



**CENTRUM PRE  
VEREJNÚ POLITIKU**

## **BOJ S EKONOMICKOU KRÍZOU SPÔSOBENOU PANDÉMIOU COVID-19**

Porovnanie krokov vlád vybraných európskych krajín v mesiacoch marec-apríl 2020  
(Nemecko, Veľká Británia, Francúzsko, Rakúsko, Česká Republika, Maďarsko  
a Slovensko)<sup>1</sup>

## **ECONOMIC CRISIS RESPONSES IN THE WAKE OF COVID-19 OUTBREAK**

A comparison of the steps taken by selected European governments  
in March-April 2020 (Germany, the United Kingdom, France, Austria, the Czech  
Republic, Hungary and Slovakia)<sup>2</sup>

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<sup>1</sup> Táto štúdia vznikla v spolupráci Centra pre verejnú politiku a spoločnosti Inline Policy, Londýn.

<sup>2</sup> This study is the result of the combined efforts of the Centre for Public Policy, Bratislava, and Inline Policy, London.

#### Abstrakt:

Táto štúdia sumarizuje detaily pomoci vlád siedmich európskych štátov firmám a pracovníkom v boji proti ekonomickej kríze spôsobenej globálnou pandémiou. Vzorka obsahuje štyri krajiny západnej Európy a tri krajiny východnej časti Európskej únie.

Vo všetkých krajinách má pomoc tri hlavné piliere: moratóriá na rôzne platby (daní, odvodov, splátok úverov, nájomného atď.), dotácie miezd a krízové úvery. Detaily pomoci sa líšia najmä v použití priamych platieb (grantov) a v nástrojoch cielených na špecifické sektory.

Slovenská pomoc zďaleka najmenej štedrá pri porovnaní fungovania jednotlivých programov, najužšia z hľadiska použitých nástrojov a programov a je zatiaľ aj najpomalšia.

#### Abstract

This study provides a summary of the economic steps seven European governments have taken to counter the economic crisis caused by the COVID-19 pandemic. The sample contains four countries in Western Europe and three in the Eastern part of the EU.

In all of these countries, the economic response rests on three dominant pillars: moratoria on various payments (taxes, social security and healthcare contributions, loan repayments, rents, etc.), wage subsidies and crisis loans. Details that vary between countries include the use of direct payments (grants) and in the use of industry-specific programmes.

In the countries surveyed, Slovakia is the one where the government's assistance has so far been the least generous, the most narrow in the use of instruments, and, so far, also the slowest.

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## Úvod

Pandémia šírenia koronavírusu COVID-19 viedla k bezprecedentným obmedzeniam aktivít a mobility v celej Európe. Vzhľadom na rýchly prepád ekonomík vlády reagovali podobne dramatickými krokmi. Rozsah opatrení na záchranu ekonomík vo väčšine krajín nemá precedens od rokov tesne po skončení 2. svetovej vojny.

Len pre ilustráciu, Nemecko schválilo krízový rozpočet v objeme 122 mld. eur (nad rámec rozpočtu na tento rok v objeme 362 mld.). Spolu s daňovými úľavami to predstavuje 4,9 percenta HDP a táto suma ešte nezahŕňa štátne garancie. Tie vo všetkých krajinách tvoria najväčší objem pomoci. Nemecko tak o sto miliárd prekročilo hranicu danú svojou dlhovou brzdou.

V pomere k veľkosti krajiny je ešte väčšia pomoc vlády Francúzska, kde krízový rozpočet tvorí 110 mld. eur.

V tejto súvislosti sa začínajú vynárať porovnávacie [štúdie](#) toho, ako jednotlivé krajiny pristupujú k riešeniu ekonomickej krízy. Väčšinou majú podobu vyčísľovania objemu financií, ktoré vlády na boj s krízou sľúbili. Podobné vyčíslenia sú ale prirodzene nepresné, pretože z hrubých údajov je ťažké určiť, koľko presne firiem či ľudí v skutočnosti danú pomoc využije.

Táto štúdia na vzorke európskych krajín porovnáva v prvom rade jednotlivé nástroje, ktoré vlády doteraz použili. Vzniká tak plastickejší obraz pomoci, kde možno identifikovať, akú pomoc dostáva k dispozícii v jednotlivých krajinách napríklad priemerný zamestnanec alebo firma v určitom odvetví.

Okrem toho je takýto podrobný opis vhodným východiskovým bodom pre diskusiu o efektívite pomoci vzhľadom na jej štruktúru a tom, aké kroky sú vhodné do budúcnosti. Tiež môže slúžiť ako inšpirácia pre dodatočné opatrenia v niektorých krajinách.

Väčšina doterajších opatrení sa dá rozdeliť do troch hlavných kategórií:

- moratóriá na platby či posunutie platieb (daní, odvodov, splátok úverov), a ochrana pred dôsledkami neplatenia (napr. moratórium na konkurzné konania);
- štátne dotácie na mzdy pracovníkov, ktorí čelia prerušeniu pracovnej činnosti;
- krízové úvery či platby.

Okrem toho pomoc zahŕňa často aj odpustenie rôznych poplatkov, zvýšenie rôznych platieb či rozšírenie možností ich poberania (napr. ošetrovné), vytváranie platforiem pre zlepšenie toku informácií (napr. pre spájanie dopytu a ponuky na trhu práce či trhu tovarov a služieb).

Najväčšie objemy pomoci idú cez plošné opatrenia. Teda také, ktoré sa týkajú napríklad všetkých živnostníkov, všetkých malých a stredných podnikov, či všetkých zamestnancov. Okrem toho však väčšina krajín v našom prieskume realizuje aj opatrenia cielené na špecifické segmenty. Najčastejšie je to špecifická pomoc poľnohospodárom, niektorým segmentom dopravy (leteckej či kamiónovej doprave), reštauráciám a turistickému priemyslu, startupom či kultúre.

Tam, kde vlády ponúkajú priamu finančnú pomoc sa táto dá rozdeliť na pôžičky a na platby (granty). Pri pomoci veľkým podnikom sa (ak nerátame bailouty) jedná väčšinou o pôžičky, naopak, pri malých a stredných podnikoch či živnostníkoch vlády často posielajú platby.

Základným predpokladom vládnych krokov vo väčšine prípadov sa zdá byť to, že kríza bude síce hlboká, ale vo svojej hlavnej fáze relatívne krátka. Dáva teda zmysel, aby štátna pomoc bola masívna: firmy sú v zásade schopné prežiť, potrebujú len podporiť na niekoľko mesiacov, kým sa situácia vráti do normálu.

Takmer vo všetkých krajinách, ktorých sa tento prehľad týka, vlády považovali za prvoradé zachovanie dôvery v budúcnosť. Aj preto bolo pre nich prvoradé rýchlo oznámiť, aké opatrenia prídu, pričom samotná realizácia trvá dlhšie. Realizáciu zvyčajne brzdia tri príčiny: potreba meniť legislatívu (vrátane zákona o rozpočte), administratívna náročnosť (napríklad spracovanie žiadostí o pomoc) a vo viacerých prípadoch tiež potreba notifikovať Európsku komisiu tam, kde si to vyžadujú pravidlá únie.

## Sumárny prehľad krajín

V najväčšej európskej ekonomike, **nemeckej**, majú malé a stredné podniky prístup k jednorazovým platbám od štátu vo výške 9 tisíc eur (do 5 zamestnancov) či 15 tisíc eur (do 10 zamestnancov). Vzťahuje sa na obdobie troch mesiacov. Tento kompenzačný príspevok dopĺňajú iné schémy pomoci.

Jedným z hlavných pilierov pomoci firmám je kurzarbeit. V rámci neho môžu zamestnanci, dostávať až 60 percent svojej bežnej čistej mzdy. Federálna vláda za zamestnancov uhradí odvody. Kurzarbeit môžu firmy zaviesť v prípade, že aspoň 10 percent zamestnancov nemá prácu. Vláda odhaduje, že príspevky na kurzarbeit budú počas krízy plynúť približne 5,5 percentu zamestnancov.

Pôžičky veľkým firmám štát obhospodaruje najmä cez dve entity: ekonomický stabilizačný fond, ktorý pomáha veľkým firmám prekonať krátkodobé problémy s likviditou i pri doplnení kapitálu, a to formou štátnych garancií, a mamutia štátna rozvojová KfW. Tá samostatne poskytuje úvery až do výšky jednej miliardy eur na firmu, navyše organizuje krízové syndikované úvery v spolupráci s komerčnými bankami.

Malé a stredné podniky majú prístup u KfW k „okamžitým úverom“ garantovaným vládou vo výške 800 tisíc eur (do 50 zamestnancov) a 500 tisíc eur (do 50 zamestnancov).

Nemecká vláda tiež predstavila celý rad špecifických nástrojov, napríklad:

- fond v objeme 2 mld. Eur na podporu startupov,
- podporu v objeme 54 mld eur pre pracovníkov na voľnej nohe a menšie firmy podnikajúce v kultúre,
- zníženie DPH pre cateringové firmy (na 7 percent),
- fond v objeme 3,1 mld eur na pomoc zdravotníckemu sektoru v dobe ekonomickej krízy a 55 mld. Eur špecificky na pomoc v boji proti pandémie pre nemocnice a všeobecných lekárov.

Okrem toho vláda zaviedla celý rad opatrení v sociálnej oblasti, vrátane zvýšenia a rozšírenia pôsobnosti rôznych dávok.

Podobne, ako v iných krajinách, aj **v Spojenom kráľovstve**, je jedným z hlavných nástrojov boja proti kríze vládny program dotácií miezd pre ľudí, ktorí nemôžu pracovať v dôsledku krízy. Vláda im preplatí 80 percent mzdy (až do výšky 2500 libier mesačne). Vláda odhaduje, že tento druh podpory dostane až 9 miliónov ľudí.

Túto schému obhospodaruje finančná správa (HMCR). Podobné podmienky sa vzťahujú na živnostníkov (80 percent bežného príjmu až do výšky 2500 libier mesačne), pričom tí musia

demonštrovať pokles príjmu v dôsledku krízy. Podľa odhadov vlády až 95 percent z dohromady vyše 5 milióna živnostníkov túto pomoc využije.

Podnikom vláda ponúka pomoc v podobe garancie 80 percent istiny krízových pôžičiek od súkromných bánk a jednorozového platenia úrokov. Táto schéma sa týka malých aj veľkých firiem, do výšky úveru až 50 miliónov libier.

Vláda ponúka špeciálnu pomoc firmám v „prvej línii“ (maloobchodu, turistike, zábavnom priemysle), kde malé firmy majú nárok na jednorazový príspevok vo výške 10 tisíc libier a ďalšie formy pomoci. Po dobu trvania krízy nie je možné dať firmám výpoveď z nájmu.

Vláda tiež zriadila fond v objeme 250 miliónov libier na pomoc startupom, a vytvára aj špecifický balík pomoci v objeme 750 mil. libier pre vysoko inovatívne firmy.

Vo **Francúzsku** vláda už v marci pripravila [plán](#) na boj s koronavírusom v objeme 45 mld. eur, koncom apríla parlament schválil zvýšenie tohto objemu až na 110 mld. eur. Najväčšiu časťou tohto programu je 28,5 mld eur na dotácie na mzdy. Zamestnanci môžu dostať 84 až 100 percent svojej bežnej čistej mzdy, a to až do výšky 4 a pol násobku minimálnej mzdy (6927 eur).

Až 20 mld. eur je vyčlenených na posilnenie kapitálovej participácie štátu v strategických firmách a na prípadné dočasné znárodnenie týchto firiem. Sedem mld. je vyčlenených na pomoc živnostníkom a veľmi malým firmám, do 10 zamestnancov (très petites entreprises-TPE).

Malé firmy ovplyvnené krízou môžu požiadať o odloženie platieb za energie a nájomné. Tie malé firmy, ktoré sú priamo zatvorené z rozhodnutia štátu, majú tieto platby odložené automaticky. Živnostníci, ľudia v slobodných povolaniach a malé firmy (TPE) do 10 zamestnancov majú tiež nárok na jednorazovú platbu od štátu vo výške 1500 eur. Niektoré regióny vyplácajú dodatočnú podporu vo výške 2000 až 5000 eur firmám vo vybraných sektoroch.

Všetky firmy (s výnimkou finančného sektora) majú nárok na pôžičky do výšky 3 mesačného obratu v roku 2019 alebo, pri startupoch, do výšky dvojročných mzdových nákladov. Okrem tejto základnej schémy existujú ešte ďalšie formy úverovej podpory.

Vláda tiež vypláca jednorazový bonus pracovníkom v prvej línii boja s koronavírusom (internisti, ošetrojúci personál) vo výške 1500 eur a 500 eur pracovníkom v iných profesiách, kde môžu byť priamo ohrození kontaktom s vírusom.

**Rakúska** vláda prijala hneď na začiatku veľmi rozsiahle opatrenia, navyše vo vyjednávaniach s EÚ išla ešte ďalej, ako iné krajiny, a požadovala úplné pozastavenie pravidiel o štátnej pomoci výmenou za svoju podporu celoeurópskych schém boja proti kríze. Konkrétne finančné opatrenia sú kalibrované na obdobie troch mesiacov, s možnosťou predĺženia.

Aj v Rakúsku je jedným zo základných pilierov boja proti kríze dotovanie miezd, na čo má krajina už dlhé roky vytvorenú špecifickú formu kurzarbeitu odlišnú od nemeckej. Jeho pravidlá vláda prispôbila boju s dnešnou ekonomickou krízou. Zamestnanci dostávajú od 80 do 90 percent svojej bežnej čistej mzdy. Na rozdiel napríklad od britskej podpory dotácie platia aj pre zamestnancov, ktorým sa iba znížili odpracované hodiny.

Vláda tiež podporila živnostníkov a veľmi malé firmy okamžitou platbou vo výške 1000 eur, a v nasledujúce mesiace im bude vyplácať 2000 eur mesačne.

Firmy majú nárok na 100 percentnú vládnu garanciu na krízové úvery do 500 tisíc eur a 90 percentnú garanciu pri úveroch nad túto sumu. Navyše, podniky, ktorým obrat klesol aspoň o 40 percent, majú nárok na výplatu konkrétnej finančnej podpory na niektoré druhy fixných nákladov.

Rôzne špecifické formy podpory sú k dispozícii firmám podnikajúcim v turistike, podobne ako farmárom. Vláda tiež zriadila fond na podporu médií v objeme 32 mil. eur.

Aj **Česká republika** reagovala na krízu pomerne rýchlo, čiastočne vďaka silnému tlaku odborov a zamestnávateľských organizácií. Základom sú opäť dotácie na mzdy. Tie sú plošné (rovnaké pre malé a stredné, rovnako ako pre veľké podniky). V prípade zavretia prevádzky v dôsledku nariadenia vlády majú pracovníci nárok na 100 percent mzdy, až do výšky 39 tisíc korún (približne 1440 eur). Štát prepláca 80 percent tejto čiastky. V prípade obmedzenia prevádzky v dôsledku obmedzených vstupov výroby majú zamestnanci nárok na 80 percent mzdy, v prípade obmedzenia prevádzky v dôsledku poklesu dopytu spôsobeného krízou na 60 percent mzdy. V oboch prípadoch vláda prepláca 60 percent mzdových nákladov. A to až do výšky 29 tisíc korún (1075 eur).

Rýchla bola pomoc v krízových úveroch. Pre malé a stredné podniky sa ..spustil program COVID I. Žiadosti sa prijímali v období 16.-23. marca a rozdelili sa úvery v prepočte v sume 22 miliónov eur. Pozmenený program COVID II sa spustil 2. apríla a vláda je pripravená v rámci neho na záruky na prevádzkové úvery minúť v prepočte až 1,1 mld. eur.

Veľké podniky budú mať prístup k úverom organizovaným cez štátnu exportnú garančnú banku EGAP. Naopak, živnostníci dostávajú jednorazovú finančnú injekciu vo výške 25 tisíc korún (približne 920 eur) za obdobie do konca apríla. Žiadosť, doplnenú čestným vyhlásením, že živnostník utrpel v dôsledku krízy, možno podávať až do konca júna. Týka sa aj tých, ktorí majú živnosť prerušenú (sezónnych pracovníkov).

Vláda tiež pripravila rôzne druhy podpory pre farmárov, kamiónovú dopravu, startupy a ľudí pracujúcich v kultúre.

**Maďarská** vláda sa v prvých týždňoch krízy sústredila na rôzne typy daňových a odvodových úľav a odloženie platieb. Jedným z hlavných nástrojov je všeobecné moratórium na splátky osobných aj podnikových úverov do konca roka 2020. Firmy v najviac ohrozených sektoroch, ako turistika či maloobchod, nemôžu byť do konca júna vystávané pre neplatenie nájomného.

Firmy zasiahnuté krízou môžu požiadať o splatenie tohtoročnej dane z príjmu v 12 mesačných splátkach.

V priebehu apríla však rozbehla aj iné typy podpory. Začiatkom apríla [oznámila](#) veľký 30 miliardový balík krízovej podpory. Dotácie na mzdy pokrývajú 70 percent predošlej bežnej mzdy zamestnanca. Zamestnanci, na ktorých sa vzťahujú, musia podľa tejto schémy pracovať, a to 50-70 percent času, najmenej však dve hodiny denne.

