Initial Budget and Public Management Responses to the Coronavirus (COVID-19) Pandemic in OECD Countries

Directorate for Public Governance

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Initial Budget and Public Management Responses to the Coronavirus (COVID-19) Pandemic in OECD Countries
About this Report

This report contains country notes that summarise the budgeting and public management responses initiated in response to the Coronavirus (COVID-19) by all 36 OECD member countries. It brings together information on the additional and sizeable budgetary resources deployed by OECD countries and the new arrangements put in place to manage employees in the public sector. As such, it provides timely information to access policy insights on the response packages to date and to help inform any further responses.

This initial version of the report was prepared by the OECD Secretariat based on public information in each of the 36 OECD Member countries and refers to measures taken as of 1 April 2020. As response efforts evolve, this report will be updated to reflect new developments.

This report supports the activities of the OECD Working Party of Senior Budget Officials (SBO) and the OECD Working Party on Public Employment and Management (PEM).

In this regard, it the first in a series of resources on budgeting and public management to assist countries with the evolving challenges brought about by the spread of COVID-19 in managing public resources in a long-term, sustainable manner. This work is part of the OECD initiative to compile data, information, analysis and recommendations regarding the health, economic, financial and societal challenges posed by the impact of Coronavirus (COVID-19).

www.oecd.org/gov/budgeting

www.oecd.org/gov/pem
Introduction

As at 31 March 2020, the incidence of COVID-19 cases and the death toll varied greatly across OECD countries. The scale and design of the responses by each country also vary in accordance with national circumstances. The packages primarily focus on first responses to mitigate, contain and manage the spread of COVID-19. Many governments have announced that further packages will be necessary later to focus on recovery and prosperity.

Budget measures

In the majority of cases, OECD countries have adopted a multi-channelled response by increasing expenditures, making commitments to support economic activity and deploying non-fiscal measures, such as regulation. The responses have been applied to three groups:

- Businesses and employees
- Households and individuals
- Industries and sectors.

The support to businesses and employees has focussed on sustaining the cash flow of businesses by deferring or reducing tax expenditure obligations and increasing access to credit. The support to employees has been through government-funded allowances in lieu of wages and salaries, and by reducing or eliminating the waiting period for access to government benefits.

Support to households and individuals has prioritised the elderly, the vulnerable and those who provide care for children and other household members. The support is in the form of direct payments and targeted assistance for heating and other costs.

Within the support to industries and sectors, the health sector has received priority to ensure access to additional resources. In some instances, the education sector has also received additional resources, as governments have encouraged study and retraining. The sectoral support responses are based on the characteristics of an economy, for example export sectors negatively affected by the restrictions on the movement of people and goods.

Many budget measures have increased the commitments and obligations on governmental balance sheets through loans and guarantees. Where specified, loans have been at zero or negligible interest rates. The implementation of the loans and guarantees has occurred through existing channels in the financial sector, such as commercial and state banks.

Non-fiscal measures have included such things as regulations to freeze rents for residential accommodation and government-owned properties, and controls on energy prices.
Public management

Employment in the general government sector of OECD countries averaged 17.7% of GDP in 2017 and comprises multiple employment agreements and work environments within each government. To date, the public employment responses have focussed on:

- Arrangements to business continuity by working remotely and/or reallocating employees to essential services/positions
- Support for public employees who cannot work
- Engagement with unions and other stakeholders

Public management responses to the frontline of public services have focussed on the health and aged care sectors to maximise the availability of medical professionals as support services. Other sectors prioritised have included employees in education and law enforcement.

Business continuity plans are operating in the majority of OECD countries and public services activities have been restricted to the provision of essential services. The restrictions and the infectiousness of COVID-19 has changed the work environment by requiring remote work, flexible work and increased access to leave. The policy responses across OECD countries have varied, as has the inclusion of unions and other social partners in the design and implementation of the changes.

Implementation

Within the short period that has transpired since the announcement of COVID-19 as a pandemic, governments have deployed additional budget resources, using the powers available in a time of crisis through existing legislation and/or by declaring a national state of emergency. The implementation of the responses has occurred as rapidly as the design and announcement. In the majority of instances, budget measures have been submitted to parliaments for approval along with new legislation to enable the implementation of the measures. A number of governments have sought approval from parliament to access additional resources if required. At this time, little information is available on the performance expectations attached to the additional resources.

Implementation responses have included the designation of the head of government, or a similar position, to lead the response efforts. The leadership has been supported by mechanisms ranging from new committees within a Cabinet, senior-level co-ordination across the government administration and expert advisory groups. In the case of Belgium and the Slovak Republic, responses were challenging because of caretaker provisions and the formation of a new government respectively. In countries with federal administrations, the response packages have been supplemented by responses from subnational governments, including arrangements for sharing costs (Australia).
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Introduction

Australia, has a population of around 23.5 million people and has experienced sustained GDP growth of around 2.5% per annum in recent years and a near zero fiscal balance. At the Commonwealth level, the fiscal balance was AUD 3.3 billion or 0.2% of GDP in 2019 and gross debt was 43.0% of GDP in 2019 (Department of Finance, 2019[1]). The health sector is 9.3%1 of GDP (2018) and larger than the OECD average (OECD, 2019[2]).

The first case of COVID-19 was reported on 19 January and by 28 March, Australia had reported 3639 cases of COVID-19. The States with the highest incidence of the virus are New South Wales, Queensland and Victoria, reflecting the areas with the highest proportion of the national population.

On 27 February, the Prime Minister announced that the country was activating the Australian Health Sector Emergency Response Plan for COVID-19. A number of the States and Territories also announced a state of emergency at or around the same time. The government’s response has continued to evolve as the number of cases has increased. In March 2020, the government announced two stimulus packages totalling AUD 89 billion (4.6% of GDP) to protect Australians' health, secure jobs and support the economy.

Budget Measures

Within the AUD 89 billion stimulus packages, the Government is to spend an extra AUD 2.4 billion in the health sector and increase funding for vulnerable people. Further, the Government has agreed with the States and the Territories to share public health costs from COVID-19. Temporary measures, totalling AUD 444.6 million to ensure the business continuity of the aged care sector are included in the package. The remainder of the package was structured in three parts: support for individuals and households; support for businesses; and support for the flow of credit. The main components in each part were (Government of Australia, 2020[3]):

- Support for individuals and households referred to income support for individuals including a new, time-limited supplement of AUD 550 per two-week period. Support to households included two payments of AUD 750 payments from 31 March and 13 July to social security, veteran and other income support recipients. The package included support to pensioners by allowing individuals affected by COVID-19 to access up to AUD 10 000 of their superannuation in 2019-20 and a further AUD 10 000 in 2020-21.

- Support for businesses referred to providing up to AUD 100 000 to eligible SMEs, and not-for-profits that employ people, with a minimum payment of AUD 20 000. Measures were taken to support apprentices and trainees through a wage subsidy of 50% of an apprentice’s or trainee’s

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1 This includes i) government/compulsory schemes, ii) voluntary health care payment schemes and iii) household out-of-pocket payments.
wage for 9 months from 1 January 2020 to 30 September 2020. On business investment, the
government introduced a time-limited incentive by accelerating depreciation deductions. The
measure is estimated to cost AUD 6.7 billion over the next two years. The Government will set
aside AUD 1 billion to support regions affected by the outbreak. In addition, the Government is
assisting the airport and airline industry by up to AUD 715 million.

- Supporting the flow of credit: The package includes a range of measures to support balance
sheets. Australian banks will have access to at least AUD 90 billion in funding at a fixed interest
rate of 0.25%, which will help reduce interest rates for borrowers. By establishing a Coronavirus
SME Guarantee Scheme, the Government will provide a guarantee of 50% for new short-term
unsecured loans to SMEs of up to AUD 20 billion. The Scheme will guarantee up to AUD 40 billion
of new lending. The Government is providing the Australian Office of Financial Management with
AUD 15 billion to invest in structured finance markets used by smaller lenders.

The package includes temporary relief for financially distressed businesses by increasing the threshold at
which creditors can issue a statutory demand on a company and to initiate bankruptcy proceedings against
an individual as well as temporarily increasing the time companies and individuals have to respond to
statutory demands they receive. The package also includes temporary relief for directors from any personal
liability for trading while insolvent, and providing temporary flexibility in the Corporations Act. Australian
banks will be able to defer loan repayments for small businesses affected by COVID-19 for six months.
The Australian Tax Office has been authorised for temporary reductions to payments, or deferrals, or
withholding enforcement actions.

At a subnational level, Australian States and Territories have announced support packages, for example
on 27 March, the state of New South Wales announced a Health and Economic Stimulus Package of AUD
2.3 billion. The package comprised additional resources for the hospitals, the prevention of homelessness,
support to charities for food security, energy assistance payments, and a deferral of payroll tax obligations
amongst other measures (NSW Treasury, 2020[4]).

Public management

The Australian Public Service Commission has prepared guidance for public sector employees working
from home, including guidance on maintaining good mental health. The guidance refers to employees who
are able to work from home and to employees who contract COVID-19 or are part of a household impacted
by the virus, specifically, the use of paid discretionary leave in circumstances where personal leave is
insufficient. The treatment of contractors to government agencies is covered by the terms of employment
of the contracting company (APSC, 2020[5]).

In Australia, unionisation rates, at 14% (2018) of the workforce, are low relative to the OECD average.
Unions have provided guidance material to members to support their health and wellbeing. The Australian
Teachers’ Union has pushed for the closure of schools to protect frontline staff from the risk of the COVID-
19. In the case of public employees classified as essential workers, schooling has remained available.

The government has a response framework for pandemics, which includes business continuity provisions.
Business continuity arrangements for public sector employees includes working from home, redeployment
and taking leave. The Public Service Commission provides guidance on each of these options, including
the tax deductibility of home office expenses.

Implementation

Following the devastation of the Australia bush fires from November 2019 to January 2020, the government
has had recent experience of co-ordinating implementation responses across levels of government. In
response to COVID-19, the government formed a National Crisis Cabinet to meet on a weekly basis. This is the first time such a cabinet has included Premiers and Chief Ministers of the Australian States and Territories as well as Commonwealth representatives.

The Government’s support package was prepared under existing legislation. Further, the Parliament approved an advance authorisation of AUD 40 billion for unforeseen events related to COVID-19, and on 23 March a package of Bills were introduced into Parliament to enable specific response measures.

References


Introduction
With a population of more than 8.8 million people, Austria's GDP amounts to almost EUR 400 billion. Government expenditures were 48.6% of GDP and general government gross debt was at 91.5% of GDP in 2018. In the same year, Austria spent 10.3% of GDP on health care.\(^2\) General government employment accounts for 16.8% of total employment (2017).

By 30 March 2020, 8,813 COVID-19 cases were reported and had claimed 86 lives. The measures to contain the spread of COVID-19 include banning large gatherings in public spaces, suspending schools, isolating several ski resorts, closing of borders and suspending civil air traffic. By 16 March, leaving home was banned by law with limited exceptions and enforced by administrative and police measures. A number of communities and regions were declared risk areas and put under quarantine. As of 1 April, the government had introduced further measures, such as wearing masks in open spaces, including supermarkets (Austrian Federal Ministry of Social Affairs, Health, Care and Consumer Protection, 2020\(^3\)). To mitigate the negative economic consequences of the COVID-19 crisis, the government announced a “Protective Shield” support package of EUR 38 billion, or 9.5% of GDP. The exact value of the package will depend on the rate of uptake.

Budget measures
The “Protective Shield” support package comprises the following elements (Austrian Federal Ministry of Finance, 2020\(^3\)):

- A new emergency assistance fund for industries hit hard by the crisis (EUR 15 billion): The financial aid is principally available to companies with a priority for strongly affected sectors, such as catering and retail. The emergency aid provides a mix of loans and grants in order to support the liquidity of enterprises. Loans are available up to a limit of EUR 120 million to cover operating costs.
- A new crisis management fund (EUR 4 billion): The fund is to provide money to increase the capacity in the health sector in terms of infrastructure and human resources. It also provides money to enterprises to bridge liquidity shortages and cushion the loss of revenues. The new crisis management fund also covers the hardship fund (EUR 1 billion) that gives grants to freelancers, non-profit organisations, and small businesses affected by the legal or economic consequences of COVID-19. Immediate aid of up to EUR 7,000 over three months is available. The Austrian Chamber of Commerce processes the cases.
- Extension of the short-time work scheme (funded by the crisis management fund): The budget of the Public Employment Service Austria (AMS) was increased to EUR 1 billion. It covers the salary of all workers including apprentices from 10% up to 90% of the working time according to collective

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\(^2\) This includes i) government/compulsory schemes, ii) voluntary health care payment schemes and iii) household out-of-pocket payments.
bargaining agreements up to a certain threshold. The waiting period for short-time work allowances has been lifted. The net replacement rate is between 80 and 90%. Short-term work will be extended to three months (until May) with the possibility to extend it by another three months (until August).

- Tax-related measures (EUR 10 billion): The Ministry of Finance is to provide ways for businesses to request reductions in advance payments of income and corporate tax, the deferral of taxes and an exemption from deferred interest and late payments. Related to that, the social health insurance fund offers deferrals of social security contributions and forbearance regarding late payment surcharges. The increase in tobacco tax planned for April is postponed to October and deadlines in the area of the Tax Code and the Financial Criminal Law have been extended.

Separate from measures that directly affect the government’s fiscal balance, the Federal Budget includes a guarantee framework of EUR 7 billion for credit protection to further support the liquidity of enterprises and self-employed, processed by the Federal Development and Financing Bank. EUR 2 billion is to be provided to the export credit scheme to cover up to 15% of operating costs of exporting enterprises. In addition, a temporary bankruptcy brake will ensure that enterprises do not have to file for bankruptcy in the event of temporary insolvency due to COVID-19.

Public management

The Federal Administration responded by maintaining services and the Federal Ministry of Arts, Culture, Civil Service and Sport issued guidelines for federal agencies. In terms of flexible working arrangements, public agencies are to minimise the number of meetings visitors and increase the use of digital solutions such as teleworking and videoconferences. Further aspects of the guidelines include teleworking in case of health risks and granting special leave, work leave or reducing supplementary hours for childcare. To increase the resilience of the Federal Administration, bans on leave and teleworking arrangements by key staff are possible and to reduce residual leave to ensure business continuity on a case-by-case basis.

