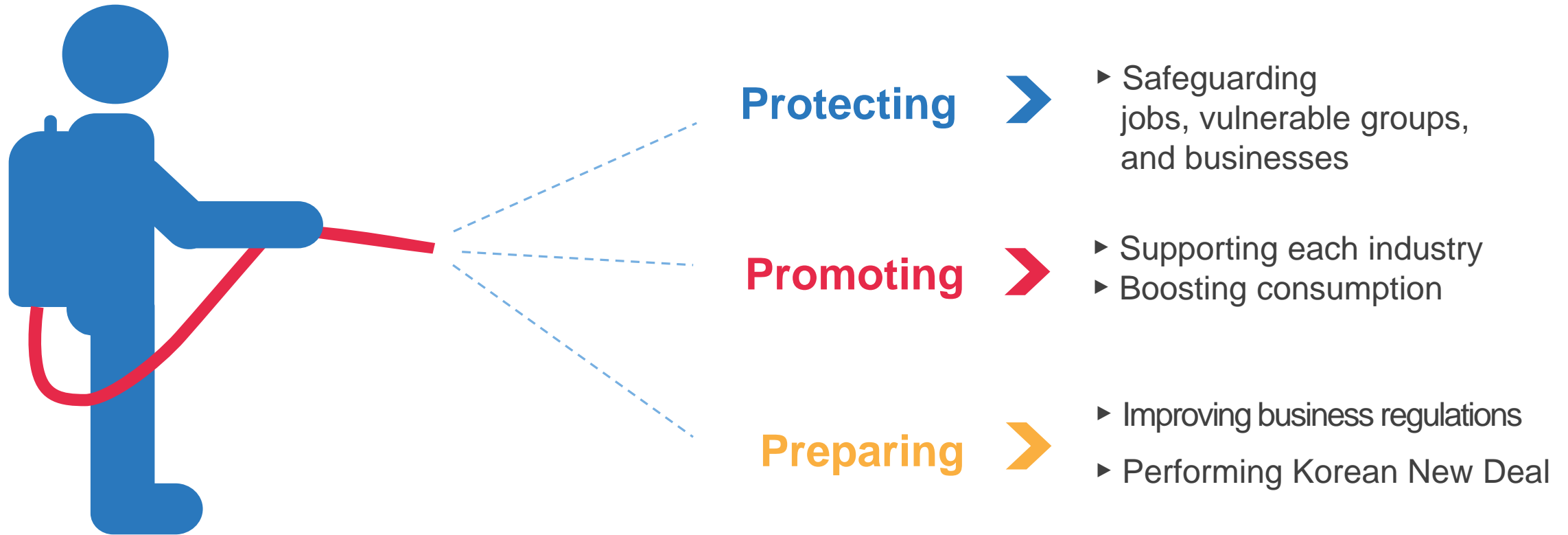
**Finance Venture and Startup**

**5<sup>th</sup>**

**Establish Key Industry Protection Fund  
Increase Financial Support Amount**

III. Process of Specifying Details – **Current Phase**  
: Creating financing methods and implementation of specific policies

**Total**  
**\$210 billion**  
**(13% of GDP)**



**3P(Protecting, Promoting, Preparing)**



# Korean Economic Measures: Fiscal Policy

COVID-19

## Protect Jobs, Vulnerable Groups, and Businesses

### Jobs



- ✓ Supported wage for SMEs
- ✓ Created Public Jobs  
(Including non-face-to-face Jobs)

### COVID-19 Relief Payments



- ✓ Issued consumption coupons for vulnerable groups
- ✓ Cut and deferred social security contributions

### Provide Liquidity to Businesses



- ✓ Provided low interest rate loans for small businesses
- ✓ Granted to Special guarantees & Maturity extensions for SMEs

### Help to Stabilize the Markets



- ✓ Established Bond & Stock market Stabilization fund
- ✓ Stabilized short-term money market
- ✓ Supported for corporate bond issuance

## Promote economic recovery

### Industry-specific Support

#### Airlines



- ✓ Emergency financing for low cost airlines & landing fee cuts + Establishing Key Industry Fund

#### Tourism



- ✓ Deferring loan repayment, extending maturity, & introducing new collateral-free loans