Špeciálny fond v objeme 140 mil. eur bol zriadený s cieľom poskytovať firmám hotovosť vo forme predplatieb na zamýšľané investície a to do výšky 30 až 50 percent ich zamýšľaných investícií v Maďarsku. Túto pomoc môžu získať inak zdravé firmy, ktoré stratili aspoň 25 percent obratu v dôsledku krízy.

Špecifickou črtou maďarskej odpovede na krízu je, že náklady vláda čiastočne platí z dodatočného zdanenia bánk a zo zahraničia vlastnených veľkých obchodných reťazcov.

Vláda tiež platí jednorazovú prémie zdravotníckym pracovníkom v objeme približne 1400 eur.

V porovnaní s ostatnými krajinami, ktoré pokrýva táto štúdia, je ekonomická pomoc na **Slovensku** zďaleka najmenej štedrá pri porovnaní fungovania jednotlivých nástrojov, najužšia z hľadiska použitých nástrojov a programov a je zatiaľ aj najpomalšia.

Najmarkantnejšie je to pri úverovej pomoci, kde všetky krajiny vo vzorke majú už rozbehnuté schémy – s výnimkou Slovenska.

Relatívne pomaly sa tiež rozbieha schéma mzdových dotácií, ktorá je o niečo štedrejšia ako maďarská, ale zaostáva za schémami ostatných krajín. Slovensko je tiež jediná krajina vo vzorke, ktorá nemá žiadne programy špecifické pre určité sektory.

## Porovnanie nástrojov

Pomerne náročné je porovnať úverové nástroje, väčšinou v podobe štátnych garancií na komerčné úvery. Aj v prípade veľkých podnikov, aj v prípade malých a stredných podnikov, bývajú totiž k dispozícii rôzne úverové schémy, cez rôzne inštitúcie. Ešte zložitejšie je porovnávať rôzne druhy daňových, odvodových či úverových moratórií, každá krajina však určitý mix uplatňuje.

Takisto pre určitú zložitost' vynechávame detailné porovnanie schém dotácií na mzdy. V nietorých prípadoch sú totiž pravidlá špecifikované na čisté, v iných na hrubé mzdy, navyše určitý rozdiel tvorí to, do akej miery vlády zároveň dotujú odvody. Pozrieme sa skôr na ostatné použité nástroje.

Jednou zo zaujímavých črt pomoci sú **priame platby** (granty), ktoré sú určené buď pre samostatné zárobkovo činné osoby, pre malé podniky, či pre obe kategórie. Z našej vzorky krajín tento nástroj využívajú všetky s výnimkou Maďarska a Slovenska:

	Malé podniky	SZČO
Nemecko	Grant 9000 eur (firmy do 5 zamestnancov) alebo 15000 (do 10 zamestnancov)	Grant do 9000 eur
Spojené kráľovstvo	Grant 10000 libier (20000 vo Walese)	80% príjmov, až do výšky 2500 libier
Francúzsko	Malé podniky okamžitý grant 1500 eur od centrálnej vlády a ďalší od regionálnych vlád v objeme 2000-5000 eur	To isté ako pri malých podnikoch
Rakúsko	Malé podniky okamžitý grant 1000 eur a neskôr 2000 mesačne	To isté ako pri malých podnikoch
Česká republika	-	Okamžitý grant v hodnote 920 eur (v prepočte)
Maďarsko	-	-
Slovensko	-	-

Treba však poznamenať, že SZČO na Slovensku majú prístu k dotácii na mzdy, do výšky 520 eur.

Ďalšou zaujímavou črtou je špecifická **pomoc poľnohospodárom**. V nejakej forme ju majú všetky krajiny s výnimkou Nemecka a Slovenska, hoci v prípade Británie je pomerne obmedzená.

Podobne majú všetky krajiny s výnimkou Spojeného kráľovstva, Maďarska a Slovenska špecifické programy pre **pomoc kultúrnemu sektoru** (v Rakúsku v tejto fáze najmä médiám), v prípade

Nemecka a Francúzska ide dokonca o veľmi významné sumy, a ani sľubovaná česká pomoc nie je malá.

Až tri krajiny majú špecifické a rozsiahle formy pomoci **startupom**: Nemecko, Veľká Británia a Francúzsko (to bolo vôbec prvou európskou krajinou s takýmto programom). Startupy ako firmy, ktoré často negenerujú väčšie tržby, a v niektorých prípadoch sú pomerne vysoko zadĺžené, totiž ľahko prepadnú sitom inej pomoci.

Dve krajiny majú pomerne rozsiahlu pomoc **zdravotníckemu sektoru**: Nemecko a Francúzsko. Francúzsko tiež poskytuje špeciálnu jednorazovú krízovú prémie zdravotníckym pracovníkom v prvej línii (1500 eur), podobne, ako Maďarsko (1400 eur). Francúzska vláda tiež vypláca špeciálnu nezdanenú prémie 1000 eur štátnym úradníkom, ktorí sú vystavení zvýšeným pracovným nárokom v dôsledku krízy.

Francúzsko a Rakúsko majú tiež pomerne rozsiahlu pomoc **turistickému sektoru**. Naopak, Spojené kráľovstvo je pomerne špecifické relatívne rozsiahlou podporou sektora služieb a obchodu (maloobchod, zábavné podniky a podobne).

## Záver

V tejto chvíli krajiny Európy signalizujú zvládnutie prvej vlny krízy tým, že uvoľňujú najprísnejšie opatrenia, alebo minimálne zverejňujú plány uvoľňovania. Ekonomické opatrenia však budú potrebné pravdepodobne aj po zvyšok roka, a to z dvoch dôvodov.

Prvý je, že napriek čiastočnému uvoľneniu sa jednotlivé ekonomiky pravdepodobne nevrátia k celkom normálnemu fungovaniu ešte niekoľko mesiacov. Tým druhým dôvodom môžu byť štrukturálne dopady, ktoré ekonomický pokles týchto mesiacov vyvolá.

Práve následné opatrenia môžu byť pre úspech prekonania krízy v jednotlivých krajinách rozhodujúce, pričom sa môžu, vzhľadom na rozdielnosť ekonomík, od seba líšiť viac, ako opatrenia prvej vlny. V tomto kontexte treba našu štúdiu vnímať najmä ako základný kameň ďalšej diskusie.

## Podrobné profily krajín (v angličtine)

Country profiles (in English)

### Germany

#### State of play before the crisis

1. Germany entered the COVID-19 crisis in a **stable economic situation**. Prior to the COVID-19 outbreak, GDP was [projected](#) to grow by 1.1% in 2020 after the economy slowed down in the second half of 2018. The public debt ratio was on a declining path and the country's budget hit a record surplus in 2019 (€13.5 billion) thanks to increased private saving and falling unemployment rates (see [IMF projections](#)).
2. **Unemployment rates have been steadily decreasing** in the past few years. Before the crisis, the Federal Government had [projected](#) the unemployment rate to remain at 5% in 2020 and the number of employees to continue to rise to the record high of 45.4 million. Nonetheless, the labour force is expected to shrink in the next few years as the population ages.
3. Despite a rather stable economic outlook, Germany has been witnessing a period of **political instability** over the last years, with Chancellor Angela Merkel's governing coalition (CDU, CSU and SPD) under strain due to internal tensions, electoral losses and the growing popularity of new political parties, including the far right AfD and the Greens. Chancellor Merkel has already announced that she will not seek reelection in 2021.
4. **High levels of regional inequality** are prevalent in Germany, especially between the western/southern regions and the north-eastern ones, which outlines a stark divide between wealthier and poorer German communities.
5. Public spending [stood](#) at 44.6% of GDP in 2018. Before the crisis and the new supplementary budget, the [target](#) for 2020 was to dedicate €4.4 billion (1.2% of the federal expenditure) to the health sector - almost double last year's amount. It has now been raised to 1.5%. Germany has typically had one of the **largest spending budgets for the healthcare sector** in the world (almost \$6,000 per capita in 2018, according to the [OECD](#)), and as such the health system is widely considered as very stable and efficient.

#### COVID-19 and the Government's response

6. Germany is among the **five worst-affected countries in the world**. It has the fourth-highest number of COVID-19 infections, with 147,103 confirmed cases as of 21 April 2020, although **the number of deaths** related to COVID-19 has been **relatively low** in percentage compared to other countries (4,856 in total, just over 3% of the infected). The remarkably low death rate could be

explained by a number of factors, including a higher testing rate, lower average age and a robust public health system.

7. The government has responded with a range of measures to contain the spread of the virus through travel restrictions, closure of schools and non-essential businesses, and a ban on public gatherings. In order to address the financial toll of the proposed measures, the Federal Government has approved an **economic aid package** for a total volume of at least €757 billion (23% of GDP) - the biggest in the country's history.

8. In addition to the federal government's fiscal package, a number of **state governments (Länder) have announced individual measures** to support their economies, amounting to €48 billion in direct support and €63bn in state-level loan guarantees. Each state has its own guidelines for who qualifies for aid.

9. The government's approach includes different financial and social security initiatives targeting **all sectors and economic actors** - including SMEs, self-employed workers and freelancers (e.g. artists). A **special fund** has been dedicated to **start-ups**. Authorities in Berlin have been among the first ones to pledge financial assistance to entrepreneurs and freelancers, mindful of their role in the state's (and country's) economy.

10. A key highlight of the Federal government's intervention is the **expansion of (access to) the Kurzarbeit**, which came into force in 2008 and has contributed to a reduction of Germany's unemployment rate in crisis situations. In order to protect - at least in part - the labour market from the effects of the crisis, the Federal Government has expanded the scheme (i.e. by covering social insurance contributions) and eased access to it for contract workers. Companies can now register when just 10% of their workforce is impacted (compared to the previous 30%).

#### The EU and the government's response to Covid-19

11. The German government's response is **aligned with the EU approach** to State Aid regulation, particularly through the Temporary Framework for State Aid Flexibility. The Federal Government's economic measures and schemes adopted within state aid rules must be approved by the European Commission.

12. More specifically, Article 107 of the Treaty of Functioning of the EU (TFEU) defines the boundaries within which Member States are allowed to design and implement **aid measures**, for instance to compensate companies for the damage directly caused by exceptional occurrences or to help them with liquidity shortages and urgent rescue aid. In order to allow Member States to use the full flexibility under state aid rules to address the economic impacts of the COVID-19 pandemic, the European Commission has adopted the [Temporary Framework for State Aid Flexibility](#), which will be active until the end of December 2020. The Framework is being regularly updated and expanded by the European Commission to allow for a broader coverage of measures, targets and instruments.

13. The European Commission has also launched a **Coronavirus Response Investment Initiative (CRII and CRII+)**, which aims to ensure that Member States can make the best use of EU budget money to address the COVID-19 crisis-related impacts. The Initiative includes €37 billion of European public investment, which will be mobilised by relinquishing Member States' unspent pre-financing for the European Structural and Investment funds - which in the case of [Germany](#) amounts to €324 million (for 2019). For 2020, the Commission will pay the 2020 annual pre-financing to Germany in March and April, amounting to approximately €515 million. In addition, the European Central Bank has launched a **€750 billion Pandemic Emergency Purchase Programme (PEPP)** which will purchase debt and corporate securities until the end of 2020.
14. Upon request of the European Council, EU finance ministers (via an extended Eurogroup) have agreed on a three-track **€540 billion economic rescue package**, whose main component is an unconditional credit line for health emergency costs (the Pandemic Crisis Support) for Member States provided through the European Stability Mechanism (ESM) - the EU's bailout fund. The European Council is expected to vote on the final approval to the package this week.
15. Ever since the inception of the crisis, Germany has pursued a **determined dual-track approach pursuing domestic and EU-level avenues** to shape the response to the coronavirus outbreak. For instance, the federal government's supplementary budget for 2020 was approved on 25 March - only one week after the European Commission's publication of the Temporary Framework and two days before its first revision.

#### List of government interventions since crisis outbreak

##### **2020 Supplementary budget**

The German Federal Government has launched a €122.5 billion supplementary budget (€156 in total if considering the expected gap in tax revenues - around 4.9% of the GDP) on top of the already-approved annual federal budget of €362 billion in order to be able to finance measures to face the consequences of the virus. To cover the ensuing costs, Germany will have to borrow roughly €156 billion, thereby **exceeding the upper limit on borrowing** stipulated by Germany's constitutional debt rules by almost €100 billion.

The supplementary budget is broadly intended to cover the procurement of personal protective equipment; short-notice projects; subsidies for SMEs and self-employed workers; Federal Government's warranties and guarantees; and funds for unemployed benefits. Further information can be found [here](#).

The following measures are also covered by the supplementary budget:

##### **Emergency Assistance for Micro Enterprises, Freelancers and One-Person Businesses**

<b>Target</b>	Micro-enterprises, freelancers and one-person businesses (including self-employed workers).
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<b>Details</b>	<ul style="list-style-type: none"> <li>● Consists of a non-repayable state grant to overcome liquidity constraints (e.g. rents, loans and leasing payments).</li> <li>● It is worth €50 billion in total and it addresses different payment bands depending on the size of the business.</li> <li>● Businesses with up to five employees can apply for a one-off payment of up to €9,000, whereas businesses with up to ten employees can apply for a payment of €15,000 (both for a period of three months).</li> <li>● Any remaining funds from the one-off payments can be used for an extra two months if landlords have lowered rent by a minimum of 20%.</li> <li>● In agreement with State governments, the scheme is also open to artists and cultural professionals.</li> </ul>
<b>Responsible body</b>	Individual federal states and local authorities.
<a href="#">Further information</a> (Federal Government)	
<a href="#">Further information</a> (Ministry for the Economy and Energy)	

### ***Extended Short-time Work (Kurzarbeit) Allowance Act***

The Federal Government has expanded access to Kurzarbeit subsidies during the COVID-19 pandemic, in order to avoid a large number of employee layoffs by making it easier for them to obtain short-time work allowance.

<b>Target</b>	All businesses and workers.
<b>Details</b>	<ul style="list-style-type: none"> <li>● Companies can announce short-time work if a minimum of 10% of its workforce could be affected by a decline in productivity (with an upper limit of 30% of the workforce).</li> <li>● Whether the loss of working time represents hours, days or even weeks depends on the company's order books and on agreements within the company. In the case of "short-time work zero" (Kurzarbeit null), the cut in working hours is 100%, meaning that work is stopped entirely for a temporary period.</li> <li>● The scheme typically covers 60% of lost net wages, which rises to 67% for people with children.</li> <li>● Contract workers are also eligible for the scheme.</li> <li>● The scheme applies retroactively as of 1 March 2020.</li> <li>● The Federal Employment Agency will take care of reimbursing social insurance contributions by employers (total costs are estimated at €4 billion).</li> <li>● The German government estimates that 2.35 million employees - about 5.5 percent of the total workforce - will receive the short-work money</li> </ul>

	during the current crisis.
<b>Responsible body</b>	Federal Employment Agency (Bundesagentur für Arbeit)
<a href="#">Further information</a> (Federal Government)	
<a href="#">Further information</a> (Federal Employment Agency)	

The government has also expanded the volume and access to public loan guarantees for firms of different sizes and credit insurers through the following measures:

#### ***Economic Stabilisation Fund***

<b>Target</b>	Larger businesses.
<b>Details</b>	<ul style="list-style-type: none"> <li>● The Economic Stabilisation Fund is targeting companies with liquidity and solvency problems as a result of COVID-19. It supplements the KfW special programmes (see below).</li> <li>● It includes three main instruments: <ul style="list-style-type: none"> <li>○ A €400 billion guarantee framework to bridge companies' liquidity issues on the capital market;</li> <li>○ A €100 billion credit authorisation to strengthen businesses' equity base;</li> <li>○ An authorisation for businesses to take out loans for another €100 billion to finance the KfW special programmes.</li> </ul> </li> <li>● Eligible companies need to have: (1) a total balance sheet of more than €43 million; (2) a sale revenue of more than €50 million; and (3) more than 249 employees.</li> </ul>
<b>Responsible body</b>	Deutsche Finanzagentur (Federal Government - Finance Agency)
<a href="#">Further information</a>	

#### ***KfW Special Programme 2020***

<b>Target</b>	All businesses.
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<b>Details</b>	<ul style="list-style-type: none"> <li>● Consists of a special loan programme to support businesses experiencing financial difficulties.</li> <li>● The programme includes improved loan terms, lower interest rates and simplified risk assessments. Loans may go up to €1 billion per company.</li> <li>● KfW will participate together with private banks to provide larger loans as a consortium for both SMEs and large companies. It will assume up to 80% of the risk (amounting to at least €25 million) but not more than 50% of the total debt of a company.</li> <li>● KfW commits to waive up to 90% of liability (risk) for SMEs.</li> </ul>
<b>Responsible body</b>	KfW (Kreditanstalt für Wiederaufbau, Germany's state-owned development bank)
<a href="#">Further information</a> (press release)	
<a href="#">Further information</a> (information page)	