The police and the military have a lock on the use of annual leave to ensure the continuity of essential services. To counter potential staff shortages in health care, long-term care and key infrastructure, community service provisions can be activated on short notice. In order to increase the capacity of medical services, provisions for the reactivation of retired medical staff and extended hours by non-doctors and medical students are available.

Implementation

On 13 March, the Federal Government announced an initial support package to cushion the economic consequences of COVID-19, including the new crisis management fund. On 18 March, the government announced an extension to the existing measures with an assistance programme of an additional EUR 34 billion, including an emergency aid fund for hard hit industries. Under urgency, on 21 March the Federal Parliament approved emergency ordinances in the so-called law packages COVID-19 I and II. The AMS offices are actively processing the COVID-19 short-time work scheme demands. Applications for support from the hardship fund could be made as of 27 March. As at 26 March, tax offices had received 55 000 applications, with 82% processed within one week to improve the liquidity of enterprises.

The Minister of Finance has announced that a breach of the Stability Pact is very likely. He has indicated that an additional economic stimulus package might be necessary after such an acute health crisis. An additional COVID-19 law package is planned, including giving greater security to tenants.
References

Austrian Federal Ministry of Finance (2020), COVID-19 (web page),

Austrian Federal Ministry of Social Affairs, Health, Care and Consumer Protection (2020),
COVID-19 (web page), https://www.sozialministerium.at/Informationen-zum-
Belgium has a population of approximately 11.4 million. The economic growth was 1.5% in 2018 and declined to 1.4% in 2019, which is below the average growth rate of OECD countries.

The general government debt was 120% GDP in 2018 and was at a similar level in 2019. The government sector accounted for 52% of GDP in 2018. Although there has been a decrease during the last years, the sector remains one the highest percentages of OECD countries. The government health expenditures, including compulsory schemes, were 8% GDP in 2018 and have remained stable the last years. The general government employment accounts for 18.2% of total employment (2017).

As of 31 March, there was not yet an official estimate of the package that was decided by the Belgian governments. Taking into account all the known measures, the stimulus is more than EUR 54 billion or 12% of GDP. The vast majority of these measures (EUR 50.3 billion) are to increase the liquidity.

Key fiscal support measures have included boosting health expenditures, increasing support to those in temporary unemployment and self-employment and to provide liquidity support. Regional governments have added further measures on top of this.

An inter-departmental provision of EUR 1 billion has been approved for COVID-19 related expenditures, mainly for healthcare expenditures. The Walloon region also provided EUR 70 million extra for health care expenditures. The Brussels region provided EUR 14 million for the health care sector.

To support companies in difficulties as well as the self-employed and employees, several measures were introduced. The budgetary impact is not capped but is more an estimate for each of the measures.

- Companies affected by a decline in sales due to COVID-19, may grant their employees temporary unemployment for economic reasons. For those on temporary unemployment, benefits were raised from 65% to 70% of gross wages, and the recipients will receive an additional benefit of EUR 5.63 per day. The estimated net budgetary impact is of EUR 615 million. The total cost of the impact of COVID-19 on the temporary unemployment system will roughly be EUR 4.5 to EUR 5.1 billion). The temporarily unemployed who are living in the Flemish region will receive in addition of these benefits a lump sum of EUR 202 to cover energy bills (EUR 120 million).

- The different regions of Belgium implemented measures for companies that are forced to stop activities. In Flanders and Brussels, companies can apply for a lump sum of EUR 4 000 for the period until 4 April and afterwards a daily compensation of EUR 160. In the Walloon region the lump sum is EUR 5 000. In the Flanders and the Walloon regions a partial continuation of the activity can be sufficient to receive half of the amount (Flanders: EUR 770 million, Walloon region: EUR 245 million, Brussels: EUR 100 million).
The self-employed are entitled to a replacement income of EUR 1,291.69 per month (and EUR 1,614.10, if they have dependent family members) if they are forced to stop activity for at least seven consecutive days in a month (EUR 735 million).

The regional governments have taken some measures to support some specific sectors such as the care sector and tourism, for an estimated amount of EUR 180 million.

To support liquidity, the Belgian governments have taken several measures:

- **Deferral of para-fiscal and tax payments (no estimates available)**
- **Flexibility on the payment of tax arrears (no estimates available)**
- **Deferral of regional tax payments (car tax, inheritance tax, registration rights, immovable property tax) (no estimates available)**
- **The Federal government introduced a guarantee scheme of EUR 50 billion for companies that need new bridging loans or additional credit lines.**
- **All regional governments will provide additional guarantees for business loans for a total amount of EUR 320 million.**

The governments have taken other measures that will not affect the budget. The financial sector and the Federal government have agreed to allow companies and mortgagee to obtain a deferral of six months of capital and interest payments if they have difficulties paying back on time due to the crisis and do not have the necessary savings to pay back their loans.

As a result of the consultation within the Economic Risk Management Group (ERMG), insurance companies have agreed to defer the payment of premiums for insurances as well as interest and capital payments on mortgage loans contracted with insurance companies for individuals who are temporarily unemployed due to the crisis as well as for companies facing difficulties.

**Public management**

All organisations are requested to organise teleworking arrangements. If this is not possible, it is requested to strictly apply the so-called *social distancing* rules. If the rules are not applied, they must stop operating, except for the essential sectors. These requirements apply to the public sector. Meetings can only take place via online web platforms.

There is a regular consultation with the social partners in the ERMG, and social partners were involved in the introduction of the new measures on temporary unemployment.

**Implementation**

Due to a political crisis in Belgium, only a caretaker government was in place when the COVID-19 virus first arrived in Belgium. Although the caretaker government took decisions related to the crisis, its caretaker status hampered implementation. Actions taken by the government included:

- **On 19 March the Parliament passed a vote of confidence so that the caretaker government became a fully-fledged minority government, which gave more possibilities to the government to fight the crisis.**
- **On 26 March the Parliament voted a special powers legislation which means that the Parliament delegated the legislative powers to the government for 3 months, related to the legislation that was needed to contain the crisis. This provided the legal basis for the government to take all necessary measures related to the COVID-19 virus by ordinance for a period of 3 months. A newly installed commission in the Parliament will monitor the government’s actions under the measure.**
Furthermore there is a weekly meeting of the Prime Minister and her deputy Prime Ministers, with the chairs of all parties that have agreed with the special powers.

- The Brussels and Walloon parliaments approved a similar legislation for their respective governments. This was not the case for the Flemish government.

For the implementation of the health measures, the government relied upon the advice of experts and there was structural co-ordination between the levels of government:

- On 19 March the Federal government installed the ERMG, which was tasked with mapping the economic consequences of Covid-19 in order to counter them. The ERMG brought together representatives of major economic interest groups, the financial sector, public bodies, Communities and Regions, academics and social partners.
- There was structural co-ordination between regions, communities and the federal level in several instances (ERMG, National Security Council, the Consultation Committee and inter-ministerial conferences).
- The local authorities were asked to contribute to the effort at federal and regional level by freezing certain taxes.

The various governments are preparing possible measures for a second phase of responses.

References

National Bank of Belgium (2020), National Bank of Belgium website, [www.nbb.be](http://www.nbb.be)
Introduction

With a population of approximately 37.6 million people, Canada showed low economic growth at 1.6% in 2019 (down from 2% in 2018). Public debt at 93.7% of GDP in 2018, below the OECD average of approximately 110% (2017). OECD data shows a deficit in 2018 of 0.4% of GDP. General government expenditures were 41.3% of GDP in 2018, and government expenditure in health care, including compulsory schemes, is about 7.5% of GDP in 2018 (voluntary/out-of-pocket was an additional 3.2% for a total of 10.7% of GDP, 2019), above the OECD average. General government employment accounts for 19.4% of total employment (2017), slightly higher than the OECD average.

The first case of COVID-19 was reported on 25 January 2020 and by 29 March, 6,258 cases were reported. Social distancing and public health measures have been taken at the provincial level, and have varied in scope, but all provinces have implemented limitations on public gatherings and school closures at a minimum. The Federal government has closed borders and implemented quarantines for those returning from overseas.

The government’s package of support was CAD 105 billion, or around 4.5% of GDP in direct support measures to individuals and business; an additional CAD 85 billion in liquidity support through tax deferrals; and CAD 3 billion to protect health and safety, for a total of CAD 193 billion (around 8.4% of GDP).

Budget measures

The Government’s COVID-19 Emergency Response Act and Economic Response plan received royal assent on 25 March. Broadly, the plan outlines a range of expenditures focused on the following key stakeholders:

- Support for individuals and families: The government announced a new Canada Emergency Response Benefit, of CAD 2,000 a month for up to 4 months for workers who must stop working due to COVID-19 and are not covered by other Employment Insurance benefits, paid leave or other income supports. The Government estimates this benefit may go to as many as 4 million Canadians, at an estimated cost of CAD 24 billion. In addition, the government is increasing payments of the GST credit, providing a one-time payment for low- and modest-income families of close to CAD 400 for single individuals and close to CAD 600 for couples (CAD 5.5 billion total), as well as increasing Canada Child Benefit for the 2019-20 benefit year, by CAD 300 per child (CAD 1.9 billion). Furthermore, the government is deferring the filing of income tax returns until 31 August, and providing mortgage support.

- Support for specific (vulnerable) communities: New Indigenous Community Support Fund (CAD 305 million); Additional funding for people experiencing homelessness (CAD 157.5 million). Additional funding for women’s shelters and sexual assault centres (CAD 50 million). Supporting seniors through Reducing required minimum withdrawals from Registered Retirement Income
Funds, to provide financial flexibility to seniors (CAD 495 million); support for students and recent graduates include a six-month interest-free moratorium on the repayment of Canada Student Loans (CAD 190 million).

- Support to businesses: up to 75% wage subsidy for businesses, which see a reduction in revenues of at least 30%, for up to 3 months, retroactive to 15 March 2020 to help businesses to keep and return workers to the payroll (estimated cost CAD 71 billion). All taxpayers and businesses can defer, until 31 August 2020, the payment of any income tax amounts that are owed on or after today and before September 2020.

Separate from measures that directly affect the government’s fiscal balance, the government issued loans and guarantees to the business sector, including a new Business Credit Availability Program, to provide CAD 65 billion of additional support through the Business Development Bank of Canada (BDC) and Export Development Canada (EDC). The BDC and EDC are working with private-sector lenders to co-ordinate on credit solutions for individual businesses, including in sectors such as oil and gas, air transportation, exportation and tourism. This includes a new Canada Emergency Business Account to provide interest-free loans of up to CAD 40 000 to small businesses and not-for-profits; new operating credit and cash flow term loans of up to CAD 6.25 million to SMEs through the EDC; and a co-lending programme for SMEs through the BDC. The government is also allowing an additional CAD 5 billion in lending capacity to producers, agribusinesses, and food processors.

Measures that substitute for a direct fiscal response have included engagement with the financial sector for mortgage assistance. There may have been additional measures at subnational levels of government.

Public management

The Chief HR Officer has produced regular guidance for federal organisations to manage the crisis and has set up a special website with updates for employees, general info on COVID-19, FAQs, fact sheets, and infographics. A new COVID-19 tracking system is to track key information consistently and easily across departments and agencies, including the number of confirmed COVID-19 cases; refusals to work and their outcomes; and office closures.

All federal agencies are instructed to consider teleworking for employees, at all work sites, and identify an approach that is flexible while ensuring continued critical government operations and services to Canadians. Federal organisations must identify and determine how to manage through exceptional situations that do not lend themselves to telework such as critical services requiring on-site presence; security limitations; and other operational imperatives where there are no alternatives. In cases where a manager determines that working remotely is not at all possible, non-critical employees will be eligible for “other leave with pay”.

The role of unions in the response has been minimal at this stage as the measures taken are foreseen in the current collective agreements.

A number of departments have also activated their business continuity plans in response to the evolving situation with COVID-19. Some federal employees have been redeployed to support high-demand areas such as employment insurance claims.

Implementation

On 25 March, the COVID-19 Emergency Response Act, which contained many of the measures above, received royal assent. The bill was introduced on 24 March and the government negotiated with opposition parties to use special parliamentary procedures to approve and adopt the bill by 25 March. Only 30 MPs
attended the vote, as per an agreement between parties to limit movement. The Act also grants new spending powers to cabinet that will expire on 30 September 2020, increasing the governments’ ability to react flexibly to new developments, but reducing parliamentary oversight.

However, shortly after the bill was passed, the Prime Minister announced expanded measures including the Canada Emergency Response Benefit and increased the wage subsidy from 10% to 75%. These measures have significantly increased the overall size of the package and will require a second vote in parliament, yet to be scheduled.

The government is promising further details on specific criteria for the wage subsidies and new benefit programmes by the end of March. Application portals for the Emergency Response Benefit are being set up to go online in early April.

References


Introduction

As with all countries in Latin America, Chile was hit by the Coronavirus (COVID-19) pandemic after Asia and Europe. On 16 March, as the virus started spreading, Chile closed schools and universities, banned events of more than 50 people. On 18 March, it closed its borders (except for nationals and residents, subject to a 14-day mandatory quarantine upon arrival). Chile is recommending people to stay home, especially elderly people. It has imposed a curfew between 22h and 5h since 22 March, and locked down some areas, but a national confinement has not yet been declared.

Chile is home to almost 20 million people. While public spending has strongly increased since 2007, to 25.5% of GDP, it is still much below the OECD average of 40%. Chile’s health spending3 (8.9%) as a share of GDP is similar to the OECD average (8.8%) but it is among the lowest spending per capita on health in the OECD: USD 2 182 PPP, compared to an OECD average of USD 3994 PPP. Unsurprisingly, it therefore has fewer doctors and nurses than the OECD average, with only 2.5 doctors and 2.7 nurses per 1000 people, compared to an OECD average of 3.5 and 8.8 respectively.

On 16 March, Finance Minister Ignacio Briones insisted that the current crisis will hit Chile hard, that it will have negative impacts, but that it will be transitory. The Ministry of Finance is therefore making the necessary efforts, in co-ordination with the Central Bank and the Financial Market Commission, to ensure enough liquidity to the system in particular SMEs to support them until the shock passes. By the 30 March, Chile had enacted into law budget measures of USD 11.75 billion, or 4.7% of GDP.