#### Shipping lines



- ✓ Emergency financing & reducing port charges

#### Arts



- ✓ Supporting production costs & admission fees

### Measures to Boost Consumption



- ✓ Provide emergency relief payments to all households
- ✓ Double the income tax deduction rates for credit or debit card use
- ✓ Expand local governments' gift certificate issuance
- ✓ Issue leisure and tourism coupons, as well as maternal healthcare coupons

## Prepare for Post-COVID-19

### Improve business regulations

- ✓ **Innovate business regulations in 10 sectors**  
( ①Data·AI, ②Future Cars·Mobility, ③Healthcare, ④Fintech, ⑤Medical technologies, ⑥Recycling, ⑦Venture Startups, ⑧Industrial complexes, ⑨Tourism, ⑩E-commerce)
- ✓ **Especially, remote healthcare & remote education & online businesses**

### Korean New Deal

- ✓ **Preemptive investments for the future to establish digital infrastructure and create new jobs**

## case 2

# Providing emergency Liquidity for Micro-Enterprise Owners

## Emergency Funds to Micro-Enterprise Owners

### The 1<sup>st</sup> low interest-rate emergency relief fund

#### <Sources of loans>

① Low rate loans(1.5%)  
(Commercial banks)

② Low rate loans(1.5%)  
(Government-financed banks)

③ Low rate loans(1.5%)  
(Micro-Enterprise Support Fund)

#### <Targets>

High credit group  
(1~3 grade)

Middle credit group  
(4~6 grade)

Low credit group  
(under 7 grade)

### The 2<sup>nd</sup> emergency relief fund

Loans (3~4%)  
(\$8.5 billion)