***Protective shield for supplier loans (work in progress)***

<b>Target</b>	All (German) businesses.
<b>Details</b>	<ul style="list-style-type: none"> <li>● The scheme will consist of a credit insurance programme up to an estimated total value of €30 billion (for 2020).</li> <li>● The Federal Government would guarantee compensation payments from credit insurers of up to €30 billion.</li> <li>● Credit insurers would leave 65% of the premium income to the federal government, and will bear losses of up to €500 million - while assuming default risks that go beyond the federal guarantee.</li> <li>● The scheme would leverage protection for a total business volume of around €400 billion.</li> </ul>
<b>Responsible body</b>	Federal Ministry of Finance (Bundesfinanzministerium)
<a href="#">Further Information</a>	

Other measures in support of smaller companies and workers include:

***Tax Relief Measures***

<b>Target</b>	All businesses (including self-employed and freelancers).
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<b>Details</b>	<ul style="list-style-type: none"> <li>• The Federal Ministry of Finance has introduced a number of tax relief measures that apply until the end of 2020.</li> <li>• Among these are tax deferrals (free of interest); tax adjustments to match income and corporate tax; and suspension of enforcement of overdue tax debts.</li> <li>• Employee bonus payments of up to a total of €1,500 euros are tax-free for the rest of 2020.</li> </ul>
<b>Responsible body</b>	Federal Ministry of Finance (Bundesfinanzministerium)
<a href="#">Further information</a> (Federal Ministry of the Economy and Energy)	
<a href="#">Further information</a> (Federal Finance Ministry)	

### ***KfW Quick Loan Scheme for SMEs***

<b>Target</b>	Small and Medium Enterprises (SMEs)
<b>Details</b>	<ul style="list-style-type: none"> <li>• SMEs can access an “instant loan” guaranteed by the Federal Government, provided that they were profitable in 2019 or have been on average over the past three years.</li> <li>• The credit amounts to a maximum of €800,000 for companies with more than 50 employees, and of €500,000 for companies with up to 50 employees.</li> </ul>
<b>Responsible body</b>	KfW (Kreditanstalt für Wiederaufbau, Germany’s state-owned development bank)
<a href="#">Further information</a>	

### ***Support package for start-ups***

<b>Target</b>	Start-ups
<b>Details</b>	<ul style="list-style-type: none"> <li>• While generally benefitting from all the above mentioned measures, start-ups can also access a customised €2 billion package with expanded venture capital financing.</li> <li>• The package includes three elements: <ul style="list-style-type: none"> <li>○ Measures to strengthen venture capital investments to provide additional capital for companies with liquidity shortages;</li> <li>○ Measures to support financing rounds in case of investors drop-</li> </ul> </li> </ul>

	<p>outs;</p> <ul style="list-style-type: none"> <li>○ Measures to support start-ups without venture capitalists.</li> </ul>
<b>Responsible body</b>	Federal Ministry of Finance (Bundesfinanzministerium)
<a href="#">Further information</a>	

### ***Social Protection Package***

To cover the expenses of this package, the Federal Government has agreed on a €625 million budget (with an additional €175 million from the municipalities).

#### *Easier Access to Social Welfare Benefits*

<b>Target</b>	Self-employed workers, SMEs, freelancers and older people/people with reduced earning capacity.
<b>Details</b>	<ul style="list-style-type: none"> <li>● The programme allows the above categories of workers to receive the basic income for job-seekers under simplified circumstances.</li> <li>● The measures include: <ul style="list-style-type: none"> <li>○ Simplified access to basic social security;</li> <li>○ Simplified access to child allowance (see below);</li> <li>○ Suspended assets testing;</li> <li>○ Subsidies for social services providers;</li> <li>○ Permission for pensioners to return to work in situations of staffing shortages.</li> </ul> </li> <li>● The measures apply until 30 June 2020 - but are to be potentially extended until 31 December 2020.</li> </ul>
<b>Responsible body</b>	Federal Ministry of Labour and Social Affairs (Bundesministerium für Arbeit und Soziales)
<a href="#">Further information</a> (Federal Government)	
<a href="#">Further information</a> (Federal Ministry for Labour and Social Affairs)	
<a href="#">Further information</a> (Federal Government)	

#### *Aid for employed custodians who are temporarily unable to work due to the care of their children*

<b>Target</b>	Parents.
<b>Details</b>	<ul style="list-style-type: none"> <li>• The Federal Ministry of Labour and Social Affairs has adapted the Infection Protection Act to allow parents to receive compensation from their employer amounting to 67% of their monthly net income for up to six weeks to face excessive income losses.</li> <li>• The employer can then request a government reimbursement.</li> <li>• Eligible parents have to (1) look after children under the age of twelve because of closure of schools and daycare; and (2) have exhausted their overtime credits.</li> </ul>
<b>Responsible body</b>	Federal Ministry of Labour and Social Affairs (Bundesministerium für Arbeit und Soziales); Federal Employment Agency (Bundesagentur für Arbeit).
<a href="#">Further information</a>	

#### Emergency KiZ

<b>Target</b>	Low income families.
<b>Details</b>	<ul style="list-style-type: none"> <li>• Families with low income in need of additional financial support can apply to receive a monthly supplement per child (KiZ) of up to €185/month.</li> <li>• The amount is calculated based on a series of factors, such as income, housing costs and number of children.</li> <li>• Because of the pandemic, families who apply to the scheme no longer have to provide information on their income over the last 6 months, but only of the last one before the application.</li> <li>• The Emergency KiZ scheme came into force on 1 April and is valid until 30 September 2020.</li> </ul>
<b>Responsible body</b>	Federal Employment Agency (Bundesagentur für Arbeit)
<a href="#">Further information</a>	

#### ***Protection for tenants, interruptions to criminal proceedings***

The purpose of the bill is to cushion the impacts of the coronavirus pandemic in civil law, insolvency law and criminal procedural law.

<b>Target</b>	Tenants; private companies (including micro-businesses); public limited companies.
<b>Details</b>	<ul style="list-style-type: none"> <li>● The bill includes: <ul style="list-style-type: none"> <li>○ Regulations to protect tenants and micro-businesses (e.g. restrictions on termination of lease and rental agreements, payment deferrals and other contractual modifications);</li> <li>○ Suspension of obligation for companies to file for insolvency until 30 September 2020;</li> <li>○ Extension of permissible interruption period to criminal proceedings (to three months and ten days);</li> <li>○ Easing of provisions in cooperative, corporate and transformation law.</li> </ul> </li> </ul>
<b>Responsible body</b>	Federal Ministry of Justice and Consumer Protection (Bundesministerium der Justiz und für Verbraucherschutz).
<a href="#">Further information</a> (Federal Government)	
<a href="#">Further information</a> (Federal Ministry of Justice and Consumer Protection)	

### ***Assistance for Students and Academics***

<b>Target</b>	Students and academics.
<b>Details</b>	<ul style="list-style-type: none"> <li>● The length of a limited-term contract for academics about to receive a doctoral degree or just after has been extended for as long as the pandemic's restrictions are in place.</li> <li>● Students entitled to student loans under the Federal Education Promotion Act (BAföG) are allowed to work during the pandemic period, and their revenue will not be deducted from the assistance provided by the student loan scheme.</li> </ul>
<b>Responsible body</b>	Federal Ministry of Education and Research (Bundesministerium für Bildung und Forschung).
<a href="#">Further information</a> (Federal Government)	
<a href="#">Further information</a> (Federal Ministry of Education and Research)	

## Industry-specific measures

### Travel/Airlines:

- The Federal Government has recommended that travel companies/airlines grant vouchers rather than reimbursements for travel/events cancellations. [Further information](#).
- A number of German airlines and travel companies have been granted state loans (bailouts) in order for them to survive the COVID-19 crisis.
  - **TUI Group** has been granted a loan of €1.8 Billion for its airline, cruise, hotel and travel agency operations.
  - **Condor** was bailed out by the federal government after the Thomas Cook (its parent company) bankruptcy in 2019. The government loan of €380 million has been prolonged due to the Corona crisis. €200 million are being discussed as additional help – which would bring the total loan to €580 million.
  - **Lufthansa's** partial nationalisation is still under discussion.

### Cultural sector:

- The Federal Government has launched a \$54 billion “**rescue umbrella**” package for SMEs, freelancers and self-employed in the cultural sector.
- It covers immediate operating costs such as renting cinemas, music clubs or artist studios, but also loans for business premises or leasing instalments.
- [Further information](#).

### Healthcare and research:

- The government launched a €3.1 billion fund dedicated specifically to the healthcare sector.
- The Federal Ministry of Education and Research further receives €145 million for the development of a vaccine and for treatment measures.
- Hospitals and general practitioners are financially supported via an additional fund of €55 billion to fight the pandemic.
- [Further information](#).

### Automotive:

- The Federal Government has been working on a package of measures for the sector but nothing has been decided yet. The auto industry has been lobbying for tailored support measures.
- Top car industry officials and labour unions are scheduled to discuss ways to overcome the economic crisis with the German chancellery on 5 May.

### Agriculture:

- Germany has lifted its ban on (foreign) seasonal farm workers entering the country in order to keep the sector afloat amidst the crisis. The new programme would allow up to 40,000 **seasonal workers** into the country in April, and another 40,000 in May.

- In addition, the government is calling for another 20,000 workers to be recruited from the ranks of the unemployed, students, asylum seekers and furloughed workers.

#### Catering industry and education:

- The ruling coalition has recently agreed on a new **€10 billion economic package** supporting people in short-term working schemes via higher state transfers.
- The package reportedly includes tax reductions for the catering industry (reduced VAT rate of 7% for food) and increased financial support for schools through measures worth €500 million.

#### Outlook and next steps

16. The rate of infection in Germany has been **steadily slowing** in recent days and the country's health system has generally been able to cope with the strain.
17. The IMF is projecting that Germany's **GDP will shrink by 7% in 2020** as a result of the COVID-19 crisis - the fourth highest in the Euro area after Italy, Spain and France. The country's manufacturing industry, which has been in contraction ever since the last quarter of 2019, will likely be the most affected - especially the automotive sector. This is due to both the COVID-19 crisis and other upcoming geopolitical developments such as Brexit.
18. The overall public-sector budget is [projected](#) to reach a **record deficit** of €159 billion in 2020. At the same time, the measures enacted by the government (especially the Kurzarbeit scheme) seem to be helping to **limit the rise in unemployment** - although its rate is expected to jump to 5.9% by the end of the year.
19. The latest polls show that ever since the beginning of the crisis, German **citizens have been increasingly satisfied** with and confident about the government and its responses - including the implementation of an unparalleled testing programme. According to prominent German public opinion poll tracker [Forsa](#), the poll ratings of both CDU/CSU and SPD have been increasing by respectively nine and five percentage points compared to the last months of 2019.
20. The Federal Government's response has created an **almost unprecedented level of political consensus**, where even opposition parties (i.e. AfD) have found themselves supporting at least in part the government's approach. Such a narrowing of the political debate is however likely to fall apart once the peak of the crisis is averted and exit measures start to be rolled out.
21. Germany is slowly beginning to **ease its lockdown measures**, starting from shops and schools. However, the exit guidelines have been interpreted slightly differently by different local/regional authorities, and are the object of heated discussions between political parties and Länder. The government's priority is to take measures that will help to ensure that the impending recession is

as mild as possible, but to do so it will likely have to work hard to reconcile diverging regional/political priorities - all paving the way for next year's elections.

## United Kingdom

### State of play before the crisis

1. The UK entered the COVID-19 crisis in a **challenging economic situation**. Economic [growth](#) in the fourth quarter of 2019 was flat, and projections for Q1 prior to the COVID 19 outbreak were a modest - 0.4%. Most of this is attributable to the continued economic uncertainty around Brexit, with the UK's manufacturing sector in particular experiencing several quarters of consecutive negative growth.
2. Although **employment in the UK is notionally very high**, much of this employment is precarious. UK [employment levels](#) reached a record high in the last quarter of 2019, with 76.3% of people aged between 16 and 64 in employment. Recent research suggests, however, that as many as 10% of UK adults work via online platforms such as Uber and Deliveroo, and that the UK gig economy accounts for almost 5 million workers.
3. **High levels of regional inequality** are prevalent in the UK, which contains Europe's richest region (London), and six of the ten poorest. The current government was elected in December 2019 on a promise to "level up the regions", entailing massive investment in poorer areas of the UK.
4. Although the UK has now left the European Union and entered a **transition period** until December 2020, negotiations between the UK Government and the EU continued to play a central role. Adopting a rather uncompromising position, Prime Minister Johnson has ruled out any extension of the transition period and expressed a strong desire for regulatory divergence that would be incompatible with remaining under the jurisdiction of the European Court of Justice.
5. Before the crisis, and indeed for the last ten years or so of UK politics, there has been a perception that the UK's **National Health Service is badly under-funded**, under-staffed, and ill-equipped to deal with a cold winter, let alone a major global pandemic. More generally, investment levels were lacking behind other major economies in Europe.
6. After years of turmoil, the **political environment in the UK is now very stable**. The Conservative Party has a large majority in the House of Commons: 80 seats, and opposition is limited, due to the fact that the main opposition party, the Labour Party, has only recently elected a new leader and remains riven by internal divisions. However, tensions over Brexit still remain, and the strong performance of the Scottish National Party (SNP) in the December general election has increased the pressure for another independence referendum, whilst the new Labour leader, Keir Starmer, is considered to be a much more formidable opponent than his predecessor, Jeremy Corbyn.
7. To summarise, despite the relatively weak fundamentals of the UK economy heading into the crisis, the government was in a strong political position.

## COVID-19 and the Government's response

8. The UK is **one of the worst-affected countries** in the world. It has the sixth-highest number of COVID-19 infections, with 129,044, and the fifth-highest number of deaths related to COVID-19, with 17,337 as of 21 April 2020.
9. There is a sense that a major economic crisis in the midst of the UK's final **Brexit** negotiations could significantly weaken the **UK's negotiating position**. The government is also keen to use the crisis to show that continued membership of the EU could act as an impediment to economic recovery and future growth. Its response to the crisis involves unprecedented levels of state aid for a British administration, and the state aid framework, though temporarily suspended, is something which the government wishes to free itself from via Brexit.
10. The government has tended to **avoid targeting specific sectors** in its response to the crisis thus far. Instead, its measures have either targeted groups of people (i.e. the employed vs the self-employed) or businesses depending on their size, with distinct relief measures for startups, profitable SMEs, and large businesses.
11. This is surprising, as Chancellor of the Exchequer Rishi Sunak had initially stated that, as some sectors were facing particularly acute downturns due to the crisis, **the government would consider industry-specific bailout packages**. The Chancellor later remarked that companies would have to exhaust all other options, including raising money from existing investors, before specific aid would be considered.
12. One notable exception to this is that the government has provided a specific set of reliefs for businesses in the hospitality, leisure, and retail sectors. One main reason for this is that these businesses are the most impacted by the government's lockdown measures, as many of them have been forced to close.
13. The government's strategy currently enjoys **broad support from across the political spectrum**, and there has even been some talk of a government of national unity to steer the UK through the crisis. Once the crisis is less acute however, there are likely to be many questions asked about the effectiveness of the government's approach, as well as strong disagreements about the best path to recovery, both between political parties, and within the Conservative Party itself.

COVID-19 and State Aid

- 14. Under the terms of the Withdrawal Agreement, the UK, whilst it remains in the transition period, continues to abide by the rules of the EU Single Market. As such, **the UK government’s measures must conform to the State Aid rules set out in the temporary framework**, and indeed the European Commission [approved](#) both the Coronavirus Business Interruption Loan Scheme, and the direct grants to SMEs provided by the government.
  
- 15. However, the UK is currently scheduled to leave the transition period on 31 December 2020, the same day that the temporary framework expires. **The UK government could therefore theoretically maintain its relief measures beyond the end of the temporary framework**, which governments in EU countries would be unable to do. The UK’s future State Aid regime is a pressing issue in the Brexit negotiations, with the Commission making alignment on State Aid rules a condition of a free trade agreement.

List of Government interventions since crisis outbreak

The UK government’s measures fall into two broad categories: protecting the incomes of both employed and self-employed people, and preserving liquidity in businesses. Within the latter category, small businesses in particular have been singled out for government assistance. This is unsurprising, given that 99% of all UK businesses are SMEs.