Budget measures

The budget measures enacted into law mobilises USD 11.75 billion, or 4.7% of GDP. In addition to supplementing the Health budget with the “2% constitutional” and a special fund announced in the week of 23 March, the budget measures principally refer to protecting employment and earnings, providing liquidity to the productive system, and other supportive measures.

1. Protecting employment and earnings: these measures aim to avoid the destruction of jobs and maintain the contractual link with the employer, while providing an extraordinary source of funds for the duration of the emergency.

I. Law to protect earnings from work: workers who must stay at home because of the pandemic and cannot telework can have a temporary suspension of their functions in the company and of the payments by the company. The contractual link with the company will however be kept, and the worker will receive earnings from the unemployment insurance (Seguro de cesantía) according to the existing laws. The employer will continue paying the health and social contributions for the worker. The tax authority (Fisco) will ensure the

3 This includes i) government/compulsory schemes, ii) voluntary health care payment schemes and iii) household out-of-pocket payments.
sustainability of the unemployment solidarity fund by providing funds as required up to USD 2 billion.

II. **Project Law on protection of employment**: allows reducing working hours up to 50%, with the solidarity fund of the unemployment insurance providing the revenues to the worker.

III. **Special measures for independent workers**: Minister of Finance announced special measures to support independent workers, such as advancing income tax repayments.

2. **Providing liquidity to the productive system**

I. **Tax measures**

i. The suspension of the monthly provisional payments of the business tax for the coming 3 months. This will increase cash capacity of 700,000 firms. This represents up to USD 2.4 billion in the coming 3 months.

ii. VAT payments are postponed by 3 months for all companies with sales below USD 350,000, and the possibility to pay in 6 to 12 monthly payments with 0% interest rate. This will produce liquidity up to USD 1.5 million for 240,000 firms during the second quarter.

iii. Anticipation of the return of the income tax for enterprises and SMEs (SMEs will receive the April return). This is to increase liquidity to more than 500 enterprises and SMEs (sales up to USD 75,000 per year) for USD 770 million.

iv. Income tax of SMEs delayed until July 2020. This will free USD 600 million for 140,000 SMEs.

v. Delay payment of April contributions for firms with sales below USD 350,000 and for persons with property values below CHL 133 million. Payments can be made by instalments during the year with a 0% interest rate. This should mobilise USD 670 million. The tax authority will compensate municipalities for the transitory reduction in revenues.

vi. Temporary reduction of the stamp duties (*timbre y estampillas*) to 0% for all credit operations for the coming 6 months. This should reduce the cost of credit for families and businesses. The budgetary cost of this measure is up to USD 420 million.

vii. Easing of conditions to pay fines and late taxes to the General Treasury for SMEs and low-income citizens.

viii. All expenditures by enterprises to combat COVID-19 will be accepted as tax expenditure.

II. **Other measures to increase SMEs’ liquidities**

i. Acceleration of payments to State providers. Early April, all pending bills (invoices) issued by the State will be paid in cash. This will generate immediate liquidity of around USD 1 billion. All bills presented in advance to the State will be paid within 30 days (USD 500 million per month). This is the first stage of a centralised payment programme.

In addition, regarding public procurement, the Ministry of Finance has announced that it will soon launch a new portal called “Agile procurement” (*Compra Ágil*), focused on SMEs, for all public procurement below CHL 1.5 million (representing 80% of all transactions for about USD 800 million).
ii. Increase capitalisation of the State Bank by USD 500 million. These resources will be mainly aimed at financing people and SMEs. This will increase the lending capacity of the State Bank by about USD 4.4 billion.

To ensure the correct use of resources, the State Bank will have to inform the Finance Commissions of the Congress and the Senate how it used the funds and the criteria applied.

III. Measures to support households’ income

i. More than two million households which do not have formal work will benefit from a “Covid-19 bond”, representing a total social investment of USD170 million. The "Covid-19 Bond" will grant a bond of CHL 50 000 to each family in the Unified Family Subsidy (Subsidio Único Familiar) programme as well as to households in the Securities and Opportunities Subsystem (Subsistema Seguridades y Oportunidades). In addition, 670 000 new households (representing the 60% most vulnerable of the country) will be added to this scheme based on the information of the Social Registry of Households (Registro Social de Hogares).

ii. Creation of a Solidarity Fund of USD 100 million for social emergencies triggered by the collapse of sales from local micro businesses. These funds will be channelled through municipalities.

3. Other budget measures: the law also implements four measures to increase the resources available to implement the Emergency Economic Plan:

I. A two-year suspension of the contributions to the Pension Reserve Fund of USD 500 million per year.

II. Authorising additional expenditures for the 2020 Budget Law of up to USD 4 billion.

III. Incorporating in the single treasury account the revenues collected by certain institutions which are included in the Budget Law (such as fines, special payments, etc.) amounting to up to USD 500 million.

IV. Delaying for 18 months the transfer of resources to the Strategic Contingency Fund, representing USD 936 million.

Public management

On 23 March 2020, the Congress approved by majority the project law on remote working. The law aims to foster new and better jobs, and to legalise a system for working in the midst of the present health crisis.

The Health Ministry is providing training to health workers for managing intensive care patients. The trainings are carried out by Zoom virtual meetings and the videos are available on the Ministry’s website.

Implementation

Project Law on Emergency Economic Policy Plan to deal with the effects of the COVID-19 pandemic in Chile was announced by President of the Republic, Sebastián Piñera and Finance Minister, Ignacio Briones on 19 March. It was approved by the Senate on 27 March, and by Congress on 29 March.
References

Ministry of Finance of Chile (2020), Ministry website, www.hacienda.cl
Introduction

With a population of 10.7 million people, the Czech Republic has been converging to the more advanced OECD countries, growing at around 2.5% per annum in recent years and maintaining moderate public debt of 40.3% of GDP in 2018. The government sector is 40.8% of GDP, and the health sector is 7.5% of GDP, slightly below the average across OECD countries. The first cases of COVID-19 were confirmed on 1 March 2020, and by 31 March, 3000 cases were reported.

The government has followed a suppression strategy, with a strong emphasis on the use of facemasks. A state of emergency was declared on 12 March for 30 days, and free movement of persons was banned from 24 March, except for limited circumstances. Schools and all non-essential stores are closed.

The government is engaging in fiscal and monetary support measures. It increased its budget by CZK 240 billion (4.2% of GDP) following the pandemic outbreak. The Czech Republic entered the crisis with ample policy space. The monetary policy rate stood at 2.25% just two weeks ago, and there have already been two rate cuts. In its forward guidance, the central bank stated that further measures could include additional rate cuts, liquidity support, interventions to stabilise the currency and launching quantitative easing.

Budget measures

The parliament has passed a revised budget bill on 23 March that includes numerous COVID-19 support programmes and, allowing for much lower revenues, approving a budget deficit of CZK 200 billion, instead of a previously budgeted surplus of CZK 40 billion (0.3% of GDP). The new budget expands spending and reduces taxes in a number of key respects:

- **Labour support measures**: The government has approved a targeted employment support programme (Antivirus), to compensate for all or part of salary costs for the time of the quarantine or emergency measures (from 1 March). Employees ordered into quarantine will receive 60% of their salaries and the government will reimburse the company in full. Employers, who had to close or reduce operations because of the crisis measures, will pay employees their full salaries, and the state will reimburse employers 80% of the costs. The Ministry of Labour and Social Affairs expects the total costs of the Programme to be CZK 1.2 billion. The government has approved a financial contribution for the self-employed currently at home to ensure childcare.

- **Tax policy measures**: Waiver of part or all (for those that pay the minimum) of the compulsory pension and health contributions for six months for self-employed workers, while their rights continue to accumulate. Waiver of the advance payments for corporate and personal income tax in June. Introduction of the institute of tax return retroactivity – entrepreneurs will be able to recover any loss reported in 2020 in their tax bases in 2019 and 2018, thereby obtaining a refund from the Financial Administration. Extension of the deadline for the filing of tax returns until 1 July (standard deadline: 31 March) and remission of any fines stemming from the late submission of tax declarations or reports.
• Measures to support business: The government introduced the COVID loan programme for SMEs in the total amount of CZK 1.6 billion. SMEs will be able to apply for an interest-free loan in the range of CZK 0.5 to 15 million with a one-year moratorium on repayments. These loans will be available to firms that can demonstrate that they have been economically affected by the pandemic. The government has further strengthened (on 20 March) the COVID loan programme for SMEs, by announcing COVID2, which will permit an increase in support CZK 10 billion (0.18% of GDP). These will include CZK 5 billion of interest free loans, and CZK 5 billion in the form of loan guarantees for loans from commercial banks, where the Czech-Moravian Guarantee and Development Bank will be subsidising the interest rate.

Not directly affecting the budget, an amendment to the Act on the Czech National Bank (CNB) was approved, easing the existing restrictions on open market transactions. Thanks to the amendment, the CNB can now trade instruments with maturities of more than one year. Also, the CNB can from now on trade with other entities, for example, with insurance and pension companies or with other institutional investors (normally CNB can trade only with banks, and credit unions). The measures were carried out within the framework of the rules of ECB and the aim of this amendment is to strengthen the stability of the Czech financial Market.

Public management

The government has (with effect from 16 March 2020), prohibited all doctors, dentists, pharmacists and medical staff from taking holidays for the duration of the emergency. It has ordered all public authorities and administrative bodies, to switch from 24 March to limited operations consisting of executing only essential business, limiting personal contacts with the public or clients and between employees as such and reducing the number of employees in the workplace to the strictly essential minimum.

Employers are responsible for protecting the health and safety of employees at work. They are required to implement preventative measures to ensure employees are not exposed to conditions that could be harmful to their health or safety while working. As of 19 March, all persons need to be equipped with a face mask or other covering of the nose and mouth while outside of their residence.

Implementation

The amendment to the budget bill was passed through a fast-track parliamentary procedure.

Delays and penalty-free waivers of deadlines for national and local taxes have been announced. These are the so-called Liberation Packages. In Package I – the state will not impose fines for late submission of personal and corporate income tax return, for late payment of a tax claim and for late submission of control tax reports. In Liberation Package II - excuse of the June advance on personal and corporate income tax, the state will not impose fines for late submission of real estate property tax return, introduction of loss carry back and suspension of the obligation to electronically record sales for entities (during state of emergency and following three months).

References


Introduction

Denmark has a population of approximately 5.8 million. Economic conditions have improved in recent years with GDP growth above 2% since 2015, supported by domestic demand. Employment in government accounts for 28% of total employment compared to the OECD average of 17.7% (2017). In 2018, the estimated value that Denmark spent on health care was 10.5% of GDP.

The first Coronavirus (COVID-19) case was confirmed in Denmark on 27 February and since then confirmed cases have increased significantly and had reached 2,815 by 31 March 2020.

On 10 March 2020, the Danish Government announced its first initiatives to help mitigate the economic consequences of the spread of the COVID-19. The initiatives were aimed at both firms and the Danish economy. Combined fiscal support amounts to 2.7% of GDP with an additional 10% of GDP in liquidity measures and government guarantees (off-balance sheet), a total of approximately DKK 60 billion. Furthermore, the government committed to provide the necessary resources to the health sector (amount not quantified). These measures were more significant than those implemented during the 2008 financial crisis.

Budget measures

Four economic packages were passed to provide direct cash support to workers and firms and increase access to liquidity. The measures included compensation for event organisers who had cancelled events, emergency legislation that supported company liquidity by temporarily postponing payment deadlines for VAT and other tax measures, and certain measures targeted at current challenges in the transport and tourism industries.

The measures included funding up to 75% of employee salaries in businesses and up to 90% of salaries of staff paid by the hour. This initiative aim to avoid large-scale job terminations in times of income uncertainty. A total of DKK 10 billion will be provided to self-employed workers and DKK 40 billion to compensate businesses that lose revenue. DKK 3.8 billion will be used to cover the wage costs of those who are partially unemployed, DKK 0.2 billion to extend the sickness and unemployment benefits to a larger group of people by lengthening the period of rights to these support schemes, and DKK 1.7 billion to reimburse businesses the sickness benefits paid to workers.

The government will increase access to student loans with students in upper secondary education being entitled to take out extra student loans. A total of DKK 1.5 billion is intended for increased access to loans for students.

4 This includes i) government/compulsory schemes, ii) voluntary health care payment schemes and iii) household out-of-pocket payments.
The measures include DKK 165 billion in deferrals, including a 30 day VAT deferral and a four-month delay on labour contributions and labour taxes.

There will be increased access to export credit schemes to help small and medium-sized Danish export companies, as well as and increased limit for state-guaranteed lending schemes. DKK 60.7 billion of extra credit will be available through an increase in the guarantees for small and medium-sized enterprises and large companies, as well as DKK 1.3 billion of supplementary credit for liquidity guarantees for medium and small export firms through Denmark’s Export Credit Agency (EKF). DKK 1.0 billion will be available for liquidity guarantees to the airline SAS and DKK 1.5 billion of state guarantees to the Danish Travel Guarantee Fund which enables Danish tourists to go home in case of a tour operator bankruptcy.

The policy interest rate was increased by 15 bps to -0.6% (19 March). This unusual move reflected the sole objective of monetary policy to maintain the currency peg to the Euro. Since October the exchange rate has gradually weakened, which intensified with the recent financial turmoil.

Public management

Denmark has closed its boarders to non-citizens with no critical reason to enter the country. EU boarder restrictions applies as well. Air traffic has de facto been shut down, restrictions have been imposed on the number of passengers in public transport, and capacity has been increased. All public servants are encouraged to work from home and private employers are urged to ensure that as many people as possible can work from home or take leave.

On 13 March, Danish schools officially closed and most public sector workers were sent home for a two-week period. Danish authorities have encouraged private companies to close down and ensure their employees wellbeing by letting them work from home when possible. Non-essential public employees have also been asked to work from home. According to the Health Environment Act, Danish employers are obliged to provide a safe working environment.

On 17 March, the Government announced a ban to public gatherings of more than 10 persons and ordered all restaurants, cafes, hairdressers and other occupations to shut down until the end of the month. The containment measures are in place until 13 April.