Commercial banks

Micro-enterprise owners

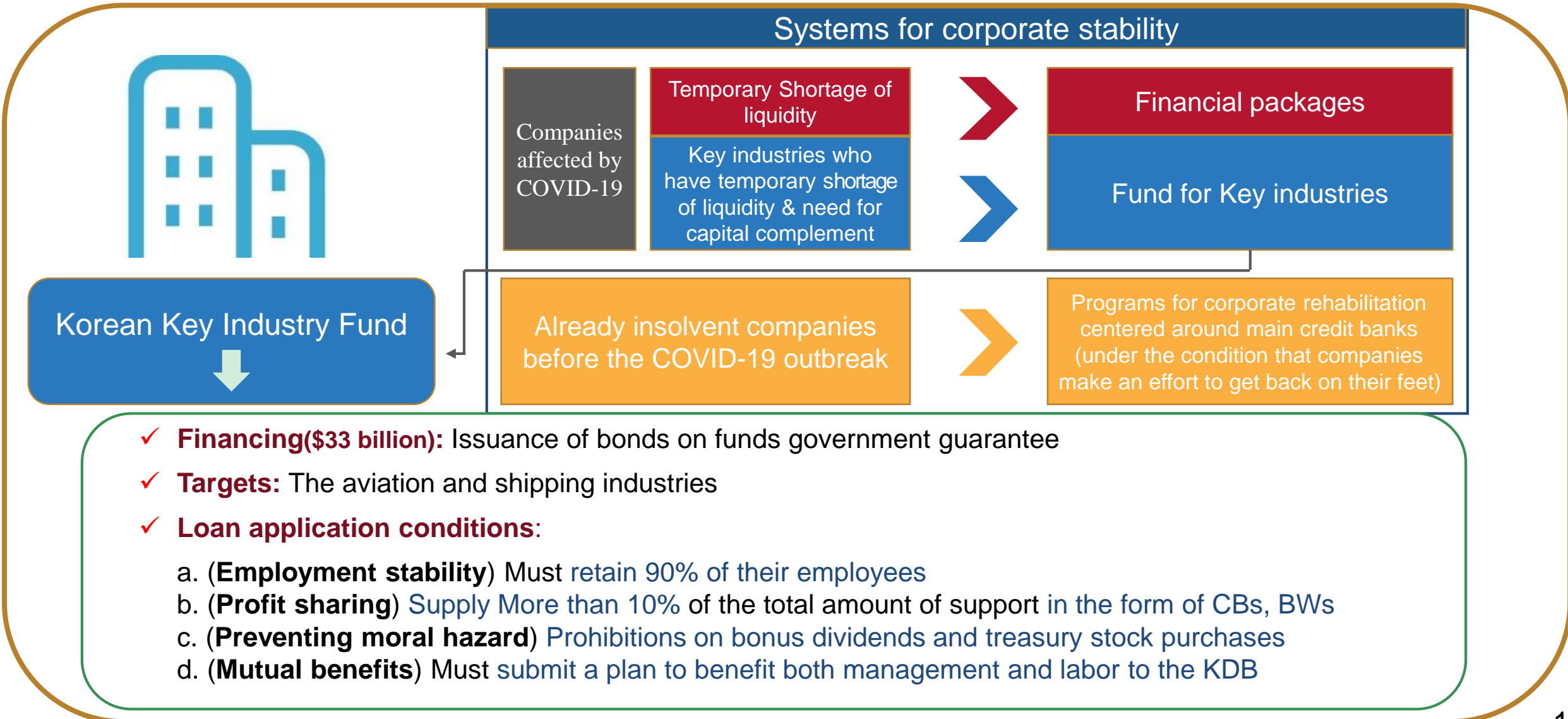
Government

Korea Credit Guarantee Fund

Consignment guarantees

Contribution of guarantee funds

# Supporting for Key Industries



## case 4

# Providing Emergency Relief Payments (to All Households)

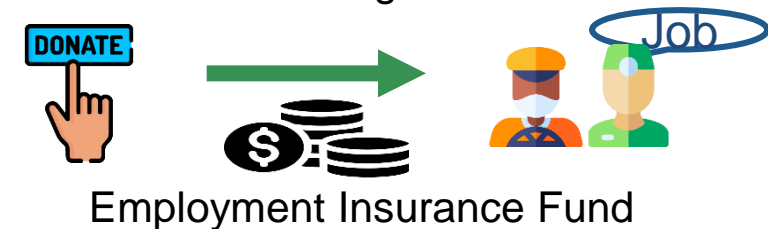
## Outline

- ✓ **(Objective)** ①Support for the Korean public in response to disasters + ②Promoting consumption and ③benefiting local economies
- ✓ **(Use Period)** Around 100 days (between May and August)
- ✓ **(Eligible stores)** Small and medium-sized stores in neighborhoods where the recipients live
  - \* Cannot be used in department stores, discount stores, and bars
- ✓ **(Amount)** Up to \$860 based on the number of family members

Number of family members	Amount	Number of family members	Amount
1	\$ 350	3	\$ 690
2	\$ 520	At or above 4	\$ 860

## Financial sources

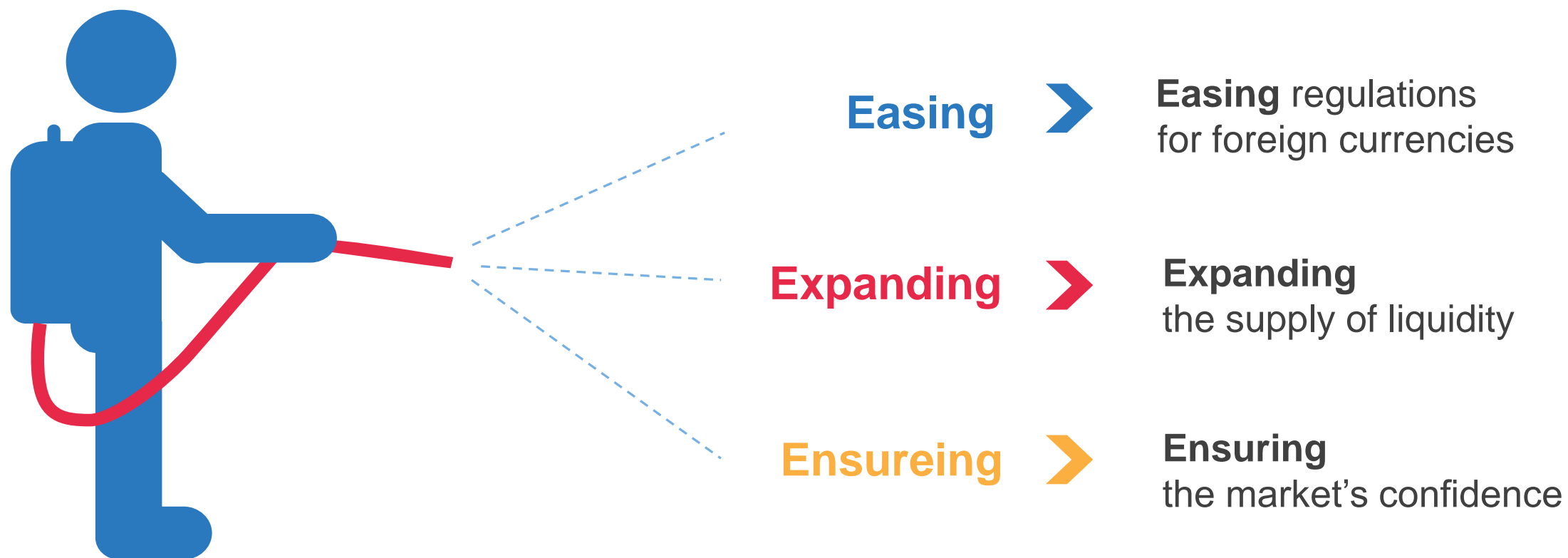
- ✓ **(Total amount)** \$12 billion
- ✓ **(Financial sources)** Total supplementary budget for emergency relief payments
- ✓ **(Securing soundness)**
  1. **(Allowing charity)** Donations made from disaster relief funds will be incorporated into the Employment Insurance Fund
  2. **(Expenditure restructuring)** Minimizing the amount of sovereign-bonds issued through expenditure restructuring