**Coronavirus Job Retention Scheme**

<b>Target</b>	Businesses who would otherwise have to lay off employees due to reduced cash flow
<b>Details</b>	<ul style="list-style-type: none"> <li>● UK businesses can furlough their employees and apply for a grant which covers 80% of their wages (up to £2,500 per month).</li> <li>● The scheme began on 1 March and will last initially for three months.</li> <li>● Employees who have been furloughed may not undertake work for, or on behalf of, their employer or any related organisation.</li> <li>● More than 9 million workers are expected to be furloughed under the scheme.</li> </ul>
<b>Responsible body</b>	Her Majesty’s Revenue and Customs (HMRC)
<a href="#">Further information</a>	

**Statutory Sick Pay from day one**

<b>Target</b>	Workers
<b>Details</b>	<ul style="list-style-type: none"> <li>• Under usual circumstances, employees must be absent from work due to illness for four days before they are entitled to SSP.</li> <li>• Employees can now receive SSP for every day that they isolate, if they are isolating due to COVID-19.</li> <li>• Employees must self-isolate for at least four days to be eligible.</li> <li>• SSP amounts to £95.85 per week, for a maximum of 28 weeks, and is paid by the employer.</li> </ul>
<b>Responsible body</b>	Department for Work and Pensions (DWP)
<a href="#">Further information</a>	

### ***Coronavirus Self Employment Income Support Scheme***

<b>Target</b>	Self-employed people
<b>Details</b>	<ul style="list-style-type: none"> <li>• Self-employed people can claim a grant worth up to 80% of their monthly trading profits (up to £2,500 a month) if they have lost income due to COVID-19.</li> <li>• Those who receive the grant are allowed to continue working, or volunteering. Applicants must prove that their business has been adversely affected by COVID-19.</li> <li>• Trading profits must amount to over 50% of applicant incomes and must not exceed £50,000 per year.</li> <li>• Nearly 95% of the 5.02 self-employed workers in the UK will be eligible for the scheme, according to the Government.</li> </ul>
<b>Responsible body</b>	Her Majesty's Revenue and Customs (HMRC)
<a href="#">Further information</a>	

### ***Deferral of taxes***

<b>Target</b>	Self-employed people
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<b>Details</b>	<ul style="list-style-type: none"> <li>• Unlike traditional employees, self-employed people must declare their income to the tax authorities and pay the correct amount of tax on it.</li> <li>• The government has given self-employed people the option to defer payment for the first half of 2020 to January 2021.</li> </ul>
<b>Responsible body</b>	Her Majesty's Revenue and Customs (HMRC)
<a href="#">Further information</a>	

### ***Coronavirus Business Interruption Loan scheme***

The Coronavirus Business Interruption Loan Scheme is designed to ensure that the UK's small and medium-sized enterprises are able to stay afloat whilst government measures impose downward pressure on demand in the economy.

<b>Target</b>	Small and medium-sized enterprises
<b>Details</b>	<ul style="list-style-type: none"> <li>• The scheme supports businesses which have revenues of up to \$45 million per annum to access loans.</li> <li>• The government has agreed to cover the first 12 months' worth of interest and any fees associated with the loan, as well as a guarantee to the lender of 80% of each of the loans.</li> <li>• The loans are made by commercial lenders.</li> <li>• To date, 1.4% of firms who have applied for the scheme have been successful in accessing funding.</li> </ul>
<b>Responsible body</b>	Department for Business, Energy, and Industrial Strategy (BEIS)
<a href="#">Further information</a>	

### ***Coronavirus Large Business Interruption Loan Scheme***

<b>Target</b>	Large businesses
<b>Details</b>	<ul style="list-style-type: none"> <li>• This scheme supports large businesses, with an annual turnover above £45 million to access loans of up to £25 million.</li> <li>• Firms with a turnover above £250 million can access loans of up to £50 million.</li> <li>• The government will guarantee up to 80% of the loan and the loans will be made by commercial lenders.</li> </ul>
<b>Responsible body</b>	Department for Business, Energy, and Industrial Strategy (BEIS)
<a href="#">Further information</a>	

## Future Fund

<b>Target</b>	Startups
<b>Details</b>	<ul style="list-style-type: none"><li>• The government will provide loans to UK-based companies ranging from £125,000 to £5 million, subject to at least equal match funding from private investors.</li><li>• The funding is designed for companies which are reliant on investors and which therefore would not qualify for the Business Interruption Loan Scheme.</li><li>• To qualify, companies must have raised at least £250,000 from third party investors in the last five years.</li><li>• The government has pledged a total of £250 million to this fund.</li></ul>
<b>Responsible body</b>	HM Treasury, supported by the British Business Bank.
<a href="#">Further information</a>	

### ***Funding for innovative companies***

<b>Target</b>	R & D intensive companies
<b>Details</b>	<ul style="list-style-type: none"> <li>• The government is making £750 million available to research and development intensive companies, alongside the Future Fund.</li> <li>• The funding will be available via the loan and grant scheme of Innovate UK, the government’s innovation agency.</li> <li>• Almost all of the funding will go to existing Innovate UK customers, although £175,000 will be available for up to 1,200 firms which do not currently receive Innovate UK funding.</li> </ul>
<b>Responsible body</b>	Innovate UK
<a href="#">Further information</a>	

### ***Business rates relief***

<b>Target</b>	Businesses in the retail, leisure, hospitality, and nursery sectors.
<b>Details</b>	<ul style="list-style-type: none"> <li>• In England, businesses operating in the retail, hospitality, nursery, and leisure industries will not have to pay business rates for the 2020 to 2021 tax year.</li> <li>• In Scotland, hospitality, leisure and retail businesses have been given a 12 month waiver on business rates and companies in the sector are also eligible for grants (£25,000, with certain conditions).</li> <li>• The Welsh Government has provided certain businesses in the retail, leisure and hospitality sectors with a one year business rates holiday.</li> <li>• The Northern Ireland Executive cut its business rates in its 2020-21 budget, and all ratepayers have been given a three month rates holiday.</li> </ul>
<b>Responsible bodies</b>	<p>English local authorities</p> <p>The Scottish Government</p> <p>The Welsh Government</p> <p>The Northern Ireland Executive</p>
<a href="#">Further information</a> (England)	
<a href="#">Further information</a> (Scotland)	
<a href="#">Further information</a> (Wales)	
<a href="#">Further information</a> (Northern Ireland)	

### ***Small business grants***

These two measures are aimed at small businesses and businesses in the retail, hospitality and leisure sectors. The measures provide grants for companies which normally receive relief from business rates, which is a tax levied on the use of non-domestic property (e.g. a shop). These companies are all bricks and mortar businesses, and reasons for exclusion from business rates include: being the only business of its kind in a rural location; being a business based in only one property which has low rental value, or being a hospitality, leisure, or retail business.

<b>Target</b>	Small businesses.
<b>Details</b>	<ul style="list-style-type: none"> <li>• In England, all businesses which receive either Small Business Rates Relief or Rural Rates Relief will be eligible for a £10,000 grant from the government. This grant applies to businesses with one property only.</li> <li>• Eligible businesses in England in receipt of the Expanded Retail Discount (which covers retail, hospitality and leisure) with a rateable value of less than £51,000 will be eligible for a cash grants of £10,000 or £25,000 per property. This grant applies for businesses with multiple properties.</li> <li>• In Scotland, small firms which receive either small business rates relief or rural relief will be eligible for a £10,000 grant.</li> <li>• In Wales, businesses in the hospitality sector will get a grant of £25,000, and businesses which are eligible for small business rates relief will receive a grant of £10,000.</li> <li>• In Wales, SMEs can also receive a grant of up to £250,000.</li> <li>• The grant scheme amounts to £600 million in aid.</li> </ul>
<b>Responsible bodies</b>	Department for Business, Energy, and Industrial Strategy (England) The Scottish Government The Welsh Government
<a href="#">Further information</a> (England)	
<a href="#">Further information</a> (Scotland)	
<a href="#">Further information</a> (Wales)	

***Deferring VAT payments for businesses***

<b>Target</b>	All businesses.
<b>Details</b>	<ul style="list-style-type: none"> <li>• Businesses have been permitted to defer VAT payments due between 20 March and 30 June in order to help them to manage their cashflow.</li> </ul>
<b>Responsible body</b>	Her Majesty’s Revenue and Customs.
<a href="#">Further information</a>	

***Ban on evictions for commercial tenants***

<b>Target</b>	All businesses.
<b>Details</b>	<ul style="list-style-type: none"> <li>• The government has also instituted a ban on evictions for commercial tenants who have missed their rent payments.</li> </ul>
<b>Responsible body</b>	The Ministry for Housing, Communities, and Local Government
<a href="#">Further information</a>	

### ***Mortgage holidays***

<b>Target</b>	Homeowners.
<b>Details</b>	<ul style="list-style-type: none"> <li>• The Financial Conduct authority, the UK’s financial services regulator, has told mortgage lenders that it expects them to issue payment holidays to all of those who are experiencing or expect to experience payment difficulties due to COVID-19.</li> <li>• Lenders have also temporarily stopped repossessing actions.</li> </ul>
<b>Responsible body</b>	The Financial Conduct Authority.
<a href="#">Further information</a>	

### Industry-specific interventions

#### Technology:

- The government is giving out grants of £50,000 to companies which develop technology that can help boost the UK’s “long-term resilience” to COVID-19.
- This includes **remote education services, services which allow people to monitor vulnerable family members, and technologies to help retailers respond to sudden spikes in demand.**
- [Further information](#).

#### Retail, leisure, and hospitality:

- In England, retail, leisure and hospitality businesses can get a grant of either £10,000 or £25,000, if they are in receipt of the **Expanded Retail Discount.**
- [Further information](#).

#### Travel:

- Discussions are ongoing within government regarding extending the period which package travel companies have to issue cash refunds.
- The government is reportedly considering extending the period from 14 days to four months to give companies more time to recover their cashflow.

### Regional transport:

- There have been reports that the government will soon act to bail out regional transport networks, such as **Transport for London**.
- These operators are reliant on ticketing fees, which have decreased hugely due to the COVID-19 lockdown measures.

### Outlook and next steps

16. The IMF is projecting that the UK economy will shrink by 6.5% in 2020. This is a **substantial downturn**, although it is comparable with projections for similar-sized economies to the UK. The projections for the **number of deaths due to COVID-19 are also high**, with officials briefing that a cumulative total below 20,000 would be considered a success.
17. Further economic measures are certainly possible, with a package for startup businesses a very likely development. However, **the pace of announcements is certainly slowing**, and given that other European countries are already considering how to lift lockdown measures, the next significant set of announcements from the UK government is more likely to be its lockdown exit strategy.
18. Restarting the UK economy remains a vexed issue, especially given that there is a possibility that the UK will leave the European Union with no framework for a future relationship beyond WTO terms at the end of the year. Indeed, **there has been little discussion of what will be done once the worst of the crisis is over**, and how the government will attempt to kickstart the economy.
19. The severe nature of the UK pandemic has led to **questions about the adequacy of the government's planning and prevention measures**. The government has been accused of failing to adequately supply frontline health workers with personal protective equipment, and was also accused of being comparatively slow to institute widespread lockdown measures. Despite this, the government currently retains the support of the British public.

## France

### State of play before the crisis

1. France entered the COVID-19 crisis in an **atypical economic and political situation**. The ability of President Emmanuel Macron's political movement *La République en Marche* (LREM) to secure victory in the main municipal elections scheduled for March 2020, and more broadly support for Macron's political project, was questioned before the crisis.
2. The 'gilets jaunes' or 'yellow vests' crisis, which started as a fuel tax protest in December 2018 by French drivers, **grew into a wider anti-government movement against social and fiscal injustices, underlining the disconnect between Macron's party and "peripheral France"**. In December 2019, this nation-wide sentiment culminated in month-long strikes over President Macron's proposed [pension reform](#). The protests and strikes shut down public transport services and reduced the number of hospital staff, teachers and police officers at work.
3. **Even prior to the crisis, the strikes had damaged France's economic prospects**. There was a small economic contraction (0.1%) in Q4 2019, and very modest [projected growth](#) of 0.3% for Q1 2020. The latter figure, which does not account for the economic damage of COVID-19, had already increased scepticism of France's prospects of meeting its first [Budget Plan's](#) target of 1.3% growth for 2020. Household consumption growth slowed in Q4 2019 (0.3% versus 0.4% in Q3 2019), and fixed investment rose by less than the previous quarter (0.2% vs 1.3% in Q3 2019).
4. **This short-term shock added to longer-term structural economic challenges**. In 2019, a report by the [INSEE](#) (the national statistical office) identified growing levels of inequality and poverty; while the [OECD](#) reported that the low-skilled, young and older workers have particularly low employment rates in France. Specifically, the employment rights of 'gig workers' - delivery couriers and ride-hailing drivers - were at the forefront of the debate in France prior to the COVID-19 crisis.
5. Despite this, **France's economic outlook was not entirely bad**. At the end of 2019, the labour market had recovered positively from the previous year: the unemployment rate in 2019 was estimated at 8.5% (down from 9% in 2018), and the number of job seekers had fallen by 3.3% in 2019.
6. Since the beginning of his presidency, President Macron has been emphasising the **importance of innovative start-ups for the French business ecosystem**, and marketing France to foreign and national investors as the 'start-up nation'.

## COVID-19 and the Government's response

7. As of 21 April 2020, France has recorded 155,383 confirmed cases of the virus and 20,265 deaths, **making it one of the most-affected nations worldwide.**
8. **The severity of France's outbreak has led the government to issue two different amended budgets to help finance the battle against COVID-19.** The amount of funding available for economic recovery was increased from an [initial](#) €45 billion to €110 billion, with €300 billion in state-guaranteed business loans. As of 21 April 2020, the [second amended budget](#) is still to be approved by the National Assembly and the Senate.
9. **The overarching [Coronavirus Emergency Law](#) grants the government powers which have been described as "war-like".** These powers include the right to undertake a number of actions with respect to labour law (such as enforced annual leave) and other administrative and judicial procedures (such as postponing municipal elections) to face the economic and financial consequences of the COVID-19 pandemic. Taking this into account, the government enacted a range of measures to contain the spread of virus through travel restrictions, closure of schools and non-essential businesses, and a nation-wide lockdown.
10. The government's support packages have been largely targeted at **small and micro-enterprises and independent workers** through the government's "**Solidarity Fund**". Additionally, France was the first country to launch a **support mechanism aimed specifically at innovative start-ups** in the country, which amounts to €4 billion. These moves by President Macron seek to reinforce France's image of the 'start-up nation', but also its willingness to protect vulnerable self-employed workers such as those in the 'gig economy', who are either largely exposed to the virus or whose activity has been halted.
11. The crisis has also **shifted the attention and power to France's regional officials**, including prefects, mayors, and regional presidents, who have been granted some degree of discretion to execute policies within their jurisdictions thanks to the Coronavirus Emergency Law.

## The EU and the Government's response to COVID-19

12. The European Commission continues to approve France's support measures, such as the [prolongation](#) of the French "Fonds de solidarité" scheme for micro-enterprises and self-employed workers, meaning that these are **aligned with the European Commission's Temporary Framework for State Aid Flexibility.**

13. Article 107 of the Treaty of Functioning of the EU (TFEU) defines the boundaries within which Member States are allowed to design and implement aid measures, for instance to compensate companies for the damage directly caused by exceptional occurrences or to help them with liquidity shortages and urgent rescue aid. In order to allow Member States to use the full flexibility under state aid rules to address the economic impacts of the COVID-19 pandemic, **the European Commission has adopted the [Temporary Framework for State Aid Flexibility](#), which will be active until the end of December 2020.** The Framework is being regularly updated by the European Commission to allow for a broader coverage of measures, targets and instruments.
14. The European institutions have also launched initiatives designed to ensure that member states can **access credit and make the best use of EU budget money to address COVID-19.** The Coronavirus Response Investment Initiative ([CRII](#) and [CRII+](#)) includes €37 billion of European public investment, which will be mobilised by relinquishing Member States' unspent pre-financing for the European Structural and Investment funds. European Finance Ministers have also agreed on a **three-track €540 billion economic rescue package**, including an unconditional credit line (the Pandemic Crisis Support) for Member States provided through the European Stability Mechanism (ESM). The European Council is expected to vote on the final approval to the package this week.
15. In the case of [France](#), unspent pre-financing for the European Structural and Investment funds amounts to about €292 million for 2019. For 2020, the Commission will pay the 2020 annual pre-financing to France in March and April, amounting to approximately €420 million. In addition, the European Central Bank has also launched a €750 billion Pandemic [Emergency Purchase Programme \(PEPP\)](#) which will purchase debt and corporate securities until the end of 2020.
16. **France was among the first countries to notify the Commission of its support plans through the Temporary Framework.** It submitted its first support measure to the Commission on 21 March, which [was approved](#) "under the new State Aid Temporary Framework less than 48 hours from its adoption".
17. Additionally, France submitted its first support plan to the Commission prior to EU Finance Ministers' [agreement](#) that the **conditions for the use of the general escape clause were fulfilled.** The general escape clause of the Stability and Growth Pact (SGP), the EU fiscal framework, which EU Finance Ministers agreed to use on 23 March, allows Member States to take action to address COVID-19 without ordinary budgetary restrictions. France developed domestic interventions before an EU-wide agreement on the general escape clause.
18. President Macron has also been **vocally supportive of an EU-wide Coronavirus rescue fund** to respond to the economic crisis. This proposed instrument would be financed by common debt with a mutual guarantee through the EU's next long-term budget, the Multiannual Financial Framework (MFF), so that Member States (and particularly the most hard-hit ones)

can receive appropriate support from the bloc. France is proposing that the rescue fund be limited to 5 or 10 years and focused on economic recovery, rather than the mutualisation of existing debt, to limit objections by the German and Dutch governments.

#### List of Government interventions since crisis outbreak

France has sought to tackle the coronavirus emergency via **two core legislative instruments**. The first, the [Coronavirus Emergency Law](#), authorises the government to undertake a number of actions in matters of labour law (such as the possibility for employers to impose or modify employees' annual leave), social security law and civil service law, in order to face the economic and financial consequences of the COVID-19 pandemic. It covers a number of exceptional measures, including on public health, municipal elections, and business support.