Implementation

All parties in the Danish parliament (Folketinget) support the measures of the government to address the Covid-19 outbreak and to use all necessary tools to secure the Danish economy. Folketinget also passed a bill with changes to the Danish Epidemic Act, which allows the Prime Minister to ban gatherings

The Danish Government has agreed that they will take necessary steps to help companies and workplaces through the epidemic. This includes possible further measures that could amount to three-digit billions.

References

Bruegel (2020), Bruegel datasets, “The fiscal response to the economic fallout from the coronavirus”, published 01 April, 2020, www.bruegel.org/publications/datasets/covid-national-dataset/?fbclid=IwAR1T1Hirl25XE9FtTnm5xLhBuHWZyNAjFCqZzpEWKIfd26OPFEE2EbnT8o


Introduction

With a population of approximately 1.3 million people, Estonia has a track record of economic growth that is on average higher than the OECD average and general government debt is the lowest of all OECD countries (12.9% of GDP in 2018). General government spending was 39.6% of GDP in 2018 and governmental health expenditures account for 4.9% of GDP. General government employment accounts for 21% of total employment (2017).

On 12 March, the government of Estonia declared an emergency situation and introduced measures that have since been expanded upon. Based on the initial measures that were validated mid-March, the Ministry of Finance estimated on 18 March that Estonia would have a general government deficit of EUR 975 million (3.5% GDP) in 2020, mainly due to a decrease of revenues.

On 19 March the government announced economic measures, with a package of EUR 2 billion or almost 7% of GDP, mainly to support liquidity. On 25 March the government increased the package with EUR 200 million for health-related expenditures. About 25% of these measures are direct expenditures.

Budget measures

The government has announced measures principally in two parts. The first part aims to compensate for the loss of income and to provide extra health resources:

- The Estonian Unemployment Insurance fund will pay an allowance of up to 70% of the salary (with a maximum of EUR 1 000) to compensate wage reductions (EUR 250 million for two months) to help minimise layoffs. Employers have to continue paying a supplement of EUR 150 per person.
- The first three days of sick leave of employees will be paid by the State from March until May (EUR 7 million).
- The advance social tax on the self-employed will be paid by the State for the first quarter of 2020.
- To cover the extra costs to the health system an additional budget of at least EUR 200 million will apply.
- The direct costs of cultural and sporting events cancelled due to COVID-19 in March-April are to be refunded up to EUR 3 million.

A second part is to ensure sufficient liquidity, by providing (extra) loans and guarantees (Kredex and Rural Development Foundation).

- Loan collaterals totalling EUR 1 billion for bank loans that were already issued, in order to allow for adjustments to repayment schedules.
- Extra loans for businesses facing liquidity problems due to COVID-19 for a total amount of EUR 500 million. An interest rate of 4% is to be applied.
Rural companies can apply for guarantees (EUR 50 million), business loans (EUR 100 million) or capital financing loans (EUR 50 million).

Tax debt can be deferred and there will be no interest on the incurred tax debts.

The government is also discussing the possibility of suspending payments for the second pillar of the pension fund. As of 31 March, no decision has been taken.

Public management measures

The Estonian government encourages employees to work from home, including government officials, but as of 31 March, has yet to announce specific employment measures.

The additional budget for the health service is aimed to provide the tools, and the staffing to hospitals and intensive care units.

Schools are closed and guidelines for organising distance learning have been provided to schools. Thanks to Estonia’s general adoption of digital technologies, Estonia’s education sector has already a set of tools that supports remote learning. These remote learning solutions are made available to the world for free.

Implementation and next steps

On 12 March, the government of Estonia declared a state of emergency until 1 May and appointed the Prime Minister as the Head of the State of Emergency. The declaration allows the Prime Minister to give orders to implement response measures, including economic responses. To the extent that the measures have budgetary consequences, the measures the Parliament will have to vote on a Supplementary Budget (scheduled for 6 April). Linked to the budget preparation, the government is discussing additional measures, such as the compensation to municipalities for the lack of tax income.

References

Introduction

On 18 March 2020, the Finnish Government declared a state of emergency, putting in place a series of measures to address Coronavirus (COVID-19) such as, closing schools and universities, travel restrictions, and banning large gatherings (Finnish Government, 2020[1]). Subsequently, on 20 March, the Government proposed measures to support businesses and individuals. Total measures are estimated at around EUR 15 billion (around 6.4% of GDP).

The Government has submitted a first supplementary budget proposal to the Parliament (Eduskunta) for EUR 398 million. The supplementary budget proposal aims to cover new expenditure for prevention and preparation measures related to COVID-19 and to ease the financial situation of Finnish companies. The Finance Committee has recommended increases to the supplementary budget and the Parliament has approved these increases.

Finland is a small open economy with a population of around 5.5 million. The Finnish economy was already experiencing weak growth at the onset of the COVID-19 outbreak. The Bank of Finland has now released two possible scenarios for economic growth with the Finnish economy projected to contract by 1.5% or up to 4% in 2020 (Bank of Finland, 2020[2]). For 2018, public debt was 68.9% (below the EU average), the government sector was 53.1% of GDP and the health expenses for government/compulsory schemes are estimated at 6.8% of GDP (OECD, 2019[3]). General government employment accounts for 24.3% of total employment (2017).

Budget measures

Supplementary budget proposal

Social partners, in particular unions, were consulted on first supplementary budget proposal. They reacted quickly and proposed temporary reduction of employers’ pension contributions, postponement of payment of earnings-related insurance contributions (by three months), temporary increases in labour law flexibility for the private sector, and greater income security for workers who are dismissed or unemployed until 31 December 2020. The Government accepted many of these proposals. Increases have been proposed for the Ministry of Justice, the Ministry of the Interior, the Ministry of Defence, the Ministry of Finance, the

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5 Originally until 13 April and extended on 31 March until 13 May (subject to parliamentary approval). The Emergency Powers Act defines various emergency conditions, including widespread infectious disease. Its purpose is, among other things, to secure the national economy and the livelihood of the population. The decision to adopt the powers laid down in the Emergency Powers Act for a maximum period of six months is made by Government Decree when the Government, in co-operation with the President of the Republic, has declared a state of emergency. The final decision-making power on adopting the Decree rests with Parliament. Parliament decides whether the additional powers laid down in the Government decree will be adopted in full or in part and Parliament may also decide to repeal the Government Decree.
Ministry of Education and Culture, the Ministry of Employment and Economy, and the Ministry of Social Affairs and Health.

Table 1. Appropriations approved by Parliament for 2020 and proposed changes to appropriations by section, EUR

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<th>Section</th>
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Key measures covered in the supplementary budget include:

*Health related*

- Efforts to control communicable diseases, including for procurement of diagnostic tests and other medical devices.
- Support to the Institute for Health and Welfare, including for public information and education initiatives, safeguarding the functioning of information systems, and maintaining laboratory capacity.
- Support for a broad-based research consortium for research on rapid diagnostic methods, the development of immunity, and establishment of a national monitoring system. Finland will also participate in research and development of a vaccine.

*Support to businesses*

- Support for Business Finland’s research and development and innovation mandate, including addressing disruptions to the supply chain, developing creative industries, promoting tourism, and other ancillary activities.
- Implementation of a nationwide operating model for entrepreneurs experiencing financial and payment difficulties through the Centres for Economic Development, Transport and the Environment (ELY Centres). This aid will be used to support SMEs particularly in the service sector.
but also in other sectors as necessary to manage and prevent the effects of the coronavirus. Strengthening the financial aid service.

Policing and border control

- Support for additional policing costs relating to the pandemic.
- Support for border controls as Finland has temporarily reintroduced border control at EU internal borders and the EU has introduced external border controls.

Other

In addition, EUR 200 million of non-specified expenditure to respond to emergency conditions was proposed for the Ministry of Finance.

EUR 900 000 was proposed for grants to artists and cultural businesses. Finnish Foundations are also providing emergency aid for the cultural sector.

Proposed amendments from the Finance Committee

Emphasising that the situation and corresponding budgetary needs are evolving rapidly, the Finance Committee’s report on the supplementary budget proposal recommended an increase in appropriations of EUR 686.5 million, as well as EUR 800 million in grants for Business Finland and the ELY Centres. The Parliament approved these increases (Finance Committee, Parliament of Finland, 2020[5]).

Additional measures outside the supplementary budget

The Government has proposed a system of State guarantees, with a ceiling set at EUR 600 million. The loan covered by the guarantee would have a maximum maturity of three years. The maximum liability arising from the State guarantee would consist of the various commitments, interest rates and maturities, and the State guarantee must comply with EU state aid rules. EUR 1 million has been granted to Ilmarinen, a mutual pension insurance company as collateral for Finnair Plc’s retirement pension (TyEL) loan. The purpose of the State guarantee is to ensure the liquidity of Finnair Plc and to safeguard the company’s operations in the event of an emergency.

The Finnish government has also prepared an extensive package to support companies and to alleviate the negative effects of the COVID-19 epidemic. The Government will make additional financing of EUR 10 billion available to businesses through Finnvera. With this increase, the finance volume of Finnvera will be EUR 12 billion. The principal operating model is offering guarantees to banks that grant loans. In addition, the state will increase its coverage of Finnvera’s credit and guarantee losses from 50% to 80%.

Public management

A large majority of civil servants are working remotely. Exceptions include people working for security sector operative functions. In practice, this has required more ICT-capacity, more information on data

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6 Finnair plans to cut its capacity by 90% as of 1 April.

7 Finnvera is a Finnish state-owned financing company.

8 Information in this section is largely drawn from the European Public Administration Network (EUPAN) questionnaire on “Measures by EUPAN Member States during Covid-19 Epidemic).
security, as well as extra guidance on the use of ICT for those employees for whom telework is unusual or more challenging.

Implementation and next steps

The supplementary budget proposal and other measures have been fast-tracked within the Parliament. The Government and the competent authorities will implement decisions and recommendations in accordance with the Emergency Powers Act, the Communicable Diseases Act and other relevant legislation. The government is continuing to assess the need for additional appropriations for expenses directly caused by COVID-19 and for measures to support the economy more broadly. This is being done in the context of the fiscal planning negotiations (the Government will approve spending limits as part of the General Government Fiscal Plan in early April). An updated economic forecast, taking into account effects of the pandemic, will be published by the Economics Department of the Ministry of Finance on 16 April 2020.

The Government is monitoring the financial situation of municipalities and is prepared to provide support to municipalities in the event of a sudden increase in expenditures or a sudden decline in tax revenues caused by the COVID-19 situation. The Ministry of Finance and the State Treasury have set up a new web service to track municipal indicators.

References


Introduction

France has a large government sector, which has remained above 50% of GDP during the last decade, and above the average across OECD countries. During the last three years, under the impulse of the new government, the French government decreased both the government sector and taxes, while stabilising public debt for the first time in a decade. France is estimated to have spent 11.2% of GDP on health care in 2018, similarly above the OECD average. General government employment represents 21.9% of the total employment, also above the OECD average at 17.7%.

The first cases of Coronavirus (COVID-19) were diagnosed in France on 24 January and the first fatality was reported on 15 February 2020 (a Chinese tourist in France). Following a steep increase in cases and fatalities in the following month, the government imposed a first set of restrictions to movement on 12 March 2020, followed by a near-total lockdown on 17 March 2020. France’s borders were closed, although French citizens were allowed to return home. As of 31 March, there are 45,209 cases, 7,991 recoveries and 3,024 deaths reported in France (https://coronavirus.jhu.edu/map.html).

Simultaneously to the first movement restrictions on 12 March 2020, the government pledged to support both the French economy and citizens through the crisis, with the French President stating that “not a single firm would go bankrupt” as a result of the exceptional situation. For the State, the total fiscal package in response to the COVID-19 outbreak was officially estimated as of 17 March 2020 at around EUR 45 billion (1.9% of 2019 GDP), to which must be added guarantees schemes, including a EUR 300 billion State guarantee on loans to businesses.

Budget measures

The Government’s budgetary response to the COVID-19 outbreak was announced by the President on 12 March 2020 and made official in a Supplementary Budget Law (Loi de finances rectificative) adopted on 23 March 2020. The Supplementary Budget Law was examined by the two Houses of Parliament, the National Assembly and Senate. A number of parliamentary amendments were approved, including the creation of an ad hoc committee tasked with following the implementation of measures to support businesses and employees, alongside the Prime Minister’s office.

The Supplementary Budget Law forecasts the deficit at 3.9% of GDP, against 2.2% in the initial Budget Law. It is based on a growth forecast of -1%, against +1.3% in the initial Budget Law. Hypothesis underlying the growth forecast are aligned with those established by European Union institutions and will be revised should economic conditions further deteriorate.

Budget measures included in the Supplementary Budget Law were estimated as of 17 March 2020 at around EUR 45 billion (1.9% of 2019 GDP), covering both spending and taxes. They target the following

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9 This includes i) government/compulsory schemes, ii) voluntary health care payment schemes and iii) household out-of-pocket payments.
beneficiaries: the public health sector, businesses and employees. Broad measures enacted in the Supplementary Budget Law, described below, are further detailed in government’s ordinances.

Financial support for the health sector has been mobilised in several ways. First, liquidities were provided to public hospitals by allocating to the health sector unspent reserves from the previous year’s budget and bringing forward 2020 appropriations. In addition, the Supplementary Budget Law allocates EUR 0.5 billion of additional appropriations to fund health care professionals’ overtime, purchase of sanitary equipment and other health expenses. Furthermore, the government created an emergency fund of EUR 50 million for research on COVID-19.

Concerning support for businesses, the main measure announced by the government was the creation of a so-called “solidarity fund” to provide subsidies to small firms and independent workers, whose turnover is below 1 million per year. To receive subsidies, potential beneficiaries should demonstrate that their activities have been fully disrupted or their turnover decreased at least 70% compared to March 2019. The State and subnational governments are both providing resources for the fund (State: EUR 750 million; regions: EUR 250 million).

In addition, to avoid liquidities shortages in the private sector, businesses and independent workers have been authorised to postpone the payment of their taxes and social contributions, without any criteria. Small firms can also postpone payments of their rent and utilities. The Ministry of Finance also committed to providing early repayment of corporate tax claims refundable in 2020 and accelerated processing of VAT credit claims.