## ***Economic Measures***

*Monetary policy: 3E (Easing, Expanding, Ensuring)*



**3E(Easing, Expanding, Ensuring)**



# Korean Economic Measures: Monetary policy

COVID-19

01

**Ease** the regulations for foreign currency

LCR*	80% → 70%
Levy on FI's FX liabilities	0.1% → Exemption
Ceilings on the FX derivatives positions	Domestic banks: 40% → 50% Domestic branches of foreign banks: 200% → 250%

\* Liquidity coverage ratio

02

**Expand** the supply of liquidity

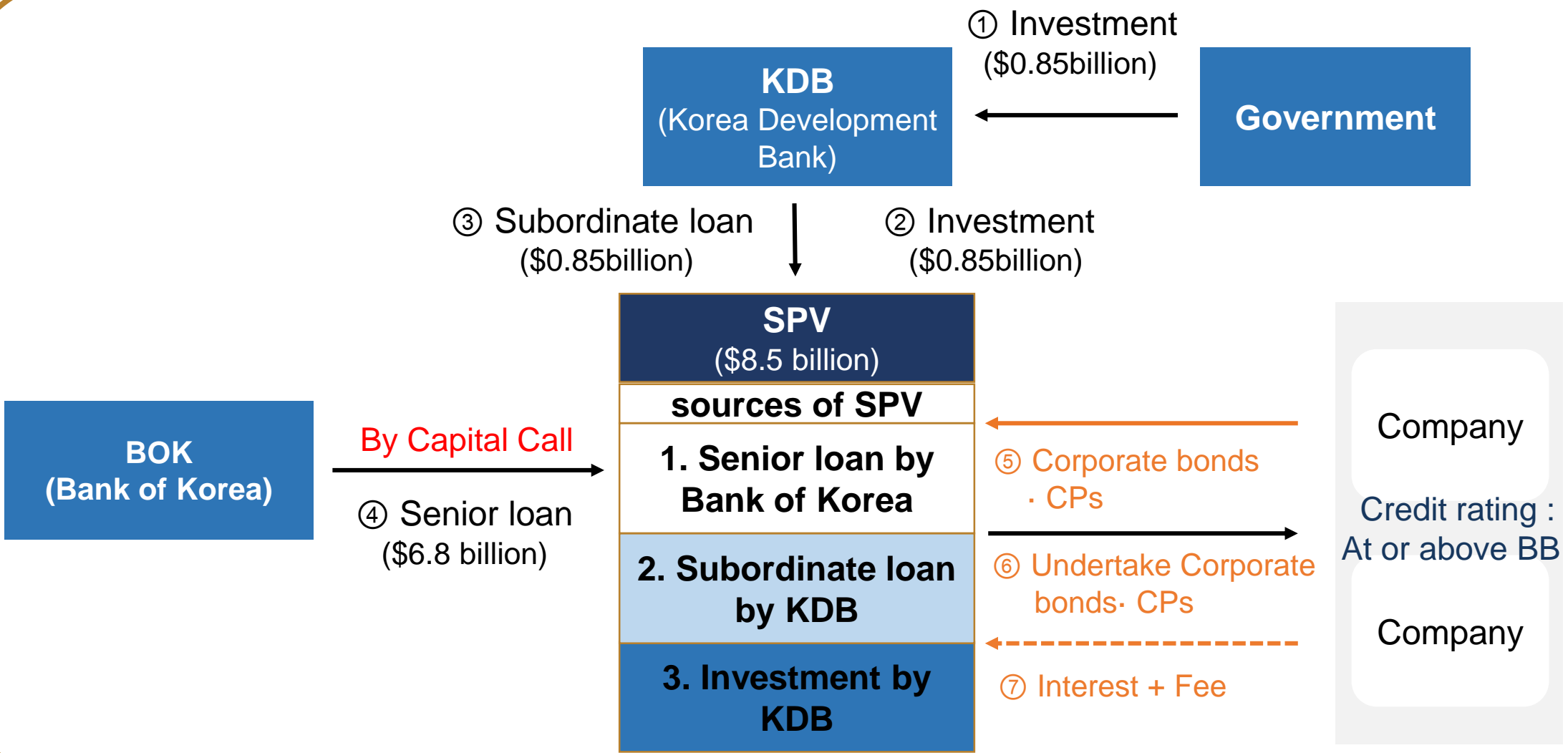
- Purchasing sovereign bonds (\$2.5 billion)
- Raising Ceiling on the Bank Intermediated Lending support Facility (\$8.5 billion)
- Reducing the proportion of collateral securities (\$8.5 billion)
- Introducing a standing lending facility system (\$8.5 billion)
- Financing for SPV purchasing corporate bonds with low credit ratings and CPs (\$8.5 billion → \$17 billion if necessary)