The second instrument is the **revision of France's initial 2020 budget on two separate occasions to form an Emergency Economy Plan**. The plan provides a [budget](#) of €110 billion (up from an initial budget of €45 billion) and an estimated €300 billion of State-guaranteed business loans.

#### ***Delays in social and fiscal payments (including direct taxes) for companies***

The Government has allowed companies to defer the payment of social security contributions and direct taxes. About €3.6 billion worth of taxes were deferred in the month of March alone, benefitting around 530,000 companies with fewer than 50 employees.

Target	All businesses
Details	<ul style="list-style-type: none"> <li>● <b>Social security contributions:</b> Employers can postpone the payment of their March/April social security contributions (through the URSSAF, which groups private organisations in charge of collecting employee and employer social security contributions) by up to three months. This also applies to independent workers (self-employed workers who do not fall under the legal employment status of 'auto-entrepreneurs').</li> <li>● <b>Postponement of tax deadlines:</b> Companies can request for a delay in the next payment of direct taxes without penalties (or for a refund in case of a direct debit). Independent workers can adjust the tax rate and down payments, or defer the payment from one month to the next up to three times.</li> <li>● <b>Corporation tax and VAT credits:</b> The government has implemented an accelerated procedure for the reimbursement of refundable corporation tax and VAT claims.</li> </ul>

	<ul style="list-style-type: none"> <li>● <b>CCSF and payment delays:</b> The Commission of Heads of Financial Services (CCSF - <i>Commission des Chefs de Services Financiers</i>), which brings together representatives of various social security and welfare organisations, the URSSAF and the unemployment agency <i>Pole Emploi</i>) can grant companies delays for social and financial payments with no minimum or maximum amount. Eligible companies need to be up to date with their tax filing and social security declarations.</li> <li>● Companies in financial difficulty can request a remission of <b>direct taxes</b>. These requests will be examined individually.</li> <li>● All state and local government <b>public contracts</b> have also removed payment delay penalties, as COVID-19 is recognised as a case of <i>force majeure</i>.</li> </ul>
<b>Responsible body</b>	<ul style="list-style-type: none"> <li>- URSSAF</li> <li>- Directorate General of Public Finances (DGFIP) - Ministry of Economy and Finance</li> <li>- Commission of Heads of Financial Services (CCSF - <i>Commission des Chefs de Services Financiers</i>)</li> </ul>
<a href="#">Further information</a> (Social Security contributions)	
<a href="#">Further information</a> (Remission of direct taxes)	
<a href="#">Further information</a> (Public contracts)	

***Deferral of rent and utility bill payments (gas, electricity and water bills)***

<b>Target</b>	SMEs & micro-enterprises
<b>Details</b>	<ul style="list-style-type: none"> <li>● All small companies and self-employed workers benefiting from the Solidarity Fund (see below) can request payment deferrals of electricity, gas and water bills, as well as rent payments, from 1 April 2020.</li> <li>● These measures automatically apply to micro-enterprises and SMEs whose activity has been interrupted by decree.</li> </ul>
<b>Responsible body</b>	Government and gas/water/electricity suppliers and commercial landlords
<a href="#">Further information</a>	

***“Solidarity Fund” for micro-enterprises and independent workers***

The Solidarity Fund (*Fonds de Solidarité*) amounts to a total of approximately € 7 billion (from an initial budget of € 2 billion) in public expenses over March-May 2020 and is aimed at **micro-enterprises and independent workers**.

It is supported by both the State and Regions, which can top up the amounts provided by the State. The duration of the scheme is a maximum of 6 months.

<b>Target</b>	Micro-enterprises and independent workers
<b>Details</b>	<ul style="list-style-type: none"> <li>● The scheme authorises the Directorate General of Public Finances (DGFIP) to distribute a <b>lump sum of up to € 1500</b> to micro-enterprises (TPEs) with a maximum of 10 employees, with an annual turnover of less than € 1 million and an annual taxable profit of less than € 60,000, and that were either: <ul style="list-style-type: none"> <li>○ forced to stop operating due to the COVID-19 crisis;</li> <li>○ lost at least 50% of their average turnover in March/April 2020 (compared to March/April 2019, or to their average monthly value in 2019).</li> </ul> </li> <li>● This sum is also available for <b>independent workers</b> (e.g. independent lawyers, farmers, artists) and companies in receivership or in protective proceedings with an annual turnover of less than €1 million and an annual taxable profit of less than €60,000.</li> <li>● An <b>additional support of € 2,000 to € 5,000</b> has subsequently been made available by the Regions and can be granted to specific companies (such as those that benefited from the first €1500 from the Solidarity Fund, or those unable to settle their debts due within thirty days of 15 April 2020).</li> </ul>
<b>Responsible body</b>	<ul style="list-style-type: none"> <li>- The Directorate General of Public Finances (DGFIP) - Ministry of Economy and Finance</li> <li>- Regions</li> </ul>
<a href="#">Further information</a> (Ministry of Economy and Finance)	
<a href="#">Further information</a> (Q&A on the Solidarity Fund)	

***Furlough scheme ('chômage partiel' for employees or 'activité partielle' for companies)***

Companies are allowed to furlough employees. This tool allows employers to temporarily suspend the activity of employees, while keeping them on the payroll.

<b>Target</b>	All businesses
<b>Details</b>	<ul style="list-style-type: none"> <li>● The State reimburses employee wages up to 4.5 times the national minimum wage, i.e. up to € 6,927 gross per month.</li> <li>● Employees are entitled to receive <b>between 100% and 84% of their net salary</b>, according to their salary scale. <ul style="list-style-type: none"> <li>○ Employees earning minimum wage are compensated 100% of their net salary.</li> </ul> </li> <li>● Companies have 30 days to request the “partial activity” status on the website of the Ministry of Labour.</li> <li>● The initial estimated value of the furloughing scheme for the State was € 8.5 billion, and was subsequently expanded to €24 billion (which €16 billion will be paid by the State and €8 billion by the unemployment agency <i>Pole Emploi</i>).</li> </ul>
<b>Responsible body</b>	<ul style="list-style-type: none"> <li>- Ministry of Labour</li> <li>- <i>Pole Emploi</i></li> </ul>
<a href="#">Further information</a> (Ministry of Economy and Finance)	
<a href="#">Further information</a> (Ministry of Labour)	

### ***State-guaranteed loans***

The State will also **guarantee all new bank loans** through a collaboration between members of the **French Banking Federation** (*Fédération Bancaire Française*, FBF) and France’s state-owned investment bank **Bpifrance**, up to an estimated **value of €300 billion**. There are two loan schemes:

- 1) The first scheme provides State guarantees to banks on new loans **for all types of companies**. This direct aid to the companies enables banks to provide liquidity to companies.
- 2) The second scheme enables the French public investment bank **Bpifrance** to provide State guarantees on **commercial loans** and **credit lines**, respectively, for enterprises with up to 5,000 employees.

### ***Loan Scheme 1: State-guaranteed loans for all companies***

<b>Target</b>	All businesses
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<b>Details</b>	<ul style="list-style-type: none"> <li>● Businesses of all sizes and legal status (except <i>Societes Civiles Immobilières</i>, a specific type of real estate company, credit institutions and financing companies), can apply until 31 December 2020.</li> <li>● The loan can amount to a maximum of 3 months of the company's turnover in 2019, or two years of payroll for startups.</li> <li>● Companies have a maximum of five years to pay back the loan,, and no payment will be required in the first year.</li> <li>● Large companies (more than 5,000 employees) that request an extension of fiscal and social deadlines or a State-guaranteed loan must commit to not pay dividends to shareholders nor repurchase shares in 2020. This commitment is applicable from 27 March.</li> </ul>
<b>Responsible body</b>	<ul style="list-style-type: none"> <li>- French Banking Federation (Fédération Bancaire Française, FBF)</li> <li>- Ministry of Economy and Finance</li> </ul>
<a href="#">Further information</a> (Ministry of Economy and Finance)	

#### **Loan Scheme 2: Bpifrance schemes for companies with up to 5,000 employees**

France's public investment bank **Bpifrance** has launched two schemes to support these companies by guaranteeing specific financial loans.

<b>Target</b>	All companies - particularly SMEs and micro-enterprises
<b>Details</b>	<ul style="list-style-type: none"> <li>● These schemes include a prolongation of the usual guarantees for investment credits, and the removal of Bpifrance's financing repayment deadlines for 6 months starting 24 March.</li> <li>● Bpifrance launched two types of direct (non-guaranteed) loans: <ul style="list-style-type: none"> <li>○ <b>Rebound ("Rebond") loans</b>, in collaboration with the Regions: between €10,000 and €300,000 subsidised over 7 years, with a two-year grace period</li> <li>○ <b>Asset ("Atout") loans</b>: up to €5 million for small companies (11-250 employees), and up to € 15 million for mid-sized companies (251-5,000 employees), granted over a period of 3-5 years.</li> </ul> </li> </ul>
<b>Responsible body</b>	Bpifrance
<a href="#">Further information</a> (Bpifrance)	
<a href="#">Further information</a> (Rebound loans)	
<a href="#">Further information</a> (Asset loans)	

### ***Start-ups support plan***

The government has announced a € 4 billion support plan for start-ups affected by the crisis.

<b>Target</b>	Start-up/innovative companies
<b>Details</b>	<ul style="list-style-type: none"> <li>• The “French Tech Bridge”, €80 million financed by the Future Investment Programme (Programme d’Investissements d’Avenir, PIA) and managed by Bpifrance. This financing takes the form of bonds and will be co-financed by private investors, for a total of €160 million.</li> <li>• Specific state-guaranteed financial loans, linked to the €300 billion State-guaranteed loans, for a total of €2 billion. The State can cover up to 90% of the loans for startups.</li> <li>• Early reimbursement of refundable corporation tax claims for 2020. Differences in timing apply based on the size of the company.</li> <li>• Accelerated payment of PIA and CIR innovation funds (government-funded research subsidies), for an estimated total of €250 million.</li> </ul>
<b>Responsible body</b>	Bpifrance
<a href="#">Further information</a>	

### ***Credit Mediation and Business Mediation***

<b>Target</b>	All businesses
<b>Details</b>	<ul style="list-style-type: none"> <li>• A system of “<b>Credit Mediation</b>” to support companies experiencing difficulties with financial establishment(s) - whether banks or credit insurance companies - particularly related to bank loan rescheduling. The system comprises 105 mediators.</li> <li>• A “<b>Business Mediation</b>” service, which allows individuals who submitted a claim (online) to be contacted within 7 days to discuss disputes related to the execution of a private law contract or a public order (e.g. late payments).</li> </ul>
<b>Responsible body</b>	<ul style="list-style-type: none"> <li>- Ministry of Economy and Finance</li> <li>- Banque de France</li> </ul>
<a href="#">Further information</a> (Credit mediation)	
<a href="#">Further information</a> (Business mediation)	
<a href="#">Further information</a> (Ministry of Economy and Finance)	

### ***Support plan for export companies***

This emergency plan supports France’s export sector and complements the other business support measures.

<b>Target</b>	All exporting businesses, particularly SMEs
<b>Details</b>	<ul style="list-style-type: none"> <li>● The plan includes 4 specific measures:</li> <li>● State guarantees for loans through Bpifrance</li> <li>● Extension of the “<i>Assurance Prospection</i>” insurance by one year, which provides insurance against the specific risks associated with exporting abroad.</li> <li>● €2 billion to short-term export credit insurance</li> <li>● Advice and support from the Team France Export (which groups Business France, the CCI - the national public body that federates the French Chambers of Commerce and Industry - and Bpifrance), the Regions, and trade advisers.</li> </ul>
<b>Responsible body</b>	<ul style="list-style-type: none"> <li>- Team France Export</li> <li>- Regions</li> </ul>
<a href="#">Further information</a>	

***Further support for employees under specific circumstances***

<b>Target</b>	Job-seekers, seasonal workers, and other specific workers
<b>Details</b>	<ul style="list-style-type: none"> <li>● For employees who cannot work from home but who need to stay at home due to the closure of childcare establishments, the State offers <b>sick leave</b> for a period of 1 to 21 days. The leave can be renewed if necessary.</li> <li>● For <b>job seekers</b> with unemployment benefits expiring in March 2020, the State will continue providing compensation throughout the lockdown period.</li> <li>● <b>Seasonal workers</b> whose contract ran until after the lockdown was imposed can be furloughed by their employer until the end of their initial contract.</li> <li>● For <b>‘intermittent’ workers</b> in the entertainment industry who are unable to complete their 507 hours of work as stipulated in the ‘intermittent’ status, the State has postponed the start date of the support, and workers will continue receiving compensation in the meantime.</li> <li>● For those working as <b>caregivers and healthcare professionals</b>, the State covers and pays higher compensation for their overtime shifts. Healthcare professionals’ additional support is covered by a €8 billion package dedicated to the healthcare sector (more below).</li> </ul>
<b>Responsible body</b>	<ul style="list-style-type: none"> <li>- Ministry of Labour</li> <li>- Ministry of Economy and Finance</li> </ul>
<a href="#">Further information</a>	

### Further social security measures

<b>Target</b>	Healthcare workers, vulnerable households and civil servants
<b>Details</b>	<ul style="list-style-type: none"><li>• €8 billion for the healthcare sector, including €4 billion for the purchase of protective equipment and masks, and up to €1500 in bonuses for frontline workers;</li><li>• €900 million in emergency aid for 4 million vulnerable households;</li><li>• Up to €1,000 in tax-free bonuses for specific civil servants whose working hours and activity have increased as a result of the COVID-19 crisis.</li></ul>
<b>Responsible body</b>	Ministry of Economy and Finance
<a href="#">Further information</a>	

### Industry-specific interventions

On top of the €110 billion of support measures mentioned above, the French Government intends to allocate **€20 billion to strengthen “strategic” firms in financial difficulty**, as indicated in the [Second Amended Budget](#) Bill for 2020. This support is aimed at companies such as Air France and Renault - suggesting that the automotive sector may benefit from targeted support - although the complete list of companies is not yet available.

So far, there have been the following industry-specific interventions:

#### Airline industry:

- As mentioned, **Air France is included in a €20 billion support credit for French strategic companies**. Negotiations are still ongoing, but the company could benefit from a combination of state guarantees and direct loans from the government.
- France also set up a scheme allowing payment by airlines of certain aeronautical taxes to be deferred, temporarily reducing the pressure on their cash flows. France’s State aid measure aiming to mitigate damages to the airline sector was **the first to be notified to the European Commission**.
- [Further information](#).

#### Travel and tourism industry:

- On top of the €110 billion of business support funds announced in the Emergency Economy Plan, the French Prime Minister Edouard Philippe also announced additional support measures for the tourism industry, which are mainly in the form of relaxations of administrative rules.
- Most importantly, France signed [Order 2020-315](#) which amends the EU Package Travel Directive and allows companies to issue vouchers valid for 18 months, instead of cash refunds, to customers in the case of cancellations. This measure has been implemented retroactively; for cancellations made from 12 March 2020.

#### Hotel and catering industry:

- The government has also announced an **“action plan to support the hotel and catering industry”**. President Macron will hold a video-conference on 24 April 2020 to unveil the details of the plan.
- Some Regions and local ‘departments’ have already implemented specific support measures for the catering and hotel sectors (e.g. the Southwestern department of [Tarn-et-Garonne](#)).

#### Healthcare sector:

- In its second Amended Budget Bill, France announced **€8 billion support for the healthcare sector**, which includes €4 billion for the purchase of protective equipment and masks, and up to €1500 in bonuses for frontline workers.

#### Agriculture sector:

- France has yet to set up a specific fund for the agriculture sector, but discussions are ongoing.
- For the time being, the Ministry of Economy and the Ministry of Agriculture have communicated **specific measures to support the agricultural sector** through the protection of agriculture workers, the simplification of recruitment in the sector (in conjunction with the Ministry of Labour) and by encouraging job-seekers and self-employed individuals to temporarily join the sector.
- [Further information](#).

#### Cultural sector:

- France is supporting the cultural sector through the Regions, which are setting up dedicated funds (e.g. €10 million in the Ile-de-France Region).
- The Minister of Culture has also asked national sectoral bodies (such as the CNC, in charge of the movie industry, or the CNAP responsible for fine arts), as well as the IFCIC, a specialised lending institution, to attend to the specific needs of stakeholders in the cultural sector.
- [Further information](#).

#### Outlook and next steps

19. Today, the government’s strategy is overall supported across the political spectrum, while a survey revealed that more than 40% of French people were satisfied with the President during the months of March and April 2020.
20. However, issues such as France’s state-supported **“[StopCovid](#)”** contact-tracing app and a proposed [bill](#) establishing a moratorium on rent payments are **creating friction between government and parliament**. The issue of protection for ‘gig workers’ is also being raised by

unions and other key industry players, who want the government to take further measures, arguing that the €1500 lump sum aid is insufficient.