Concerning support to employees, the main measure included in the Supplementary Budget Law is the compensation of salaries for all employees that are on reduced-hour employment (chômage partiel). Although the reduced-hour employment scheme pre-existed in the French legal framework, the salary compensation has been exceptionally increased up to 84% of the net salary of each employee, with a ceiling at 4.5 times the minimum wage. Government initial estimate of the cost of this measure was EUR 8.5 billion.

Separate from measures that directly affect the government’s fiscal balance, the government issued guarantees to loans to businesses, up to a ceiling of EUR 300 billion. The guarantee scheme is expected to last from 16 March to 31 December 2020. Criteria for obtaining the State guarantee are as follows: loans are guaranteed up to 90% of the total amount and 25% of the annual turnover of the business benefiting from the guarantee (or 2 years of payroll for newly created or innovative companies). No repayment shall be required in the first year. The scheme is to be administered by the French Public Investment Bank (Banque Publique d’Investissement). A guarantee scheme was also specifically designed for export firms hit by the crisis. The scheme is to be administered by the Export Agency (Bpifrance Assurance Export).

Finally, measures that substitute for a direct fiscal response have included a commitment by the French Banking Sector Federation to authorise businesses to postpone by six months the payment of their loans.

**Public management**

Since the beginning of the crisis, the public sector has aimed at guaranteeing the provision of essential services, while safeguarding the health of public servants and complying with requirements to limit non-essential movements. Civil servants that could be particularly vulnerable to the virus due to an underlying health condition were authorised to stay at home with the payment of their full salary. Other civil servants were expected to telework. If conditions for telework are not fulfilled (e.g. no professional computer), staff can be granted a “special leave” (authorisation spéciale d’absence) unless their presence is considered necessary according to their institution’s yearly continuity plan (e.g. the Ministry of Finance’s staff was
mobilised for processing of State support requests and the Ministry of Education’s staff is providing online teaching).\textsuperscript{10,11}

Supporting health care professionals at the frontline of the pandemic’s fight has been a focus of the government. Childcare support has been organised for this category of public servants (as well as some other categories, e.g. police and fire brigades), and taxis and hotels mobilised to facilitate their presence at work, sometimes hundreds of kilometers away from their residence.

**Implementation**

On 24 March 2020, the two Houses of Parliament approved a legislation stating that France would enter a 2-month “State of health emergency”. This legislation provided the legal basis for all measures already introduced and authorised the government to enact further such measures by ordinance, including for example requisitioning people and property as needed in the fight against COVID-19.

Several ordinances have been adopted since then, including for detailing the broad budget measures laid out in the Supplementary Budget Law. Several other measures were decided. For example, the prices of hand sanitizers is now State controlled as well as stocks of facemasks. In the health sector, among other measures, overtime caps for health care professionals in hospitals were removed and regulations restricting the use of telemedicine eased.

**References**


\textsuperscript{10} It is to be noted that French civil servants have a right to not come at work according to law (droit de retrait), if duly justified. This right can be exercised in current circumstances except for certain categories of civil servants (health workers, prison guards, etc.)

\textsuperscript{11} Special leave is a leave with pay granted upon exceptional circumstances, in addition to regular leave.
Introduction

With a population of more than 82 million people, Germany is the largest economy of the euro area with a GDP of around EUR 3.4 trillion. Government expenditures were 43.9% of GDP and general government gross debt was at 68.3% of GDP in 2018. General government employment is among the lowest in the OECD, at 10.5% of total employment (2017). Due to sustained economic growth and fiscal discipline, budgetary surpluses have been achieved over recent years. Germany is among the OECD countries that spends most on health at 11.2% of GDP (2018)\(^\text{12}\) (OECD, 2019\(^\text{[1]}\)).

By 30 March 2020, 57,298 COVID-19 cases were reported and had claimed 455 lives. The government responded with a range of measures to contain the spread of COVID-19 through travel restrictions, the closure of schools and non-essential businesses, a ban for meetings of more than two individuals, and border controls (German Federal Ministry of Health, 2020\(^\text{[2]}\)). The “Protective Shield for Germany” support package was launched by the Ministry of Finance and the Ministry of Economic Affairs to mitigate the economic impact of COVID-19; protect jobs and enterprises; and ensure that the health system is prepared for the pandemic. In addition to substantial government guarantees, the package led to a supplementary budget of EUR 156 billion for 2020 (4.5% of GDP). The supplementary budget included EUR 122.5 billion on additional expenditures and EUR 33.5 billion of expected lower tax revenue. The exact value of the package will depend on the rate of uptake.

Budget measures

The “Protective Shield for Germany” support package comprises the following main elements (German Federal Ministry of Finance, 2020\(^\text{[3]}\)):

- Assistance to the health sector: The package includes EUR 3.5 billion for information campaigns, the procurement of protective equipment and the promotion of the development of a vaccine and treatment measures. The package also includes EUR 55 billion to react flexibly to the development of the pandemic. A protective shield for hospitals, amounting to EUR 2.8 billion is to cushion the loss of revenue and higher costs. The loss of income for practitioners will also be cushioned.

- Increased flexibility of short-term work: The rules on the short-term work scheme were adapted and eligibility requirements loosened. These measures include the reduction of the minimum ratio of the employees in a company affected by shorter working hours to 10%, partial or complete waiver of the need to build up a negative balance in working hours, benefits available also to temporary/agency workers, and complete reimbursement of social security contributions.

- Immediate assistance programme for micro businesses and self-employed (EUR 50 billion): The principal component is a grant for operating costs for three months without repayment. The

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\(^{12}\) This includes i) government/compulsory schemes, ii) voluntary health care payment schemes and iii) household out-of-pocket payments.
measure is to provide self-employed and enterprises with up to five employees up to EUR 9 000. Self-employed and enterprises with up to ten employees receive up to EUR 15 000. The package also includes easier access for the self-employed to a basic income.

- A new economic stabilisation fund for large companies (more than 250 employees): This fund supplements the liquidity aid programmes by the Credit Institute for Reconstruction (KfW). The fund includes i) EUR 100 billion for recapitalisation, e.g., strengthening enterprise equity and the government may participate directly in the company, ii) EUR 400 billion of guarantees for corporate liabilities and iii) EUR 100 billion for refinancing KfW programmes.

- Tax-related liquidity assistance for the business sector: The government will temporarily relax the rules on tax payment deferrals, including payments of income tax, corporate tax and VAT. It will also be possible to apply for adjustments of prepayments of taxes on earnings. Furthermore, enforcement measures in connection with overdue tax payments will be paused until the end of 2020 if the debtor is affected by the economic consequences of COVID-19. In addition, the Central Customs Authority will make concessions in areas such as the energy duty and aviation tax.

- Support for families: If parents cannot go to work due to the closure of schools or childcare centers, the government will make up for part of the lost earnings. Parents who work short-time will be given easier access to the child supplement for low-income families (Kinderzuschlag).

Separate from measures that directly affect the government’s fiscal balance, the Federal Budget provides a guarantee framework of approximately EUR 822 billion to expand programmes run by the KfW to provide liquidity for enterprises. The KfW package includes loosened conditions for the “KfW-Unternehmerkredit” (business loan for existing companies) and the “ERP-Gründerkredit” (start-up loan for companies that are less than five years old) by raising the level of taking over risk for operating loans and extending these instruments to larger enterprises. In the case of the “KfW Loan for Growth”, aimed at larger companies, the turnover threshold was raised, the restriction to projects in particular fields was lifted and the take-over of risk was increased. In addition, for guarantee banks, the guarantee limit was doubled and the government increased its risk share by 10% (German Federal Ministry of Economic Affairs, 2020[4]).

Measures that substitute for a direct fiscal response include giving greater security to tenants in case of delayed rent and infrastructure service payments (electricity, gas and telephone) due to the effects of the pandemic. Besides, the government suspends the obligation to file for insolvency until September 2020.

Public management

The public sector responded by limiting operations to essential services. The capacity of the health system has been the first priority of the government’s response. In March, schools, tertiary institutions and childcare institutions were closed.

The Federal Administration reacted to the crisis with measures that increased the flexibility of working arrangements. In particular, special leave or work leave for childcare up to 10 days (until 9 April 2020) can be granted. In cases of hardship, paid leave or special leave beyond the limit of 10 working days can be granted. Moreover, teleworking can be used if deemed feasible in terms of working arrangements and IT infrastructure capacity. Each public agency is to decide on the use of flexible working arrangements. With regard to payments, the remuneration system for federal civil servants and public employees does not include supplements in wages of those most burdened. Many burdened areas already receive post and function allowances. However, there is the potential to award a bonus payment.
Implementation

The "Protective Shield for Germany" was prepared in 2 steps. On 13 March, the government announced an initial support package, including the more flexible short-time work scheme and the provision of liquidity via the KfW and tax-related measures for enterprises. Ten days later, the "Protective Shield for Germany" was complemented with extended assistance for the health sector, an immediate assistance programme for micro businesses and self-employed, and the economic stabilisation fund for large companies.

On 25 March, under urgency, the Federal Parliament approved the law on the Supplementary Budget and the law on the formation of an economic stabilisation fund ("Wirtschaftsplanstabilisierungsfondsgesetz"). According to Article 115 of the Constitutional Law, the debt brake provision was lifted by the Federal Parliament, as the COVID-19 crisis constitutes an exceptional emergency that "is beyond the control of the government and has a significant impact on the fiscal situation". The Federal Parliament has adopted a debt reduction plan starting in the fiscal year 2023.

References


Greece experienced an economic revival since 2017, with the country’s GDP growth improving from -5.5% in 2010 to 1.9% in 2019 (OECD/Delphine Moretti, 2019). Concerning public finances, although Greece has experienced significant budget surpluses in recent years, its public debt level as a share of GDP is still among the highest in the world and general government expenditure remains above the OECD average at 46.7% in 2018. This is mainly caused by higher spending in social protection, more specifically on pensions, and general public services, whereas health expenditures are significantly below the OECD average (OECD/Delphine Moretti, 2019). Greece is estimated to have spent 7.8% of GDP on health care in 2018, below the OECD average (OECD, 2019). General government employment in 2017 represents 17.7% of total employment, which corresponds to the OECD average.

Following the identification of the initial cases of COVID-19 at the end of February, containment measures have been gradually scaled up. Beyond the initial suspension of cultural events, closure of schools in certain areas, domestic travel restrictions, travel bans on visitors from high-risk countries, and quarantines for international visitors and Greek nationals returning from abroad, the government imposed a near-total lockdown by 22 March 2020. As of 31 March, 1212 cases, 52 recoveries and 46 deaths and in relation to COVID-19 were recorded in Greece. (https://coronavirus.jhu.edu/map.html)

The four packages of measures announced successively by the Government in response to the COVID-19 outbreak, detailed below, are estimated at EUR 5 billion (2.5% of 2019 GDP). A Supplementary Budget Law legislating these measures was tabled in Parliament on 2 April 2020, following an announcement by the Prime Minister that the Euro Group had agreed to waive Greece’s 3.5% primary surplus target defined in the Enhanced Surveillance Programme.

Budget measures

The packages of measures announced by the government aim at supporting crisis-hit businesses and sectors, as well as their employees, and providing additional funding to the health sector. Four successive announcements have progressively increased the number of beneficiaries for support measures, as the COVID-19 outbreak unfolds.

A budget envelope of EUR 200 million will be allocated to the health sector. The bulk of this sum will be used for the hiring of 2000 additional workers and the attribution of bonuses to existing ones, as well as for the acquisition of medical supplies. In addition, private hospitals and laboratories will be contracted to provide facilities and services. Finally, VAT on certain pharmaceutical products was decreased from 24% to 6% until the end of 2020, including on protective masks and gloves, antiseptic products, soap, etc.

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13 This includes i) government/compulsory schemes, ii) voluntary health care payment schemes and iii) household out-of-pocket payments.
Workers and employees are the main beneficiaries of the economic support measures. A EUR 800 stipend will be allocated to those private sector workers that have been suspended from employment, freelancers and self-employed workers. The state will also cover beneficiaries’ insurance, pensions, and health payments for 45 days, and their tax payments will be suspended for 4 months. In addition, the government legislated that firms will have to pay in full the so-called Easter bonus to their employees, and announced that a similar bonus would be paid to health and civil protection workers.

Businesses are classified into three categories, depending on the impact of the COVID-19 outbreak on their activities. In addition to the possibility of offering their employees a job suspension compensated by the State, businesses have been offered a four-month suspension of tax and VAT payments, access to liquidities or a 25% cut on their tax and VAT payments, depending on their classification.

A EUR 1 billion fund was established to provide State loans to SMEs with 1 to 500 employees to cover their operating expenditures. These loans will be granted with a very low interest rate, with reimbursement starting only in 2021. The value of the loans will be established for each firm based on an automatic formula established by the Ministry of Finance, using tax data and a set of financial indicators.

Supplementary transfers were also granted to regions and municipalities (EUR 5 million and EUR 11 million), to provide first aid at the start of the COVID-19 outbreak.

Finally, businesses whose activities have been suspended due to COVID-19 containment measures and their employees are authorised to pay only 60% of the business premises or main residence’s rent in March and April. Property owners will benefit from a tax holiday to compensate their losses.

Public management

A Ministry of Interior’s regulation (DIDAD / F.69 / 110 / oik.8189) defines the overall framework within which all ministries were expected to continue their operations while safeguarding the health of public servants. The regulation defines which individuals should be considered as part of a vulnerable group; details provisions about “special leave with pay” granted to staff in vulnerable groups; and states limitations to the capacity of staff to take “regular” leave, etc.

Within this framework, each ministry defined their work organisation. For example, concerning the Ministry of Finance, Ministerial decision No. 31767 EX 2020 established the principle of a rotation of three predetermined “groups”, all working part time from the office and from home. If one individual in one of the three groups rotating is tested positive, the whole group is obliged to self-quarantine and switch to full-time work from home.

The Ministry of the Interior set up two email addresses to answer questions from State and local government officials and developed a dedicated IT system to monitor the situation with real-time data on available civil servants to deliver public services.