03

**Ensure** the market's confidence

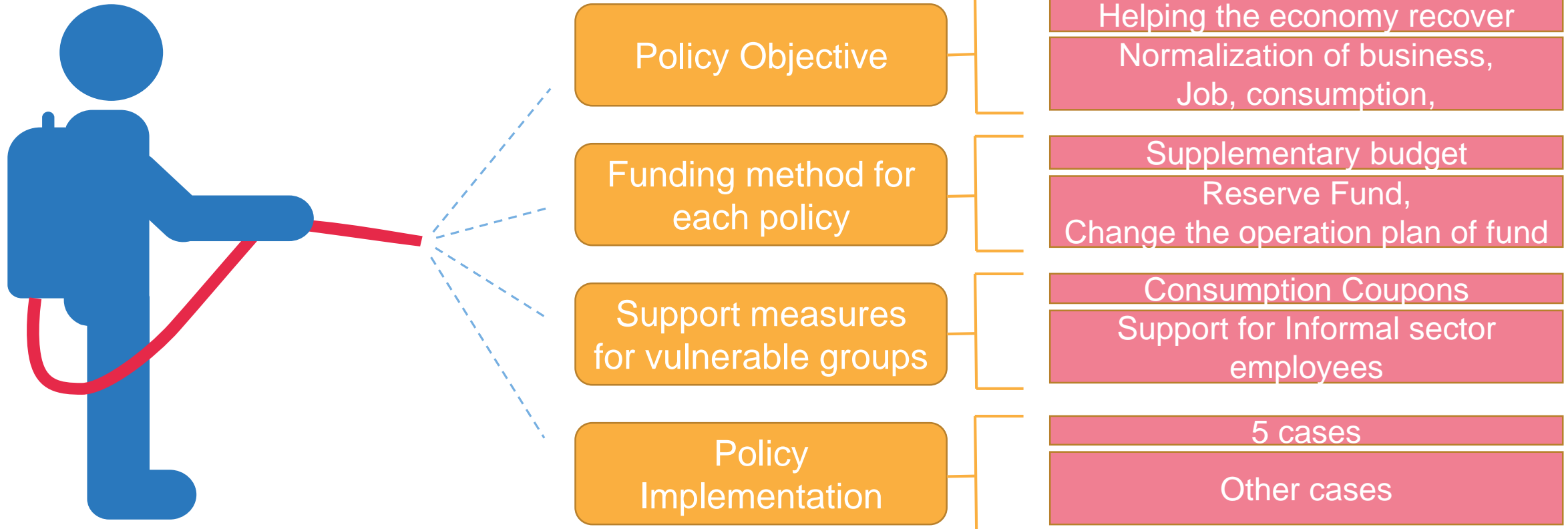
- Declaring limitless supply of liquidity  
→ Unlimited regular RP transactions (once per week)
- Interest rate reductions (1.25% → 0.75% → 0.5%)
- Currency swap with the U.S (\$60 billion)

# Financing for SPV to Undertake Corporate bonds - CPs





***Moving Forward***





THANK YOU