21. In the second Amended Budget Plan, the **Government predicts a public deficit of 9% of GDP** (instead of 2.2% initially planned for at the end of 2019, and the 3.9% in the first Amended Budget Plan) and public debt is expected to reach 115% of GDP in 2020. The government predicts a GDP growth rate of -8.0% in 2020 (instead of +1.3% estimated at the end of 2019, and -1% in the first Amended Budget Plan). The IMF's [World Economic Outlook](#) is projecting that the **French economy will shrink by 7.2% in 2020**, while **France's eight-week lockdown will result in a €120 billion loss for businesses**, according to the French Observatory of Economic Conjunctures (OFCE).
22. These numbers represent a **substantial downturn**, similar to the ones predicted for other large European economies. At the beginning of April, Economy Minister Bruno Le Maire [told](#) the Senate's Economic Affairs Committee that France is likely to **experience its worst year of economic recession since the end of World War II**. According to Prime Minister Edouard Philippe, the public health situation in France as of 19 April 2020 is improving "slowly but surely", but the crisis is "far from over".
23. Once the crisis winds down, the effectiveness of the government's management of the crisis, as well as strong disagreements about the best path to recovery both between political parties and within Macron's LREM party, are likely to arise. Additionally, according to France's Foreign Minister Jean-Yves Le Drian, the pandemic is exacerbating **diplomatic "fractures"** and risks **weakening multilateralism**.

## Austria

### State of play before the crisis

1. The Austrian economic situation prior to the crisis was **solid, but unspectacular**. Economic growth has been sluggish for a number of years, with quarterly growth not exceeding 1% since 2011. In Q4 of 2019, Austrian GDP grew by 0.23%.
2. Austria had a pre-crisis unemployment level of 4.5%. The Austrian Federal Government is officially committed to a policy of full employment, and this figure, although **low by European standards**, is historically comparably high in Austria.
3. Austria has a social market economy, with a tight labour market, strong social protections, and a high number of medium-sized businesses. Tourism is an especially important sector of the Austrian economy, contributing to 8.8% of Austria's GDP as of 2016, according to [government data](#). This renders the **Austrian economy vulnerable to measures which impede the ability of tourists to enter the country**, or to travel within it.
4. Moreover, as a wealthy country with a comparatively small domestic market, **Austria has a large export sector**. In 2019, exports of goods and services accounted for 55.6% of Austrian GDP. As above, tourism is Austria's main export, but other key sectors include mechanical engineering, iron and steel, and medical and pharmaceutical products. Austria's key trade partners are near-neighbours Germany, Italy, and Switzerland, and well as the United States, and the country has a growing export presence in Central and Eastern Europe.
5. In September 2019 the centre right Austrian People's Party emerged as the largest party from a general election. After months of political negotiations, the party entered into a coalition agreement with the Green Party. The coalition remains young and the two parties do not share a vast amount of political common ground, meaning that it may well be **vulnerable in a crisis situation**.

### COVID-19 and the government's response

6. **Austria has not been very severely impacted by COVID-19**, with 14,873 confirmed cases, and 491 deaths, as of 16 April 2020. Given the country's proximity to Italy, and the popularity of skiing holidays in some Austrian regions, there were initial concerns about the severity of the crisis. However, the government initiated tight lockdown measures quickly, and implemented measures commonly seen in many East Asian countries, such as distributing face masks free of cost, in order to limit the virus' spread.

7. Many of Austria's most prominent sectors, such as tourism and industrial exports, will be badly damaged by the lockdown measures, and especially by the closure of Austria's borders. The government has therefore designed policies which **aim to preserve jobs and to keep liquidity in businesses** whose revenues have fallen substantially due to COVID-19. The export sector has been singled out for specific relief, due to its size and importance to the Austrian economy.
8. **Austria's "social market" model is particularly evident in the kurzarbeit programme initiated by the government.** Any reductions in staff hours must be subject to an agreement between employers and employees, and can be done either collectively in what is known as a Betriebsvereinbarung (plant-level agreement) or on an individual basis. Kurzarbeit has been used in prior economic crises by the Austrian government as a means of maintaining employment, including in the Great Recession which followed the 2008 financial crisis.

#### Austria and the EU response to the crisis

9. Article 107 of the Treaty of Functioning of the EU (TFEU) defines the boundaries within which Member States are allowed to design and implement aid measures, for instance to compensate companies for the damage directly caused by exceptional occurrences or to help them with liquidity shortages and urgent rescue aid. In order to allow Member States to use the full flexibility under state aid rules to address the economic impacts of the COVID-19 pandemic, **the European Commission has adopted the Temporary Framework for State Aid Flexibility**, which will be active until the end of December 2020.
10. **The Austrian government's response is aligned with the European Union's revised Temporary Framework for State Aid Flexibility.** All economic measures and schemes adopted by the Austrian government within state aid rules must be (and have thus far been) approved by the European Commission.
11. The European institutions have also launched initiatives designed to ensure that member states can **access credit and make the best use of EU budget money to address COVID-19.** The Coronavirus Response Investment Initiative (CRII) includes €37 billion of European public investment, which will be mobilised by relinquishing Member States' unspent pre-financing for the European Structural and Investment funds. European Finance Ministers have also agreed a three-track €540 billion economic rescue package, including an unconditional credit line (the Pandemic Crisis Support) for Member States provided through the European Stability Mechanism (ESM).
12. Austria has gone one step further than other European countries, **demanding the suspension of the State Aid framework** in return for its agreement to contribute to pan-European bailout mechanisms. The Austrian government wishes to be able to implement measures to prop up Austrian businesses without the Commission's approval, arguing that it

is unfair for Austrian taxpayers to help prop up industries in other countries without being able to do so in Austria.€

### List of government interventions since crisis outbreak

The Austrian government initiated four key interventions. The first of these is the four billion euro **Emergency Aid Package**, which covers the short time work (Kurzarbeit) programme, and the hardship fund (for self-employed people and entrepreneurs).

The second is €9 billion in **guarantees and liabilities** from the Federal Government, which is available for all businesses.

The third, and largest package, is the 15 billion euro **Corona Aid Fund**, which covers loan guarantees and direct grants for businesses which have been especially hard hit by COVID-19.

The fourth is the **deferral of €10 billion worth of tax**.

#### *Short time work programme*

<b>Target</b>	Employees.
<b>Details</b>	<ul style="list-style-type: none"> <li>Workers have their hours reduced by up to 90% under the programme, and in return are guaranteed a certain percentage of their usual wage, depending on how much money per month they earn.</li> <li>All workers receive between 80% and 90% of their usual net monthly salary, and employers receive funding from the Austrian Labour Market Service (AMS) which roughly equals the disparity between how many hours employees have worked, and how many hours they have paid for.</li> <li>The programme is scheduled to last for an initial three months but can be extended by a further three months if necessary.</li> </ul>
<b>Responsible body</b>	The Ministry for Work, Family, and Youth, in association with the Austrian Chamber of Commerce (Wirtschaftskammer Österreich).
<a href="#">Further information</a>	

### **Hardship fund**

<b>Target</b>	Single entrepreneurs, freelancers, and very small companies.
<b>Details</b>	<ul style="list-style-type: none"><li>• The 2 billion euro hardship fund applies to businesses who have either been forced to stop trading or who have suffered a higher than 50% drop in revenues due to coronavirus.</li><li>• The fund includes an immediate 1,000 euro payout, followed by a further €2,000 per month for up to three months.</li></ul>
<b>Responsible body</b>	Austrian Chamber of Commerce.
<a href="#">Further information</a>	

### **Corona Aid Fund: Credit guarantees**

<b>Target</b>	Businesses which have suffered major revenue losses.
<b>Details</b>	<ul style="list-style-type: none"><li>• The government will guarantee up to 100% of loans to businesses of up to €500,000, and up to 90% of loans in excess of €500,000.</li><li>• The money is taken from the 15 billion euro corona aid fund set up by the federal government.</li><li>• The term of the guarantee is five years, which can be extended for a further five years.</li><li>• Companies apply to a private bank for the funding.</li></ul>
<b>Responsible bodies</b>	Austria Wirtschaftsservice Gesellschaft (for SMEs) Austrian Kontrollbank (for large companies)
<a href="#">Further information</a> (AWG)	
<a href="#">Further information</a> (Austrian Finance Ministry)	

### **Corona Aid Fund: Grants**

<b>Target</b>	Businesses which have suffered major revenue losses.
<b>Details</b>	<ul style="list-style-type: none"><li>• The government is issuing grants to cover certain fixed costs for businesses which are experiencing reduced revenues due to COVID-19.</li><li>• Companies who wish to avail themselves of this aid must be projected to suffer revenue losses of at least 40% from 16 March through to 16 June, and must first have made reasonable attempts to reduce fixed costs</li></ul>

	<p>whilst also preserving jobs.</p> <ul style="list-style-type: none"> <li>• The government agrees to cover a certain percentage of the fixed costs, depending on the projected revenue losses which the company is facing.</li> <li>• The costs which may be covered include rent, insurance premiums, and utility bills.</li> </ul>
<b>Responsible body</b>	Austria Wirtschaftsservice Gesellschaft
<a href="#">Further information</a>	

### ***Guarantees and liabilities***

<b>Target</b>	Businesses.
<b>Details</b>	<ul style="list-style-type: none"> <li>• The government has promised €9 billion in guarantees to companies, including exporters and businesses in the tourism sector.</li> <li>• Unlike guarantees provided within the framework of the Corona Aid Fund, these guarantees apply to all types of company, and not just those who have been severely impacted by COVID-19.</li> <li>• Applications for funding are made via companies' private banks, and the guarantees are processed via the COVID-19 Federal Finance Agency (COFAG).</li> </ul>
<b>Responsible body</b>	COVID-19 Federal Finance Agency, which operates under the auspices of the Federal Ministry of Finance.
<a href="#">Further information</a>	

### ***Tax deferrals and the reduction of advance payments***

<b>Target</b>	Citizens and businesses.
<b>Details</b>	<ul style="list-style-type: none"> <li>• The government has announced a reduction to zero of all prepayments of both income and corporation tax for 2020.</li> <li>• It has also instigated a programme of payment relief, allowing for taxes to be deferred, or to be paid in installments.</li> <li>• In either case, the deadline has been shifted back to 30 September 2020.</li> <li>• The deadline for the filing of annual tax returns for 2019 has been revised backwards.</li> </ul>
<b>Responsible body</b>	Federal Finance Ministry.
<a href="#">Further information</a>	

### ***Loans for export businesses***

<b>Target</b>	Export businesses.
<b>Details</b>	<ul style="list-style-type: none"> <li>• The government is providing €2 billion worth of loans to support the export industry during the coronavirus outbreak.</li> <li>• The loans are to be handled via the Covid-19 Control Bank Refinancing Framework, which was developed as a joint initiative between the Federal Finance Ministry and the Austrian Kontrollbank.</li> <li>• The initiative involves the Federal Government assuming between 50% and 70% of the risk on existing business' credit lines, and companies can apply for a maximum of 10% of their export revenues from 2019, up to €60 million.</li> </ul>
<b>Responsible bodies</b>	Federal Finance Ministry and Austrian Kontrollbank.
<a href="#">Further information</a>	

### ***Industry-specific measures***

#### Agriculture and forestry:

- Specific capital from the **Hardship Fund** is available to firms which produce agricultural goods, guest accommodation based in working farms, businesses which provide forest and agriculture education activities, and lumber mills.
- Applications are made through **Agarmarkt Austria** and funding comprises an initial lump sum of €500 or €1,000 followed by a monthly fee of €2,000 for three months.
- [Further information](#).

#### Tourism and hospitality:

- Tourism and hospitality businesses must make a separate application for a loan guarantee under the **Corona Aid Fund** to the **Austrian Tourism Bank**.
- €100 million of funding has been made available for tourism businesses specifically and the government will guarantee 80% of loan value.
- The maximum loan is €500,000.
- [Further information](#).

#### Airlines:

- Although no deal has yet been made, Austrian **Transport Minister Leonore Gewessler** has said publicly that any bailout agreed with **Austrian Airlines** will include conditions relating to environmental targets.
- The government is reportedly in talks to provide between €500 million and €800 million worth of funding for Austrian Airlines.

### Media:

- The Austrian government has created a €32 million fund to help the media industry.
- Around half of the funding will go to private **commercial broadcasters**, whilst €12.1 million will go to **daily newspapers** and €2.7 million for **weekly newspapers**.

### Outlook and next steps

13. The IMF is projecting that Austria's economy will shrink by 7% during 2020, which represents a significant downturn. **Continued closure of external borders will have an impact on Austria's most important export, tourism**, given that around 75% of Austria's tourists come from abroad. The country will certainly see a substantial reduction in the record €13.98 billion in revenue for the sector from 2019. As such, the government may well be required to maintain some support measures for businesses for the foreseeable future.
14. However, the low number of deaths and declining infection rate have made Austria one of the first European countries to begin **relaxing the coronavirus lockdown**. Small shops and public parks have already been reopened, and more businesses will be permitted to resume trading, under certain conditions, over the course of April.
15. Chancellor Sebastian Kurz enjoys extremely high levels of public support, and Austria has been cited as **an example of best practice in terms of tackling the virus** within Europe.

## Czech Republic

### State of play before the crisis

1. The Czech economy posted a solid if not stellar growth of 3 % in 2018 and by most estimates, including the Czech Ministry of Finance's, grew by 2.5 % in 2019.
2. The country had a **very low official unemployment rate** of just 2 % in February 2020, just before the crisis.
3. The economy is fairly diversified and ranks among the most open in the world. The country has a fairly solid social protection net and one of the lowest inequality rates in the world.
4. The country has had a coalition government composed of two parties since June 2018. It is a formally a minority government, with silent support from two other parties in parliament. The main party is ANO of Andrej Babis, the second richest person in the country, and the junior partner are the Social Democrats.

### COVID-19 and the government's response

5. To counter the epidemiological crisis, the government established a Central Crisis Committee, on March 16, as a committee of the Security Council. The Committee is composed mostly of the representatives of several ministries and some state agencies. The Prime Minister appointed the Deputy Minister of Health Roman Prymula as the head of the committee. Formally, the committee's recommendations are approved by the Security Council.
6. The government was also relatively fast in introducing measures to counter the economic crisis, largely spread over wages subsidies, liquidity support through credits and grants, and various moratoria on taxes, contributions and other payments.
7. The government has also reacted by other means, for example by providing a [platform](#) through which companies can offer the state or other companies services or goods related to the crisis.

### List of government interventions since crisis outbreak

[A complete list of economic measures](#) (in Czech)

#### ***The wage subsidy programme Antivirus***

<b>Target</b>	Employees in small and medium-sized companies
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<b>Details</b>	<ul style="list-style-type: none"> <li>● Employers can receive wage subsidies for employees under two “regimes”</li> <li>● Regime A: This is for employees temporarily out of work due to direct intervention by the state. If an employee is quarantined he or she will receive 60 % of wage; if the employee is temporarily out of work because the business is closed due to lockdown rules, he or she will receive 100 % of the wage. In both cases the government contributes 80 % of the wage including social security and health contributions. The government contribution is capped at 39,000 Czech crowns (1440 euro)</li> <li>● Regime B: This covers situations where business is reduced due to reasons related to the epidemic. If a business is temporarily closed because at least 30 % of employees are on caring duties (children, other family members) they receive 100 % of the wage. If a business is closed or reduced because of low availability of inputs (supplies of raw materials, parts or services) due to the epidemic, the employee will receive 80 % of the wage. If the business is reduced because of low demand due to the epidemic, the employee will receive 60 % of the wage. In all of these cases the government contributes 60 % of the wage including social security and health contributions. The government contribution is capped at 29,000 Czech crowns (1,070 euro).</li> <li>● The programme started receiving claims on April 6.</li> </ul>
<b>Responsible body</b>	The Ministry of Work and Social Affairs
<a href="#">Further information (Czech)</a>	

### ***Taxation packages***

<b>Target</b>	All taxpayers
<b>Details</b>	<ul style="list-style-type: none"> <li>● The deadline for filing income tax returns (companies and persons) and paying the tax extended from March 31 until July 1.</li> <li>● No penalties for failure to file interim tax reports or for late payment of additional taxes between March 1 and July 31</li> <li>● No tax prepayments for 2<sup>nd</sup> quarter</li> <li>● Loss carryback for 2019 and 2018</li> <li>● From April 2020, taxpayers will not be obliged to pay motor vehicle tax advances for which the due date falls during the pandemic period.</li> <li>● And several other smaller measures related to tax registration, payments and administrative fees</li> <li>● Cancellation of VAT for emergency supplies of medical and protective</li> </ul>

	equipment
<b>Responsible body</b>	Financial Administration, a subsidiary agency of the Ministry of Finance
<a href="#">Further information (Czech)</a>	

***State-sponsored loans COVID I and II and COVID Prague***

<b>Target</b>	Small and medium-sized enterprises
<b>Details</b>	<ul style="list-style-type: none"> <li>● The government provides guarantees for loans given out by commercial banks</li> <li>● The guarantee covers up to 80 % of the loan, for up to 15 mil. Czech crowns (550,000 euro)</li> <li>● The programme also provides a grant to cover interest payments of up to 3 mil. crowns (37,000 euro)</li> <li>● The guarantee can be used for loans to finance: wages, energy payments, rents, invoices for operational payments, pre-financing of claims, the purchase of inputs and some other assets</li> <li>● The first incarnation of the programme (COVID I) ran between March 16 and 23 and disbursed guarantees worth 22 mil. euro. After some adjustments the new programme (COVID II) opened the first round of applications on April 2. The April round will disburse guarantees worth 55 mil. euro to around 10,000 companies.</li> <li>● All in all the government has pledged up to 1,1 billion eur for the programme.</li> <li>● The programme is financed out of EU structural aid and therefore covers only companies outside of Prague, which is covered by a similar programme, COVID Prague.</li> <li>●</li> </ul>
<b>Responsible bodies</b>	The Czech-Moravian Guaranty and Development Bank (CMZRB)
<a href="#">Further information</a> (CMZRB)	
<a href="#">Further information</a> (Czech Chamber of Commerce)	