Implementation

The Government has relied on innovative approaches to deliver the Government support as quickly as possible, including online applications for businesses on dedicated systems.

References

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Introduction

Hungary, with a population of 9.8 million people, has enjoyed solid economic growth over the past 5 years at 3.9% per year on average. Government budget deficit was 2.2% of GDP in 2018 and public debt was relatively high at 87.8% of GDP but on a decreasing path. General government expenditure is however above the OECD average at 46.5% of GDP (2018). Hungary is estimated to have spent 6.6% of GDP on health care\textsuperscript{14} in 2018, significantly below the OECD average (OECD, 2019\textsuperscript{[1]}). Public servants represent 20.6% of the total workforce in Hungary, above the OECD average (2017).

On 4 March, the government confirmed its first cases of COVID-19 and the total number of confirmed cases stood at 492 as of 31 March. The Government responded to the spread of the virus by declaring a state of emergency allowing it to close down schools, universities and kindergartens (on 14 March) as well as to close borders to international passengers (on 16 March) (Official Journal of Hungary, 2020\textsuperscript{[2]}). In addition, on 18 March, the Government published a decree containing a range of emergency measures aiming at supporting the economy. The 2020 budget contains reserves amounting to HUF 488 billion (approximately 1% of GDP) that can be used to finance emergency measures. It is not possible at this date to estimate the size of the COVID-19 specific response. As of 31 March, the Government had spent HUF 225 billion (EUR 630 million) to respond to the COVID-19 crisis.

Budget measures

Economic measures introduced by decrees on 18 March targeted primarily firms and workers, with households supported mainly through a moratorium on loans-related payments and cap on interest rates. Following discussions with the Banking Association, the Government judged the banking sector sufficiently solid to cope with the measures, especially since the National Bank had eased requirements to increase liquidity. The main measures are as follows (Official Journal of Hungary, 2020\textsuperscript{[2]}):

\textit{For businesses}

- Suspension of principal and interest payment up to 31 December 2020 on loans taken out by businesses before the crisis and extension of short-term business loans until 30 June;
- Cancellation of the tourism development contribution for firms until 30 June;
- Cancellation of social contribution of employers until 30 June in sectors already struggling with grave difficulties (such as tourism, catering, the entertainment industry, sports, cultural services and passenger transportation);

\textsuperscript{14} This includes i) government/compulsory schemes, ii) voluntary health care payment schemes and iii) household out-of-pocket payments.
For workers

- Cancellation of pension contributions and reduction of the health insurance contribution to the statutory minimum for employees until 30 June;

For households

- Suspension of principal and interest payment up to 31 December 2020 on loans taken out by private individuals before the crisis, with a cap of the annual percentage rate applied to consumer loans issued from 19 March at maximum 5% above the Hungarian National Bank’s interest rate.
- In addition, the Prime Minister announced on 31 March that the 2020 budget would be “radically restructured in order to manage the crisis”.

As of 31 March, the Government had already spent HUF 225 billion (EUR 630 million) as part of the fight against COVID-19 (Government of Hungary, 2020[17]). This does not include significant social contributions exemption measures adopted by the Government.

Public management

The measures taken by the Government in light of the COVID-19 crisis aimed at protecting civil service staff and users against the spread of the virus while preserving the continuity of essential services. In addition to the aforementioned budget measures, the Government (Government of Hungary, 2020[17]):

- Introduced a remote digital learning programme allowing teachers to continue teaching, with their salary maintained at the usual level (14 March).
- Approved the training of healthcare professionals via distance learning until 31 December 2021 (14 March).
- Decided to pause judgements handed down by Hungarian courts (14 March).
- Suspended customer services of the National Tax and Customs Administration in eight locations across the country (17 March).
- Suspended the operations of the Mobile Government Window Customer Services indefinitely (18 March).
- Suspended the reading of electricity and natural gas meters by staff of the National Utilities group (20 March).
- Granted to healthcare workers the right to the free use of long-distance public transport services across the country (30 March).

To enhance flexibility and preserve employment, the Government asked employers and employees across all sectors to allow flexible arrangements and to make personal efforts. However, decision at the central level concerning remote work in the public sector has not been made, although subnational entities have introduced such arrangements (EUPAN, 2020[4]).

Implementation

The Government introduced a state of emergency on 11 March, which enabled it to pass decrees to close schools, universities and kindergartens, to close borders to international passengers, and to take emergency economic measures. The state of emergency was valid until 26 March without requiring Parliament’s approval. On 23 March, the Parliament rejected an extension of the state of emergency beyond 26 March.
Despite the lifting of the state of emergency, the Government adopted a decree introducing new nationwide restrictions on movements from 28 March until 11 April to help limit the spread of the virus.

On 30 March, the Parliament has passed the Coronavirus Protection Act extending the state of emergency until further notice, and consequently extending the validity of the measures taken as part of the COVID-19 containment effort. It granted the Government special powers and laid down the specific rules and procedures applicable. The Parliament can lift the state of emergency at any time and the law does not contain a specific deadline. (Government of Hungary, 2020[5])

The Government has already announced its intention to design a budget for next year that would leave fiscal space “for crisis management and revitalising the economy” (Government of Hungary, 2020[5]).

References


Economic growth in Iceland has been strong in recent years, supported by a boom in tourism and a rapid growth in population. Iceland’s economy slowed abruptly in 2019 due to the bankruptcy of Iceland’s airline WOW Air, which led to a slowdown in the arrival of tourists. Iceland’s economy is volatile as the country is heavily reliant on the tourism sector, which accounts for approximately 10% of GDP. Public health expenditure in Iceland is approximately 7.7% of GDP (2017).

Iceland has seen a steep rise in Coronavirus (COVID-19) cases since 28 February when the first case was reported. As of 31 March, there were 1,135 cases. Iceland has reported four deaths directly linked to the COVID-19. To date, Iceland has tested more people per-capita for the COVID-19 than any other nation (for more information: https://www.covid.is/english). On 6 March, the highest alert level was declared in Iceland because of the outbreak. To date, Iceland has not imposed a complete lockdown on the movement of the population and continuation of business. Instead, the government has announced a ban on gatherings of 20 people or more, starting from 24 March 2020. The ban is in place until 12 April and replace a previous ban that was put in place from 16 March banning gatherings of 100 people or more. COVID-19 has already led to a steep decline in the number of tourists visiting Iceland and will continue to do so in coming months.

On 21 March 2020, the Icelandic Government announced its first measures of response to mitigate the effects of COVID-19. The package totalled ISK 230 billion (around EUR 1.5 billion or 8% of GDP). The main purpose of the measures were to safeguard the economic livelihood of people and businesses, supporting the welfare system and creating demand in the economy. The measures included the deferral of taxes and other charges, increased expenditure and tax cuts. These measures are to complement the Central Bank's decision to lower interest rates.

**Budget measures**

The government has announced measures to support individuals and households as well as employees and businesses.

**Individuals and households**

- During the next 15 months, people can withdraw a monthly sum from their voluntary pension savings. VAT reimbursement will be extended to the third sector organisations including charities and sports associations. A one-off child benefit payment will be made on 1 June 2020 to all families with children under the age of 18.

**Employees and businesses**

- Wage support: The Government is encouraging businesses to keep employees on their payrolls rather than dismissing them. The Government is allowing part-time workers to claim up to 75% of
unemployment benefits to avoid job losses. Those who may lose their jobs are eligible for unemployment benefits, which will allow them to move to part-time jobs and the Government will provide additional support. This means that as businesses reduce the hours that employees work, employees can receive support from the Government (up to a combined EUR 4 600 per month). Those who are self-employed and freelancers are also eligible for this benefit.

- Postponing taxes: Businesses can postpone the payment of taxes until next year to improve liquidity of business operations. Taxes on hotels will be abolished until the end of 2021 and VAT paid by construction companies is to be refunded. Reduction in bank taxes and state guarantees on loans aim to allow companies to continue operating and protect salary payments.

In terms of a recovery phase for the economy, as a first measure, the Government will initiate a special project aimed at increasing investment in transport, public construction and technology infrastructure, along with local municipalities. Contribution to research and science will also be increased.

**Public management**

Iceland has not taken the same drastic measures as seen across Europe and Asia with state-wide lockdowns. Universities and secondary schools in Iceland have closed but kindergartens and elementary schools remain open with certain restrictions. Those who work in the “frontline” during the pandemic (health care employees, teachers) have access to full-time childcare while other people can send their children to school and kindergarten for 2-3 days a week.

Swimming pools, gyms, pubs and museums have been closed, as well as operations and services that require close contact between persons. This includes sport clubs, hairdressers and beauty salons. Furthermore, all Icelanders returning from abroad are required to be in quarantine for two weeks.

The government has encouraged people to work from home if they can, but no specific measures have been put in place aside from ensuring that people keep a distance of two meters apart and that workplaces ensure that the ban on gatherings of 20 people or more is observed (e.g. some civil servants and employees in the private sector still attend work while others work from home).

**Implementation**

The Parliament has approved the supplementary budget proposal and related measures of support, which the Government submitted on 30 March. The opposition proposed additional measures amounting to ISK 30 billion but those measures were not passed by Parliament.

The Government has stated that as soon as the direct impact of the pandemic has begun to ease, there will be a further support package to revitalise the economy through public investment, tax cuts and a marketing campaign to promote Iceland abroad.

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Introduction

Ireland has a population of 4.8 million. Ireland’s *Budget 2020* (delivered in October 2019) forecast a budget surplus of 0.2% of GDP for 2020. At the time, a disorderly ‘Brexit’ was seen as a substantial risk to the Irish economy, particularly to export-oriented SMEs. Economic growth was estimated at 5.5%.

Ireland’s finance and budgeting functions are split across the Department of Finance (D/FIN) and the Department of Public Expenditure and Reform (D/PER). D/PER is also responsible for public management and governance structures. Approximately, 315,000 people work across the broader public service in Ireland. Around 38,000 of them are civil servants ([Publicjobs.ie](http://Publicjobs.ie), 2017). Employment in government in Ireland accounts for close to 15% of total employment (2017).

The Central Bank of Ireland released its quarterly economic bulletin on 2 April 2020. It projects the total Irish fiscal response to cost EUR 8.2 billion (2.3% of GDP), depending on the duration of the pandemic and take-up of various supports on schemes.

Budget measures

There are three main pillars to the Irish government’s fiscal package: (i) income support measures to workers; (ii) provision of liquidity to businesses and (iii) increased funding to the healthcare sector. The cost of measures under these three pillars is estimated to be EUR 3.2 billion. Ireland’s Minister for Finance has indicated that this figure may rise as the pandemic develops. The key points from the Irish fiscal package are:

- **National COVID-19 Income Support Scheme:** Funding under this scheme is intended to enable employers to keep staff on their payroll throughout the pandemic by refunding 70% of an employee’s take-home pay up to a maximum of EUR 410 per week per qualifying employee. For workers who have lost their job due to the pandemic, there is a payment of EUR 350 per week under the COVID-19 Pandemic Unemployment Payment.

- **Liquidity to business:** Microenterprises can access COVID-19 loans of up to EUR 50,000. A Working Capital Scheme of EUR 200 million supports loans, and a EUR 200 million supports scheme is available through Enterprise Ireland, the Government agency for SMEs.

- **Healthcare funding:** Strengthening public health capacity and freeing up space in hospitals; increasing the capacity of the national ambulance service; centralised procurement of additional essential equipment, additional funding of EUR 1 billion in increased resources, with a further EUR 1 billion subject to final approval.

- **Other:** The Government has engaged with the Banking & Payments Federation of Ireland and the Central Bank to support a payment break for mortgages, support for buy-to-let bank customers through a payment break, cash flow to SMEs and a deferral of three months on loan repayments. Central Bank prudential policies are expected to free up capital. The Systemic Risk Buffer has not
yet been activated. Collection of stamp duty on credit cards has been deferred, and initial discussions on non-bank lending have begun with Credit Service Firms.

Public management

To date, D/PER has published various circulars (internal memos) outlining the public management response. It has also issued three key documents governing how public employees are to be managed during the crisis. First, on 12 March 2020, D/PER published an update on working arrangements for the civil and public service. Second, on 13 March, the Department issued a ‘Frequently Asked Questions’ (FAQ) document clarifying leave and working arrangements during the crisis. Third, on 18 March, the Department issued an FAQ document relating to temporary assignments across the civil and public service.

Key points of Ireland’s public management response are:

- Essential services continue to operate. A list of these was published on 28 March 2020.
- Civil and public servants may be redeployed as needed for up to three months, potentially renewable. The Public Appointments Service, an arms-length body, established a web portal to facilitate this redeployment. An online questionnaire was developed to gather relevant information.
- Employees that can work from home should work from home. Guidance was issued on what constitutes valid reasons for working from home.
- Public servants will receive special leave with pay if forced to self-isolate.
- Unions have been consulted as part of the formulation of government response. Ireland’s largest union representing public sector employees is Fórsa.

Implementation

Ireland has adopted a three-stage public health framework to respond to COVID-19: Containment – Delay – Mitigation. Ireland is currently in the second (Delay) phase. Ireland’s national response to COVID-19 is supported by the National Public Health Emergency Team. It met for the first time on 27 January 2020 and is chaired by the Chief Medical Officer.

The Government established a Special Cabinet Committee on 3 March. This Committee is chaired by the Taoiseach (Prime Minister). The Committee is supported by a cross-departmental committee and the Health Service Executive in order to deliver a whole-of-government response. The Irish Government’s response is set out in Ireland’s National Action Plan in response to COVID-19 (Coronavirus). A Stakeholder Forum has also been established in order to seek input and collaborate with bodies from a variety of sectors.

The Department of Health has issued an ethical framework for policymakers, healthcare planners and providers when making difficult decisions as part of Ireland’s response to the COVID-19 pandemic.

The Government legislated for the support proved in the form of a bill titled Emergency Measures in the Public Interest (Covid-19) Bill. It was introduced to the Dáil (Lower House) on 24 March and approved by the Seanad (Upper House) on 27 March.

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Introduction

With a population of approximately 8.7 million people, Israel grew at 3.4% in 2018 and public debt at 71% of GDP in 2017 (below the OECD average of approximately 110%). OECD data shows a deficit in 2017 of 0.95% of GDP. General government expenditures were 39.5% of GDP in 2017, and government expenditure in health care is about 5.4% of GDP, below the OECD average. Employment in the general government is almost 20% of total employment, slightly higher than the OECD average (2017).