***Loans to large enterprises COVID plus***

<b>Target</b>	Large enterprises (minimum of 250 employees)
<b>Details</b>	<ul style="list-style-type: none"> <li>● The programme will disburse guarantees to commercial banks</li> <li>● The government intends to programme to give out guarantees in the total volume of up to 200 billion Czech crowns (7,4 billion euro).</li> </ul>

	<ul style="list-style-type: none"> <li>The programme is expected to be rolled out at the end of April, following the completion of EU notification procedure and the passing of government regulations for the programme. The requisite parliamentary bills have already been passed during April.</li> </ul>
<b>Responsible bodies</b>	Export Guarantee and Insurance Company (EGAP)
<a href="#">Further information</a> (EGAP)	

### *Grants to the self-employed*

<b>Target</b>	Self-employed persons
<b>Details</b>	<ul style="list-style-type: none"> <li>Any self-employed whose business has been at least in part affected by the crisis, can claim a one-off payment from the government in the amount of 25,000 Czech crowns (920 euro).</li> <li>This “compensation payment” covers the March 12 to April 30.</li> <li>To claim, the self-employed person has to file a simple declaration that his or her business has been affected by the crisis.</li> <li>The claim can be filed until the end of June.</li> <li>At the end of April, the government indicated it will extend this scheme into next months.</li> <li></li> </ul>
<b>Responsible body</b>	Ministry of Finance
<a href="#">Further information</a> (Czech)	

### *Cancellation of pension and healthcare contributions for the self-employed*

<b>Target</b>	Self-employed persons
<b>Details</b>	<ul style="list-style-type: none"> <li>The self-employed do not have to pay mandatory pension and healthcare contributions for 6 months (March-August). Their pensions will be calculated as if payments were made.</li> <li>This measure will cover about one million self-employed.</li> </ul>
<b>Responsible body</b>	Ministry of Labour and Social Affairs
<a href="#">Further information</a> (Czech)	

### ***Payments for caring duties for the self-employed***

<b>Target</b>	Self-employed persons
<b>Details</b>	<ul style="list-style-type: none"><li>• The self-employed started receiving state payments at the beginning of April for caring for children or handicapped in the amount of 424 Czech crowns (16 euro) a day.</li><li>• Until now, these payments were available for employees only.</li></ul>
<b>Responsible body</b>	Ministry of Labour and Social Affairs
<a href="#">Further information (Czech)</a>	

### ***Export-boosting measures***

<b>Target</b>	Exporting companies
<b>Details</b>	<ul style="list-style-type: none"><li>• Free export consultancy by the export agency Czechtrade</li><li>• Enhanced export financing by the Czech Export Bank</li><li>• The self-employed started receiving state payments at the beginning of April for caring for children or handicapped in the amount of 424 Czech crowns (16 euro) a day.</li><li>• Until now, these payments were available for employees only.</li></ul>
<b>Responsible body</b>	Export agency Czechtrade Czech Export Bank
<a href="#">Further information (Czech)</a> <a href="#">Further information (Czech)</a>	

### List of industry-specific measures:

- [Support for truck companies](#): cancellation of toll payments and motor vehicle tax.
- [Measures to support culture industry](#): 787 million Czech crowns (28.3 euro) to help non-state cultural institutions and 300 million Czech crowns (11 million euro), if state-mandated lockdown continues beyond May 31, for the organisations under the Ministry of Culture.
- [Support for farmers](#): deferral of payments on commercial loans given by the Agricultural Support Fund or special loans to support farming businesses. Agricultural Support Fund will see its capital boosted by 4,3 billion Czech crowns (158 million euro).
- [Program Country for the Future](#): grants to help startups and innovation in companies.

## Outlook and next steps

8. In mid-April, the Czech government unveiled a four-phase plan to start easing lockdown measures.
9. The opinion is divided on how fast the lockdown should be eased and especially on opening the borders. While the head of the Crisis Committee Roman Prymula has recently spoken out in favour of even allowing international travel in summer (the Czech Republic is one of the few countries banning outward travel of its citizens during the crisis) for holidays to countries mildly affected such as Slovakia or Croatia, the Minister of Interior Jan Hamacek has generally been in favour of relatively strict measures to remain in place.
10. The medical and wider scientific establishment is similarly divided, with some experts arguing for a relatively strict regime to continue for as long as necessary, while others have argued the economy cannot suffer for much longer.

## Hungary

### State of play before the crisis

1. Hungary was on a **stable economic footing** prior to the pandemic. The Hungarian Central Statistical Office [reported](#) 4.5% GDP growth and a 3.3% unemployment rate in the fourth quarter of 2019, and the OECD [reported](#) a similar annualised GDP growth rate of 4.7% in 2019 and 3.4% unemployment in the fourth quarter of 2019.
2. Economic growth has been driven by [increased private consumption, housing investment, and foreign direct investment](#), which has particularly concentrated in Budapest, increasing inter-regional inequality. Housing prices have [increased](#) sharply in recent years, particularly in Budapest, increasing the urban-rural divide in pricing. Real wages have increased in the last decade as well, though continue to lag below the Central and Eastern European average.
3. The Government has [prioritised debt reduction](#), especially of foreign exchange-denominated debt, and **employment maximisation** over the last decade, including through the use of public work schemes. Hungary reached a 70.2% debt to GDP ratio by the end of 2018, still far above its peers in Central and Eastern Europe, and a total employment rate of 70.3% by the end of 2019. In addition to real economic growth, a shrinking working population due to both labour emigration and an aging population has contributed to the statistically high employment rate.
4. Public spending [stood](#) at 46.7% of GDP in 2018, in line with the EU average; the government has [increased](#) public investment to 12.6% of its total spending, or almost 6% of GDP in 2018. Compared to other European economies, Hungary spends **less than average** amounts on its healthcare system.

5. The **political environment is stably in the hands of Prime Minister Viktor Orbán's government**, which holds more than a ⅔ majority in Parliament (133 of 199 seats) and which has been in power since 2010. The Government won re-election in 2014 and 2018 and has maintained its dominance in European and municipal elections as well, although the mayor of Budapest is an opposition party member. Political **opposition is quite splintered**, and Hungary has seen a series of parties on the left and far right grow and decline in quick succession.
6. The Hungarian government has been the subject of **frequent international criticism** as it has shaped public life with the authority of its two-thirds parliamentary majority, including its drafting of a new constitution in 2011, its harsh approach to migration in 2015, and a labour reform law in 2019. It has partnered frequently with allies in the Visegrad Four (V4) group, particularly with Poland, in multilateral venues.

#### COVID-19 and the government's response

7. Relative to a population of 9.8 million, official statistics [report](#) Hungary has had over 2,098 cases and 213 deaths from COVID-19, as of 21 April 2020. Testing rates have been quite [low](#), however, and **the high mortality rate may indicate a failure to find and treat cases in time**. Moreover, the government does not expect the outbreak to reach its peak until early May, meaning that the infection and death rates could yet climb further. Thus far, it has focused its public health response on freeing hospital capacity and securing needed medical equipment while imposing nationwide social distancing measures.
8. **Retaining workers and improving the healthcare system** are the subject of a long-running political debate. Partly in recognition of the difficult status of the healthcare system before the pandemic, the Government has announced a one-time bonus [payment](#) to all health workers this year. At the same time, its pandemic-related health measures have been criticised as unclear and unsystematic by the Hungarian Medical Chamber, which has [sought clarity](#) from the Health Minister.
9. A guiding principle in designing economic interventions has been limiting the deficit to no more than 3% of GDP, and **the Government has [asserted](#) that maintaining employment is a priority**.
10. Like many European countries, the Hungarian government pursued passage of a state of emergency law as the coronavirus issue grew in importance. The legislative text authorises indefinite rule by decree, authorises extraordinary action in the interest of public health, suspends elections, and creates several harshly punished crimes for spreading disinformation related to the virus. In the context of the government's parliamentary supermajority and

weak record on the rule of law, this emergency powers law has been the subject of **significant international criticism**.

#### The EU and the government's response to Covid-19

11. **The Hungarian government's response is aligned with the EU approach to State Aid regulation**, particularly through the Temporary Framework for State Aid Flexibility. The government's economic measures and schemes adopted within state aid rules must be approved by the European Commission.
12. Article 107 of the Treaty of Functioning of the EU (TFEU) defines the boundaries within which Member States are allowed to design and implement aid measures, for instance to compensate companies for the damage directly caused by exceptional occurrences or to help them with liquidity shortages and urgent rescue aid. **In order to allow Member States to use the full flexibility under state aid rules to address the economic impacts of the COVID-19 pandemic, the European Commission has adopted the [Temporary Framework for State Aid Flexibility](#)**, which will be active until the end of December 2020. The Framework is being regularly updated and expanded by the European Commission to allow for a broader coverage of measures, targets and instruments.
13. The European institutions have also launched initiatives designed to ensure that member states can **access credit and make the best use of EU budget money to address COVID-19**. The Coronavirus Response Investment Initiative ([CRII](#)) includes €37 billion of European public investment, which will be mobilised by relinquishing Member States' unspent pre-financing for the European Structural and Investment funds. European Finance Ministers have also agreed a three-track €540 billion economic rescue package, including an unconditional credit line (the Pandemic Crisis Support) for Member States provided through the European Stability Mechanism (ESM).
14. The Hungarian government has followed an established political pathway of relations with the EU during the crisis, **both castigating the European response to the pandemic and incorporating the financial benefits it receives from the EU**. The Government has emphasised its ability to finance the crisis domestically, [creating](#) several new funds to coordinate the pandemic response and recapturing previously budgeted funds from other parts of the government.
15. As Hungary is not part of the Eurozone, **it has [emphasised](#) in meetings with other member states that EU support must exist outside of the ESM**, and that maintaining strong cohesion funding allocations is important in the next round of EU budgeting.
16. Hungary [qualified](#) for payments from the EU via the Coronavirus Response Investment Initiative totaling over €607 million, and in total is eligible for €5.6 billion in support through this Initiative to support its pandemic response activities. The Government has asserted, however, that **it has already committed EU cohesion funding to other purposes with no flexibility to use this funding for pandemic response**.

## List of Government interventions since crisis outbreak

The Government has focused first on easing tax burdens and deferring debt payments for businesses, **emphasising sectors most immediately harmed by the pandemic**. It initiated fewer direct support programmes than other European countries, but it has now [established](#) several broad loan and grant programmes, as well as a wage support scheme intended to limit unemployment, as part of its **Economic Protection Action Plan**.

### *Highly impacted sectors' tax measures*

<b>Target</b>	Business sectors impacted by the virus, including tourism, entertainment, MICE (meetings, incentives, conferences and exhibitions), and sports sectors. The applicability of tax benefits, including social contribution suspensions, has been expanded to include taxi services and media production; travel planning and organisation, water-based passenger transport, and public baths, saunas, and spas; and horticulture, hunting, and alcohol production.
<b>Details</b>	<ul style="list-style-type: none"> <li>• Employers in these sectors are exempt from wage-related taxes payable March 2020-June 2020. They must still pay health insurance contributions.</li> <li>• Tourism development contributions are suspended from 1 March to 30 June 2020.</li> </ul>
<b>Responsible body</b>	Ministry for Innovation and Technology, Ministry of Finance, National Tax and Customs Administration
<a href="#">Further information</a>	

### *Debt repayment moratorium*

<b>Target</b>	Consumers and businesses
<b>Details</b>	<ul style="list-style-type: none"> <li>• The government has issued a moratorium on personal and business loan repayments to the end of the year.</li> <li>• There is a suspension of compound interest accrual in this period, and lenders are barred from increasing loan payment installment sizes in 2021, after the deferral period has ended.</li> </ul>
<b>Responsible body</b>	Finance Ministry

[Further information](#)

### ***Commercial real estate protection***

<b>Target</b>	Businesses in sectors most impacted by the virus (tourism, hospitality, events, baths and saunas, horticulture and alcohol production)
<b>Details</b>	<ul style="list-style-type: none"><li>• Businesses in these sectors are also protected from eviction and rent increases from commercial properties until 30 June 2020.</li></ul>
<b>Responsible body</b>	Finance Ministry
<a href="#">Further information</a>	

### ***Wage compensation scheme***

<b>Target</b>	All employers
<b>Details</b>	<ul style="list-style-type: none"><li>• The Government's short-time work support scheme will cover 70% of wages that employees would be earning during the time they cannot work (due to the pandemic), for a maximum of three months. Qualifying employees must work 50-70% of their normally scheduled hours, at least two hours per work day.</li></ul>
<b>Responsible body</b>	Ministry for Innovation and Technology, National Employment Service
<a href="#">Further information</a>	

### ***Manufacturing and services grants***

<b>Target</b>	Medium and large businesses in the manufacturing and business services sectors
<b>Details</b>	<ul style="list-style-type: none"><li>• A HUF 50 billion (approximately €140 million) grant programme has been launched for otherwise healthy companies who have experienced 25% or greater revenue decreases due to the pandemic.</li><li>• The programme will function as a pre-paid subsidy of 30% to 50% on investments in Hungary, depending on the investment total. The maximum funding is €800,000 per recipient, in line with the EU</li></ul>

	<p>Temporary Framework on state aid.</p> <ul style="list-style-type: none"> <li>Recipients must also retain employees until at least 31 December 2020.</li> </ul>
<b>Responsible body</b>	Hungarian Investment Promotion Agency
<a href="#">Further information</a> (Hungarian Investment Promotion Agency)	
<a href="#">Further information</a> (Hungarian government)	

### ***Monetary policy and lending schemes***

<b>Target</b>	SMEs and larger firms
<b>Details</b>	<ul style="list-style-type: none"> <li>The Hungarian National Bank (MNB) is increasing support for the “Funding for Growth Scheme Go!,” an SME lending scheme, making HUF 1.5 trillion (approximately €4.27 billion) available to SMEs and lending institutions. MNB is requiring lenders to make financing decisions within two weeks.</li> <li>The MNB is also easing some terms associated with its Bond Funding for Growth Scheme to support larger firms’ liquidity.</li> <li>The MNB is also providing HUF 250 billion (approximately €708 million) to the national budget.</li> </ul>
<b>Responsible body</b>	National Bank of Hungary (MNB)
<a href="#">Further information</a>	

### ***Deferral of taxes***

<b>Target</b>	Businesses outside of the bank, insurance, and investment sectors
<b>Details</b>	<ul style="list-style-type: none"> <li>Businesses may postpone payments of corporate tax liabilities until 30 September 2020, a measure designed to assist 600,000 businesses.</li> <li>Businesses impacted by the virus may request up to twelve months of installment-based tax payments for liabilities of up to HUF 5 million (€14,000).</li> <li>Small business tax will decrease from 12% to 11% beginning in 2021.</li> <li>The social contribution tax will also decrease by two percentage points to 15.5%.</li> </ul>
<b>Responsible body</b>	Finance Ministry
<a href="#">Further information</a>	

### ***Special excise taxes to fund coronavirus response***

<b>Target</b>	Banks and large retailers
<b>Details</b>	<ul style="list-style-type: none"><li>● A new 0.19% bank excise is to be paid in three instalments in June, September, and December 2020.</li><li>● Retailers must make a monthly advance payment on the tax, with the first payment due 31 May 2020. Rates vary from 0.1% to 2.5% based on taxable revenue size, and the first HUF 500 million (€ 1.4 million) of revenue is exempt.</li></ul>
<b>Responsible body</b>	Finance Ministry
<a href="#">Further information</a>	

### Industry-specific measures

#### Hospitality, tourism, events organisation

- A package of business **tax breaks, lowered social contributions, and rent protections** was issued initially for the hospitality and tourism sectors, but has been expanded three times to include sectors like baths and spas, vineyards and grape production, and ornamental gardening.

#### Agriculture and fisheries

- An existing **agricultural lending programme** has been [expanded](#) and made interest-free, allowing individual farmers to take out a maximum HUF 200 million (€559,000) loan, double the previous HUF 100 million limit.
- The Government has [initiated](#) a programme to **buy excess carp stocks** from commercial fisheries.

#### Health

- As mentioned earlier, the government is issuing a **one-time bonus for health workers** of HUF 500 000 (approximately €1400).

#### Special economic zones

- Pursuant to its emergency authority, the Government has announced the [creation](#) of **“special economic zones”** providing direct control of tax and regulatory authority in those zones to the county and national governments, rather than local governments. The measure is presented as a job creation and retention programme.
- One such zone has been designated to date, around a Samsung factory in the town of Göd.

### Manufacturing and business services

- A **loan advance scheme** managed by the Hungarian Investment Promotion Authority is designed to draw investments by the manufacturing and business services sectors, and specifically excludes the steel, coal, and energy, agriculture and fishery, export, transport and tourism, and synthetic fibers sectors.

### Finance and large retail

- By contrast, the Government has targeted the **imposition of a pandemic response-financing tax** on the financial sector and largely foreign-owned large retailers.

### Outlook and next steps

17. The IMF [projects](#) negative GDP growth of 3.1% for 2020, but a return to positive growth of 4.2% in 2021, based on calculations in April 2020.
18. The Finance Minister has forecast a **3% economic contraction** for 2020, whilst the Prime Minister has expressed the hope of achieving flat GDP growth by February 2021. The head of the central bank has said he expects a V-shaped recovery, allowing Hungary to maintain positive GDP growth in 2020.
19. The Central Statistical Agency's [analysis](#) finds that sectors most at risk from the pandemic-instigated economic crisis include **tourism and hospitality, motor vehicle manufacturing, and non-grocery retail**. There is a **disparate regional impact**, with the services and hospitality sectors in Budapest and Lake Balaton region, as well as the Budapest-Szeged manufacturing corridor experiencing higher business impacts.
20. A [public opinion poll](#) conducted in mid-April by Nezipont Intezet found that the governing **Fidesz party had increased its support** to 55% of likely voters by April 2020, relative to 50% in January 2020. Opposition party support remains scattered, without changes in support outside the margin of error. **72% of respondents were more satisfied than not** with the government's pandemic response; 64% of respondents believe the government will conclude the state of emergency at the end of the epidemic, though among Budapest residents the rate drops to 52%.
21. The Prime Minister has [announced](#) that a recovery plan setting out next steps on public health would be published on 3 May 2020, at the time Hungary is expected to reach its peak COVID-19 case rate.

## Slovakia

### State of play before the crisis

1. The Slovak economy before the crisis was **stable and growing at a moderate pace**. Despite being slightly slowed down in 2019 by more restrained sentiment in the biggest export partner Germany, the Slovak economy grew 2,3% in 2019, down from 4,0% in 2018.
2. Slovakia had a **pre-crisis unemployment level of 5.5%**. This level had been considered as **record-low by Slovak standards**, even to the extent that some of the industrial players had been vocal about the lack of available and qualified labour force. In 2019 the government implemented various measures aimed at allowing foreign labour from a selected number of countries, primarily in South Eastern Europe, to fill the needs of the manufacturing sector.
3. The economy of Slovakia is, in terms of tradable goods, **severely dependent on the export from its large automotive sector**, and to a lesser degree on other electronics manufacturing and shared service centres. The state intervention in the past eight years, under social-democratic governments, has been to a large extent primarily from the side of employee benefits, such as in radical increases of minimum wage and other forms of employee compensations. Thus, the severe lowering of global demand for automobiles can quite dramatically impact the prospects of future economic growth.
4. Despite the measures of previous governments, Slovakia has not had stable and functioning institutional co-ordinational mechanisms in the economy, meaning that the tripartite dialogue from earlier years has been severely damaged by the nature of political discourse. Stemming from this, the government has been generally not working as seamlessly as desired with the coordination of economic policy between opposing parties.
5. The long-term **macroeconomic stability has also been threatened** in recent years by several measures enacted by the social-democratic government. A constitutional amendment fixed the retirement age at 64, and laws were passed that added thirteenth pension for all retirees, starting from 2019, set a minimum level of retirement payments, and doubled the child benefits. These measures raised the projected budget deficits higher than had been expected, to approximately 2,4% of GDP, according to an independent government-funded fiscal watchdog, and put a strain on public finances even before the advent of COVID-19 related economic downturn.
6. Slovakia is one of the most open economies in the eurozone and globally, with a large majority of its products being exported to Germany, France and neighbouring countries. Particularly sizeable is its automotive sector, which depends on a wide network of suppliers and customers across the continent and beyond. European demand for consumer goods will to a large extent determine the economic stability of Slovakia. The economy has in past

decades largely shifted from the primary sector, thus will be less affected by falling commodity prices.

7. The general election on 29<sup>th</sup> February 2020 resulted in a dramatic shift of power towards former opposition parties. The new government is composed of four political parties and despite having a constitutional (more than 3/5) majority in parliament, the government is vulnerable to internal disputes between two smaller parties, which favour more restraint in public spending, and two larger parties, which were vocal during the campaign in their support for existing social benefits and expenditures, as well as to increase infrastructure spending. The government is not just new and suffering from potential internal rifts, it is also inexperienced – very few in the party leaderships have held any government or top public administration positions before.

### COVID-19 and the government's response

8. **Slovakia remains one of the least affected countries in Europe by COVID-19**, with 1,360 confirmed cases and 17 deaths, as of 24 April 2020. The primary concern in the initial stages of the pandemic was the number of people returning from skiing trips in northern Italy, as the first growth of the number of infections in Italy correlated with the spring break school holidays in the western part of Slovakia. There was also significant fear of the possibility of uncontrollable spread in marginalised communities, with dominant Roma minority, which had numerous returnees from abroad.
9. The government's public health response was swift and relatively successful, parallel to some local government initiatives (school closures were led by local governments). The country was the first in Europe to mandate the universal use of face masks (following official recommendation to wear them very early on). The government has not been, however, successful in developing an effective contact tracing mechanism and other active measures to contain the spread of the virus. Also, Prime Minister Igor Matovič has been somewhat insistent on relatively severe measures, beyond the standard of other European countries, even though he later backtracked on this suggestion.
10. As the economy is dependent on European and global demand for its exports, the country will be more damaged by the global fall in demand and consumer confidence, than the pure lockdown measures. The government measures were to a large extent aimed at **preserving employment, liquidity** for individuals and SMEs, and maintaining **creditworthiness** in the economy.
11. Due to the uncertainty of coordination mechanisms in the economy, the government has been trying to establish a form of cooperation with the key players. The Ministry of Work, Social Affairs and Family is trying to pay out wage subsidies (somewhat misleadingly referring to this as the **kurzarbeit model**, of the German and Austrian examples). The total volume of the wage subsidies paid out is extremely low as companies struggle to correctly fill in the required paperwork.

## Slovakia and the EU response to the crisis

12. Article 107 of the Treaty of Functioning of the EU (TFEU) defines the boundaries within which the Member States are allowed to design and implement aid measures, for instance, to compensate companies for the damage directly caused by exceptional occurrences or to help them with liquidity shortages and urgent rescue aid. In order to allow Member States to use the full flexibility under state aid rules to address the economic impacts of the COVID-19 pandemic, **the European Commission has adopted the Temporary Framework for State Aid Flexibility**, which will be active until the end of December 2020.
13. Slovakia has been supportive of the use of 210 billion euros from the **European Stability Mechanism** for the provision of liquidity to match the necessary government expenditures for support measures, as well as 100 billion from SURE fund to mitigate employment disruptions. Ironically, the now-governing political party SaS (Freedom and Solidarity) voted against a government they were a part of in 2011 in a vote of no confidence connected with the first Slovak payment towards the ESM.
14. The Slovak government, in particular the newly-appointed Deputy Prime Minister for Investments and Regional Development, Veronika Remisova, has been vocal about fast-tracking of the use of available funds from European Structural funds for projects related to the relief from COVID-19 crisis effects. It is, however, unclear how this shall be administered.
15. The European institutions have also launched initiatives designed to ensure that member states can **access credit and make the best use of EU budget money to address COVID-19**. The Coronavirus Response Investment Initiative (CRII) includes €37 billion of European public investment, which will be mobilised by relinquishing Member States' unspent pre-financing for the European Structural and Investment funds. European Finance Ministers have also agreed on a three-track €540 billion economic rescue package, including an unconditional credit line (the Pandemic Crisis Support) for the Member States, provided through the European Stability Mechanism (ESM).

## List of government interventions since crisis outbreak

On 1<sup>st</sup> April 2020, the government announced the “First-Aid for Economy” package, worth 1.5 billion euros per month, which constitutes approximately 1% of GDP.

**The short-time work programme**

<b>Target</b>	Employers and self-employed persons
<b>Details</b>	<ul style="list-style-type: none"> <li>● The employer (including the self-employed persons, SZČO – Samostatne zárobkovo činná osoba), as an eligible applicant, may apply for a contribution to the compensation of the employee's salary, in the amount of 80% of his average earnings, up to a maximum of EUR 1,100, to which the employer could not assign work due to an obstacle on the part of the employer caused by public health measures</li> <li>● Self-employed persons (SZČOs) who, at the time of the declaration of the emergency situation, closed or stopped operations under the public health measures, or whose sales decreased compared to the same period in 2019 (or with the 2019 average) may apply for support. The amount of the contribution depends on the decrease in sales, with a maximum of 180 euro with sales decrease of 20% up to 540 euro if the fall in sales is more than 80%.</li> <li>● The employer (including SZČOs, who are employers), as an eligible applicant, may apply for a contribution to compensate the costs of employee's wage if they keep people in jobs despite the interruption or limitation of his business activities at the time of the declared exceptional occurrence or emergency. This measure gives employers a choice. They may apply for either a contribution to compensate the costs of employee's wage to whom the employer is unable to allocate work because of an obstacle on the part of the employer (Section 142 (4) of the Labour Code), up to 80% of his average earnings, or a flat-rate contribution to cover apart of the salary costs for each employee, depending on the decrease in sales (providing that a staff member did not have more than 50% of their monthly working hours cancelled due to an obstacle on the employee's side)</li> <li>● Specific groups of persons who have no other income, i.e. limited liability companies with one employee or self-employed persons who do not pay contributions to the Social Insurance Agency may not have their employment relationship terminated and the flat-rate contribution to compensate for a loss of earnings will be 105 euros per month for March and 210 euros for April and May of this year.</li> <li>● The payments to SZČOs will not be taxed</li> </ul>
<b>Responsible body</b>	The Ministry of Work, Social Affairs and Family (Ministerstvo práce, sociálnych vecí a rodiny).
<a href="#">Further information (Slovak)</a>	

**Deferral of compulsory social and medical insurance payments**

<b>Target</b>	Employees, Employers and Self-Employed Persons
<b>Details</b>	<ul style="list-style-type: none"> <li>● Cancellation of compulsory employee medical and social insurance payments (administered directly by government agencies) for employers and compulsorily insured self-employed persons (SZČO), whose net revenue or income from business and other self-employed activity decreased by 40% or more as a result of the crisis</li> <li>● For employers, this only applies to the part of the premium paid by the employer, a standardly not seen on the payroll. The insurance premium, which is deducted from the employee by the employer and he is obliged to pay it for them (which is the difference between gross and net salary), is not affected by the deferral of payment of the insurance premium. The employer pays this "employee" premium in the original due date</li> </ul>
<b>Responsible bodies</b>	The Ministry of Work, Social Affairs and Family (Ministerstvo práce, sociálnych vecí a rodiny).
<a href="#">Further information</a>	

### ***Taxation packages***

<b>Target</b>	All taxpayers
<b>Details</b>	<ul style="list-style-type: none"> <li>● Tax-loss utilisation will allow taxpayers whose filing deadline for income tax returns falls during 2020, to decrease their tax base by a one-off amount of unutilized tax losses declared for 2015 to 2018, up to the reported tax base, and up to a maximum of 1 million euros. Unutilized tax losses should be deducted gradually, from the oldest one to the most recently reported tax loss.</li> <li>● The tax administrator will refund a tax overpayment which a taxpayer claims on an income tax return filed during the pandemic period, within 40 days of the end of the month in which the taxpayer files the tax return</li> <li>● For taxpayers that reported a decrease in sales (revenues net of discounts) of at least 40% in comparison with the same period of the previous calendar year (a month or a quarter), the possibility of not paying corporate income tax advances due during the pandemic period is introduced</li> <li>● Also, enactment of automatic forgiveness of sanctions for missing tax deadlines, also the amount of tax which becomes due during the pandemic period, will not be considered a tax underpayment, for instance for execution purposes, provided the taxable entity pays or</li> </ul>

	<p>remits the amount due by the last day of the calendar month following the month in which the pandemic period comes to an end.</p> <ul style="list-style-type: none"> <li>• Missing payment of VAT and underpayments of customs duties and mandatory social security and health insurance contributions incurred by the taxpayer during the pandemic period will not be taken into account for an early VAT refund, provided these are paid up by the end of the calendar month following the month in which the pandemic period comes to an end</li> <li>• From April 2020, taxpayers will not be obliged to pay motor vehicle tax advances for which the due date falls during the pandemic period. The tax due will be settled by the deadline for filing the motor vehicle tax return.</li> <li>• Cancellation of import duty for medical goods</li> </ul>
<b>Responsible body</b>	Financial Administration, a subsidiary agency of the Ministry of Finance
<a href="#">Further information (Slovak)</a>	

### ***State-sponsored loans***

<b>Target</b>	Small and Medium Enterprises and self-employed persons
<b>Details</b>	<ul style="list-style-type: none"> <li>• The government will provide bridging loans from its government-owned banks (Eximbank and SZRB) loans under more advantageous conditions to SMEs and self-employed persons</li> <li>• The amount of the loan may not exceed 50% of the revenue for 2019 and SMEs must have been operating for at least one or two accounting periods</li> <li>• SZRB will provide loans from 10,000 euros to 350,000 euros and Eximbank from 100,000 euros to 500,000 euros with a maturity of 3 years</li> <li>• The deferral of repayment of principal and interest will be 1 year, with the loan being repaid over the remaining 24 months</li> <li>• The interest rate of the loan will be 4.00% p. a. as a fixed rate for the entire loan maturity period</li> <li>• The full interest rate will be charged (it will, therefore, be the loan will, however, be interest-free if the SMEs maintain employment during this annual loan deferral and after the expiry of this annual deferral of the loan, they will not have any liabilities after the maturity of more than 1 month on social and health contributions</li> </ul>
<b>Responsible bodies</b>	Eximbank and SZRB (Slovak Guarantee and Development bank)
<a href="#">Further information</a> (SZRB)	
<a href="#">Further information</a> (Slovak Ministry of Finance)	

### *Loan guarantees*

<b>Target</b>	Small and Medium Enterprises
<b>Details</b>	<ul style="list-style-type: none"> <li>• Eligible firms are SMEs which employ an up to 250 people and have a turnover of up to 50 million euros or assets of up to 43 million euros and activities in Slovakia</li> <li>• Program administered through commercial banks, which will give loans to small and medium-sized enterprises with the so-called “SIH anti-corona guarantee”</li> <li>• The guarantee will be in the amount of 80% of the loan (for the bank a maximum of 50% of the portfolio), the loan will also include an interest subsidy of a maximum of 4% p. a. - SMEs will thus receive loans with an approximate rate of zero to two percent</li> <li>• A company can apply for a loan with repayment instalments for a maximum of three to four years (including a deferral of repayment at the beginning for 12 months) or an overdraft for a year of up to three years</li> <li>• The loan can be up to 1.18 million euros and the money cannot be used for refinancing of old loans</li> <li>• There are 95 million euros allocated for this programme, with further funds are to be allocated if necessary</li> </ul>
<b>Responsible bodies</b>	Slovak Investment Holding (a government-owned agency, a subsidiary of SZRB bank)
<a href="#">Further information</a>	

### *Loan deferral*

<b>Target</b>	Consumers and SMEs
<b>Details</b>	<ul style="list-style-type: none"> <li>• For consumer loans and mortgages in banks, deferral of loan repayments is by 9 months and in non-banking and leasing companies by a maximum of 6 months.</li> <li>• The condition for deferral of repayments is that the applicant may not be in arrears with the repayment of the loan more than 30 calendar days on the day of delivery of the application. Likewise, the debtor may not be in arrears with an amount of at least 100 euros for another loan from the same creditor through to 16 June, and must first have made reasonable attempts to reduce fixed costs whilst also preserving jobs.</li> <li>• Banks must inform consumers about the exact details of their individual deferral policies</li> </ul>
<b>Responsible body</b>	Slovak Ministry of Finance

## Outlook and next steps

16. The Institute of Fiscal Policy, a government think-tank at the Ministry of Finance, is projecting a **7,2% fall in GDP this year**, but with expected **growth of 6,8% in 2021**. IFP expects 88 thousand jobs to be wiped out this year, in particular in tourism, small retail, logistics and restaurants. Without state intervention, further 20 thousand would be lost as well. They are expecting the inflation to slow down to 1,7% and average nominal wage to rise by 1,6%. This is all **dependent upon the recovery of demand in the economies of the key export partners**.
17. Due to the transition period between governments, the public is generally divided in support for the actions of Prime Minister Igor Matovič, although the polling numbers of three out of four political parties in the coalition government have been growing. Prime Minister has, however, been a subject of criticisms for the general lack of clarity in communication of the measures and numbers of infected patients.
18. Despite the Prime Minister's willingness to maintain a long duration of very strict measures and even go much of the standard of European countries, Slovakia has **begun a process of re-opening of businesses on 22<sup>nd</sup> April**. The process is phased into four parts, the progress between which is dependent upon the median slip for the previous week being below 100.
19. Slovakia is considered among the more successful countries in fighting the pandemics of COVID-19, but on the other hand, the outbreaks of infections in segregated Roma communities and retirement homes show the dynamic of the spread of the pandemic is **not well understood nor contained**.