On 29 March, 3 865 cases of COVID-19 were reported. Strict social distancing and confinement measures have been introduced, with most citizens required to keep within 100 meters of their residence. Businesses have been asked to keep only 15% of their employees – those considered absolutely essential for business continuity.

The Government announced a NIS 80 billion (6% of GDP) COVID Response Economic Plan on 30 March, beefing up the initial measures announced on 11 March. The measures aim to support the health care system, businesses and workers.

Budget measures

Given the recent nature of the announcement, further details is to follow on the measures and how they will be designed and implemented. Four main areas of additional spending are to the health system, to individuals and to businesses impacted by the crisis, and to economic stimulus.

- **Health**: NIS 10 billion to boost the capacity of the health system through, e.g. the purchase of needed equipment and expansion of hospital capacity.
- **Support to workers**: NIS 20.4 billion to support self-employed workers, workers who lose their job and those placed on unpaid leave.
- **Support to business**: NIS 40.7 billion, includes cancelation of municipal (property) taxes, water and electricity bills for 3 months for affected businesses, low-interest loan funds; deferrals of VAT, social security payments and utility bills, and tax rebates.
- **Economic stimulus**: Investments in “economic growth engines” (approx. NIS 7.7 billion) including investments in the hi-tech sector, acceleration of infrastructure projects, and a “crisis exit programme”.

Other measures that were previously announced and that are part of the support include an order from the Accountant General to banks to allow a 4-month deferral on mortgage payments. The Government will also advance the payment of income tax returns for those who have overpaid, will postpone renewal deadlines for licenses and certificates, and will place a hold on new regulations and those in development. The government is also accelerating digital public service delivery.
Public management

A government resolution from 20 March instructed each ministry in the civil service to:

- Compile a list of all essential employees in each office/unit required for continuity of essential services. This list was to be limited to 30% of employees – and was subsequently reduced to 15% in most cases – or a maximum of 10 people. The lists are approved by the Civil Service Commission.
- The Civil Service Commissioner and Ministry of Finance are to set rules and guidelines to enable essential workers to work from their place of residence as much as possible.
- Non-essential workers are placed on annual leave with pay – those who have less can borrow from their future allocations. The collective agreement also sets up a joint vacation fund to assist workers who did not accumulate sufficient vacation days.
- Employees without permanent contracts are on leave without pay, and can access social security arrangements, which will (eventually) replace 70% of income.

The above measures are based on a collective agreement between the Histadrut (public sector union) and the Ministry of Finance signed on 18 March 2020.

Implementation

The response measures were passed by a Cabinet decision and a government resolution. No Knesset debates or voting has taken place. There is no information publicly available at this early stage on how these measures will be implemented.

References


ITALY

Introduction

Despite a low annual GDP growth rate of 0.3% in 2019, Italy is the third largest economy of the euro area. In 2018, with a deficit of 2.1% of GDP and a debt of 148% of GDP, Italy spent 8.8% of its GDP on health care\textsuperscript{15}, with government spending accounting for 6.5%, in line with the OECD average. In 2017, general government employment in Italy accounts for 13.4% of total employment – below the OECD average. On 31 January 2020, the Italian government declared a state of emergency due to the spread of COVID-19, allocating the funds for precautionary measures to fight the pandemic. At that time, Italy counted only two COVID-19 cases. Two months later (31 March), Italy became the hardest hit country in the world in terms of deaths (more than 11 500) and the second in terms of total number of positive cases (more than 101 700).

Confinement measures were initially implemented in the Northern regions, where the first clusters were identified, and then extended to the entire country, making it a single “red zone” \textsuperscript{(a)}. The national lockdown imposes strict restrictions on production activities and movements of people, which are permitted only in case of well-grounded work or health-related reasons and absolute emergency. Sanctions for violations of the rules range from EUR 400 to 3 000. The government enacted a Law Decree on 17 March 2020 setting out a package of measures worth EUR 25 billion (1.4% of GDP), accounting for a net borrowing of EUR 20 billion as a response to the COVID-19 outbreak \textsuperscript{(a)}. Government deficit in 2020 is expected to increase from the previously estimated 2.2% (MEF\textsuperscript{[5]}) to 6.5% of GDP (Prometeia, March 2020\textsuperscript{[6]}).

Budget measures

The 17 March Law Decree provides for a package based on four pillars (MEF\textsuperscript{[7]}):

1. measures to strengthen the National Health Care System, the Civil Protection Department and law enforcement bodies (EUR 3.2 billion)
2. measures to protect jobs and incomes and strengthen the social safety net (EUR 10.3 billion)
3. measures to support credit supply for businesses and households (EUR 5.1 billion)
4. suspension of tax commitments and provision of tax incentives (EUR 1.6 billion).

On 28 March, the government decided to advance EUR 4.3 billion from the Solidarity Fund for municipalities. To complement this measure, the Civil Protection Department allocated other EUR 400 million to Italian municipalities, to be used to distribute coupons for groceries to the poorest families especially in southern regions of the country \textsuperscript{(a)}.

\textsuperscript{15} This includes i) government/compulsory schemes, ii) voluntary health care payment schemes and iii) household out-of-pocket payments.
Healthcare

The government mobilised the needed resources to hire 20,000 medical and nursing staff and increase the funds allocated for their overtime working by EUR 250 million for 2020. In addition, retired doctors and medical students in their last year of training could be hired for six months to reinforce the workforce. The purchase of medical protection equipment and new beds for intensive care is covered as well. The Fund for National Emergencies will be refinanced with EUR 1.65 billion. Moreover, the Bank of Italy has decided to allocate EUR 20 million to directly help hospitals, municipalities and regions across the country for interventions to combat the spread of the virus.

Employment, incomes and social benefits

The government has allocated over EUR 10 billion to social safety nets to support employment and preserve incomes for all categories of workers, including a lump-sum of EUR 600 for self-employed and seasonal workers for the month of March (almost 5 million people who do not usually benefit from social safety nets). EUR 4 billion are intended to extend the temporary unemployment benefit to all employees in every productive sector up to 9 weeks, including for businesses with less than 5 employees (Cassa Integrazione Guadagni). An ad hoc fund has been established (Fondo per Reddito di Ultima Istanza) with EUR 300 million for professionals and all those excluded from the EUR 600 lump-sum. Dismissal procedures started after 23 February and dismissals for economic reasons are suspended. Incentives are provided to businesses for interventions to sanitise the workplace and protection of workers.

Box 1. Support to families

Specific measures apply to people who are still working (not working remotely):

- bonus of EUR 100 to all employees who continue working with incomes below EUR 40,000, proportional to the days of presence at work (a total of EUR 881 million);
- a total sum of EUR 1.3 billion will cover vouchers of EUR 600 (EUR 1,000 for health professionals and police officers) for alternative care arrangements for parents who continue working with children below 12; otherwise, extended parental leave of 15 days is paid at 50% of their salary, but unpaid for parents with children above 12;
- paid leave granted to people looking after a disabled family member is extended to 12 days per month;
- access to the Solidarity Fund for Mortgages on the Primary Residence (Fondo di solidarietà per i mutui per l’acquisto della prima casa) is extended to a larger number of beneficiaries.


Liquidity to businesses and households

- The government has allocated EUR 5.1 billion which are expected to leverage credit up to EUR 350 billion to firms and professionals. The intervention will make use of following tools:
  - moratorium on loan repayments for SMEs, including mortgages and overdrafts (EUR 220 billion);
  - additional funds (EUR 1.5 billion) for the SMEs Guarantee Fund, bringing the guarantee funding from EUR 40 to over 100 billion;
o state guarantee for the Deposits and Loans Fund (Cassa Depositi e Prestiti) for medium to large enterprises: the EUR 500 million guarantee is expected to have a multiplier of 20, generating new funds up to 10 billion;
o incentives for financial and non-financial companies to transfer non-performing or stranded loans by converting Deferred Tax Activities into tax credits.

Finally, the Italian export credit agency (SACE) has launched a EUR 7 billion package to help SMEs address cash flow needs, investments and diversify export markets, while the Italian Trade and Investment Agency (ICE) has cancelled the costs incurred by companies for participation in fairs and events.

**Tax payments and incentives**

The government has suspended tax and social security payments for a total amount of EUR 10.7 billion and has introduced tax incentives and credits for a total amount of EUR 2.4 billion. In particular, tax and social security payments due in March have been suspended for businesses and the self-employed with turnover below EUR 2 million, and regardless of turnover for taxpayers belonging to the sectors heavily hit by the pandemic (e.g. tourism, transportation, restaurants and cafes) and living in the four most hit municipalities. Tax credits have been introduced for sanitation, donations and commercial rents (respectively of 50%, 30% and 60%). Lastly, tax controls, coercive collection, field audits and tax compliance obligations have been suspended until June.

**Public management measures**

Activities that can be carried out through flexible or remote working can be continued. As working from home is the rule for public administration, public sector personnel are being provided with the necessary tools (tablets and computers) to work remotely. Smart working (using new technologies or the development of existing technologies) is strongly recommended for all businesses, and where not possible, workers are encouraged to take either accrued vacation holidays or paid leave. To ensure both business continuity and safety at the workplace, a reorganisation of production levels or a rotation system among the employees is possible. Personnel working in essential industrial and commercial activities shall observe health and safety measures prescribed in the 11 March Decree of the President of the Council of Ministers. Businesses are given subsidies for the purchase of personal protective equipment and tax deductions for sanitation interventions.

On 14 March, the Government, the trade unions and the employers’ associations signed a Protocol that provides guidelines to ensure health and safety standards at the workplace (109). Employees may be subject to the measurement of body temperature before accessing the workplace. The Protocol includes provisions on the processing of employees’ personal data (information on individuals who are infected, who had contact with infected people or who have visited a ‘risk area’ as defined by the WHO).

Initially, trade unions in the Northern regions announced a series of strikes to protect employees who have worked in unsafe conditions; on 26 March, the unions and the government agreed to reduce the number of “essential activities” that shall remain open and thus reduce the number of workers who physically have to go to the workplace.

**Implementation**

The EUR 25 billion package was set out in the Law Decree “CureItaly” No. 18 enacted on 17 March 2020. Law Decrees are issued by the government under extraordinary circumstances of necessity and urgency; they enter into force the same day or the day after publication and shall be converted into law by the
Parliament within 60 days. The 17 March Law Decree is currently being discussed in the Parliament and numerous amendments were proposed. The temporary deviation from the adjustment path towards the MTO has been authorised by both Houses of the Parliament.

Other measures and restrictions were enacted in several Decrees of the President of the Council of Ministers and Ordinances from the Health Ministry, the Ministry of Economy and Finance and the Civil Protection Department ([11]). The President of the Council of Minister appointed a Special Commissioner for the implementation and co-ordination of the measures to fight COVID-19.

The current lockdown has been extended until after Easter at the earliest. The government is preparing a new stimulus package of at least EUR 30 billion to be enacted with another Decree in April. An ‘ad hoc emergency income’ for the most affected people is being discussed.

The enactment of government decrees and regional ordinances has brought into question the competences of the State and the Regions vis-à-vis health protection, which is considered as a shared competence in the Italian Constitution. However, in cases of emergency, the State is allowed to intervene with regard to the provision of health services, activating the national system of the Civil Protection, which shall help regional sanitary facilities. At the same time, given that health systems across Italian regions differ considerably, co-ordination among local administrations and the State is proving difficult. Regions can introduce more restrictive measures in their territories (or parts of it) only within their area of responsibility and within the limits already imposed by the national authorities.

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Introduction

Japanese economic growth was at circa 0.3% in 2018, with government debt at 222% of GDP in 2017. Japan has the highest level of debt amongst OECD countries. General government employment is the lowest in the OECD, at just under 6% of total employment (2017).

The first case of COVID-19 was reported on 20 February 2020 and by 29 March, 1 693 cases were reported. Japan has decided to postpone the 2020 Tokyo Olympics to 2021 due to the health and economic impacts of the virus.

The Japanese government has announced two support packages with a total of JPY 2 trillion, specifically JPY 446 billion of budgetary measures, or 0.4% of GDP. The combined package is to help stimulate the economy in response to the COVID-19 outbreak. On 28 March, the government announced it was preparing a further, unprecedented package that would include a full range of expenditure, tax and monetary measures. The size of the package is to exceed the response to the global financial crisis in 2008, which was JPY 56 trillion.

Budgetary measures

The Government of Japan adopted two budgetary measures, which totalled JPY 446 billion (0.1% of GDP) and were funded mainly from contingent funds included in the FY 2019 budget.

5. On 13 February, the government launched a first stimulus package of around JPY 15.3 billion to enhance the containment for the COVID-19 and to prepare the healthcare system such as boosting testing and strengthening inspections at borders.

6. On 10 March, the Japanese government adopted a second emergency package to tackle the economic effects stemming from the COVID-19 outbreak. The aim of this package which totals JPY 430.8 billion are: (1) to support the purchase of face masks (JPY 62 billion), (2) to provide JPY 4 100 per day in support for freelance workers who are obliged to take care of their children amid school closures (JPY 223 billion), and (3) to provide support to firms to maintain employment (JPY 142 billion). To help fund the package, the government accessed the rest of this fiscal year’s budget reserve of around JPY 270 billion.

Separate from the budgetary measures, the Government of Japan has announced plans to expand the government's low interest loan programmes to JPY 1.6 trillion from its original JPY 500 billion announced in February as part of the first package. Interest-free loans will be available for small and midium-sized firms suffering sales declines of at least 15% and 20%, respectively. For SMEs and self-employed workers that saw a 10% to 20% decline and have to borrow from a bank, the government will pay the interest on the loans.

On 16 March, the Bank of Japan, unveiled a series of emergency measures to provide liquidity to maintain the smooth functioning of financial markets. It has also introduced a loan programme to extend one-year, zero-rate loans to spur lending to firms affected by COVID-19.
Public management

On 28 March, the Japanese government announced “the Basic policy for countermeasures against COVID-19 infections.” According to the policy, the government encouraged employers to take actions to prevent infection and to use bicycle commuting, teleworking, or time-differed commutes and working in shifts to prevent the spread of infections in the workplace. In circumstances where it is extremely difficult to go to work, employment leave provisions are to apply.

Moreover, in order to maintain the delivery of public services, the government has defined which public institutions and local government service performs are essential services, for example, electricity, gas, water, and public transport are to continue to operate. The government is to provide the necessary support for the continuation of public projects of the designated public institutions, and the government will take security measures to prevent incidents at places of critical infrastructure, such as airports, seaports, hospitals and medical institutions.

Implementation

On 14 March, the National Assembly of Japan (called the Diet) amended the Act on Special Measures Against Novel Influenza and Other Diseases to include COVID-19 for two years. The law enables the Prime Minister to impose a nationwide state of emergency, and can endorse decisions by Prefectural Governors to restrict economic and social activity such as school closures.

The government is to unveil a “Massive Economic Stimulus Package” in April to help offset the economic impact of the COVID-19 outbreak. The package could involve issuing cash and/or gift certificates to the public, and facilitating financing for SMEs. The government and the ruling coalition are also considering deficit-covering bonds as a source of funding for the package. The substantial negotiations on the package will start after the Diet passes the initial 2020 Budget in April.

References

Introduction

Korea grew at 2%\textsuperscript{16} in 2019 due to cyclical and structural factors and the government's adoption of expansionary fiscal policy. Government debt was less than 40% in 2019 and below the OECD average. As of 30 March, the total number of COVID-19 cases in Korea was 9661 with 158 deaths. The government's responses included health and quarantine measures (testing-tracing-treating) to help prevent widespread infection which could cause the medical system to collapse.

The government's support package was KRW 132 trillion, nearly 7% of GDP in 2019, utilising budget reserve funds, a supplementary budget and other financial aids, such as liquidity support. The government forecasts that the fiscal deficit will exceed - 4% of GDP.

Budget measures

The Korean government has announced four support packages sequentially to help get through the COVID-19 outbreak. The total amount of the support packages only from the budget were KRW 12 trillion, or nearly 0.6% of GDP, and agreed with the National Assembly.

7. First Financial Stimulus Package (5-12 February): With a total of KRW 4 trillion, including budget support of KRW 300 billion, this package mainly focused on improving quarantine support and providing financial support for SMEs and micro-business owners affected by COVID-19.

8. Second Financial Stimulus Package (28 February): With more than KRW 20 trillion, the key priorities of this package were - (1) to support disease prevention, local governments, imports of manufacturing supplies and small merchants (KRW 4 trillion); (2) to provide financial and tax support to families and businesses affected (KRW 7 trillion), and (3) to give loans, guarantees and investment through financial institutions and public institutions (KRW 9 trillion).

9. Supplementary Budget (17 March): With a total of KRW 11.7 trillion to help contain COVID-19 and minimise the economic fallout from the outbreak. It consists of KRW 8.5 trillion to add new spending and KRW 3.2 trillion to make revenue adjustments. The supplementary budget is to be spent on enhancing disease prevention and treatment (KRW 1 trillion), small business loans (KRW 4.1 trillion), household support, including day care vouchers and emergency livelihood support (KRW 3.5 trillion) as well as to help local economies hit hard (KRW 1.2 trillion).

10. Additional package of financial measures (24 March): A KRW 100 trillion financial support programme was announced. This package includes the establishment of new stock and bond market stabilisation funds, which aims at helping SMEs and small merchants better cope with the burden of economic slowdown amid the COVID-19 outbreak.

The Korean government is also expected to take further steps to minimise the economic fallout of the COVID-19 pandemic, including preparing a second supplementary budget. In particular, the government

\textsuperscript{16} The National Account, the Bank of Korea, http://ecos.bok.or.kr/
considers introducing Disaster Relief Money to provide cash directly to citizens to cope with economic hardship. In addition, some of local governments have started to provide cash support directly to the people in order to preserve incomes.

**Public management**

As the central personnel authority of the Korean Government, the Ministry of Personnel Management (MPM) has taken comprehensive measures to respond to COVID-19. The MPM is establishing and operating the ‘COVID-19 Response Emergency Headquarters’, based on guidelines issued by the Central Disaster and Safety Countermeasures Headquarters, which is headed by the Prime Minister. The strategic measures that the MPM has taken are summarised as follows:

- **Staff management**: The MPM established and enforced guidelines on Flexible Work for Civil Servants and to Prevent COVID-19 Spread. It includes (1) granting sick leave, official leave, and teleworking for the COVID-19 confirmed or suspected cases, (2) granting pregnancy leave for pregnant women who are unable to work from home, and (3) taking advantage of flexible working systems. It is now compulsory to have a specified proportion of staff work from home or at one of the Smart Work Centers across the country. Civil servants who are to take care of their children during the day due to lack of childcare or schools are able to work from home or take child care leave or annual leave as part of the government’s parental protection.

- **Business continuity**: The MPM established and enforced a Manual for Preventing COVID-19 and Maintaining Business Continuity. It includes actions to be taken to maintain business continuity in the event of confirmed cases. Especially, while teleworking, the civil servants can use the government remote working portal. In order to maintain human resources development functions, MPM has replaced collective training or education programmes with e-learning or individual task learning.

- **Health measures for civil servants**: The MPM has provided a psychological counselling service to for civil servants suffering from anxiety and stress.

- **Public employment**: The MPM streamlined recruitment of and improved compensation for specialists and experts, including epidemiological investigators, responding to COVID-19 at the frontline. The Ministry postponed Public Service Examinations.

**Implementation**

On 17 March, the first Crisis Management Meeting of 2020 was held to respond to the COVID-19 outbreak. The meeting as the Central Emergency Headquarters for the Economy functions to enhance the implementation of the support packages across the government.

The government has monitored the progress of the fiscal measures by converting Regular Fiscal Management Inspection Meeting, which are held twice a month, into an Emergency Fiscal Management Inspection Meeting. A goal from the supplementary budget is to execute 75% or more of the response measures in the next two months. In addition, the central government has urged the local government to prepare supplementary budgets as soon as possible. The government is to prepare a further package including a second supplementary budget to help boost the economy after the election of members of the National Assembly on 13 April.
Reference

Introduction

On 12 March 2020, the Latvian Government declared a state of emergency until 14 April and put in place a series of measures to address the Coronavirus (COVID-19) outbreak. Schools and universities are closed, travel restrictions are in place, large gatherings are banned, and non-essential shops are shut. Subsequently, the Government announced spending of up to EUR 2 billion (around 6% of GDP) on measures to support businesses and individuals (Latvian Ministry of Finance, 2019[1]).

The Government submitted the Law on measures to prevent and manage national threats and consequences of COVID-19 proliferation (Government of Latvia, 2019[2]) to the Parliament (Saeima) which adopted it in an extraordinary sitting on 20 March 2020 (Parliament of Latvia (Saeima), 2019[3]). Parliament also adopted urgent amendments to several laws in order to provide support to employers covering sick-leave certificates, to set conditions for granting social assistance benefits to low-income persons, and to extend social security rights for persons with disabilities.

As a small open economy with a population of around 1.92 million, Latvia has enjoyed strong economic growth in recent years, although growth slowed from 4.3% in 2018 to 2.2% 2019, and projections for the coming years have been cautious. For 2018, public debt was 44.15% in (well below the EU average), the government sector was 38.15% of GDP and the health expenses for government/compulsory schemes are estimated at 3.4% of GDP (OECD, 2019[3]). Employment in the general government accounts for almost 20% of total employment (2017).

Budget measures

Support to businesses

- Up to EUR 1 billion in support for businesses affected by the outbreak, provided as financial instruments (approved by EU) via the State-owned development bank, ALTUM, including:

  - A subsidised loan scheme for companies affected by the coronavirus outbreak. The overall budget for the subsidised loan scheme is EUR 200 million, of which EUR 50 million is envisaged from the State budget and the rest from international financial institutions. Companies can receive a loan of up to EUR 1 million for a period of up to three years;
  - A loan guarantee programme to provide companies with the opportunity to restructure existing investment loans or short-term loans for liquidity. The maximum amount of the guarantee is EUR 5 million for up to six years. The programme will guarantee credit guarantees to businesses in the amount of more than EUR 700 million.

17 Likely to be extended.
- Banks and borrowers are encouraged by the supervising authorities to restructure existing loan facilities;
- Businesses affected by the crisis can get tax payment deferrals for up to three years, as well as other benefits related to the timing of tax payments. Individual entrepreneurs will not have to pay income tax advances;
- The State or municipalities and their entities can cancel or reduce rent payments to businesses affected by the crisis;
- The State Revenue Service has the right not to impose fines on businesses that are in an “extensive co-operation programme” and affected by the crisis (for the next three years);
- Administrative requirements have been eased for businesses, for example, the submission deadline for company audit reports has been extended and company meetings can be held electronically.

**Support to employees**

- Workers in crisis-affected enterprises who are idle will be compensated at 75% of their average salary for the previous six months, up to a maximum of EUR 700 per month. This downtime allowance will not be subject to personal income tax or state social security contributions, but will cease if the employer hires new employees or dismisses existing ones;
- EUR 8 million have been allocated for bonuses for health sector employees of 20-50% of their monthly salary for three months and overtime pay for staff of state and municipal health services, municipal police, and local social services.

**Education**

- EUR 200 000 in funding for equipment (smartphones, tablets) to facilitate distance learning for students.

**Other**

- The Ministry of Finance has been given flexibility to respond with additional measures, although these measures are still being identified. According to the new legislation, subject to a Cabinet decision, and by informing the Saeima, the MoF has the right to make changes to the appropriations including a reduction or reallocation of appropriations between ministries and other central governmental authorities to prevent and manage public threats and consequences related to the spread of COVID-19. The MoF may also reallocate appropriations to the Ministry or other central public authority within the limits of the statutory appropriation between programmes, sub-programmes and expenditure codes according to economic categories (Art. 22). The MoF also has the right to increase the appropriation specified in the Law “On State Budget for 2020” in the programme “02.00.00 Contingency funds (Art 23). The MoF is authorised to borrow on behalf of the State and to select the borrowing instruments and conditions. It can, increase the ceilings for government debt at the end of the financial year and the appropriation for the fulfilment of government debt management expenditures and liabilities specified in the annual State Budget Law (Art 24). Measures to mitigate the effects of the Covid-19 emergency are considered one-off measures not included in the general government structural budget balance (Art 28).
Public management

A large majority of civil servants are working remotely. Exceptions include staff involved in crisis management and various sectoral COVID-19-related measures, police and border guards, those involved in COVID-19 testing or handling COVID-19 cases, State Emergency Medical Service medical staff or epidemiologists in the Centre for Disease Prevention and Control.

Client service centres in national and municipal level public institutions have been closed and have made the switch from on-site service to remote service, provided by telephone, e-mail or online. For example, documents can be signed using eSignature and sent remotely via e-mail or mobile phone. Many services are provided using the public service portal www.latvija.lv.

In March, the State Chancellery carried out two surveys:

- A survey of public institutions to collect data on actions taken in relation to their staff, in particular to what extent teleworking is in place and how it is organised.
- An employee survey that aims to assess the wellbeing of staff, including causes of anxiety and their expectations of the government and their management. This survey aims to offer targeted psychological help to public servants.

As noted earlier, bonuses have been put in place for health sector employees and the Cabinet Order on the emergency situation allows overtime (maximum 60 hours per week) for staff of state and municipal health services, municipal police, and local social services.

Implementation and next steps

Initial measures will be implemented mainly through the Law on measures to prevent and manage national threats and consequences of Covid-19 proliferation. Details of many of the measures announced are still being finalised and the government is exploring additional measures as it continues to develop its response to the pandemic.

The Bank of Latvia has signalled that they expect the impact of Coronavirus (COVID-19) will be significant, with a significant downward impact on the activities of several sectors, which will require support measures (Bank of Latvia, 2019[6]). The newly elected Fiscal Discipline Council, while noting the extraordinary measures taken in other EU Member States, nevertheless warned that measures for stabilisation and those with a fiscal impact should be short-term, responsibly evaluated and aimed at mitigating the negative economic effects (Latvian Fiscal Discipline Council, 2019[7]).

References


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18 Information in this section is largely drawn from the European Public Administration Network (EUPAN) questionnaire on "Measures by EUPAN Member States during Covid-19 Epidemic).


Introduction

The Lithuanian Government declared a State of Emergency on 26 February and put in place a series of measures to address the Coronavirus (COVID-19) outbreak. A State Emergency Operations Centre, headed by the Health Minister, is co-ordinating efforts against the spread of the COVID-19. Schools and universities are closed, travel restrictions are in place, large gatherings are banned, and non-essential shops are shut.

On 16 March, the Ministry of Finance – together with the Ministry of Social Security and Labour, the Ministry of Economy and Innovation, the Ministry of Health, and the Bank of Lithuania – submitted a plan to the Government to allocate EUR 5 billion (or 10% of the country’s GDP) to implement these measures (Lithuanian Ministry of Finance, 2020[1]).

Lithuania is a small open economy with a population of around 2.794 million. Economic growth in Lithuania has been resilient, although it was expected to slow in 2020 even before the onset of the COVID-19 outbreak. Public debt was 41.2% in 2018 (well below the EU average), the government sector was 34.1%\(^{19}\) of GDP (2018) and the health sector 6.8% of GDP\(^{20}\) (provisional value for 2018) (OECD, 2019[2]). General government employment accounts for 22.2% of total employment (2017), above the OECD average.

Budget measures

The government’s budget measures include additional expenditure and commitments for the health sector, employees and businesses:

- EUR 500 million for healthcare and emergency management, including purchasing protective equipment, reagents, medical and other equipment; bonuses and additional social guarantees for health care workers and officials working in areas affected by COVID-19.
- EUR 500 million for jobs and personal income protection, including support for downtime and partial downtime for employees, sickness benefits for the care of children, the elderly and the disabled. Self-employed persons who have paid social security contributions will receive EUR 257 a month for up to three months if they are unable to carry out their activities due to quarantine. Mortgage payments for those who have lost their employment (for three-six months excluding interest), and gas and electricity bills\(^{21}\) can be deferred or paid in installments.
- EUR 500 million to maintain liquidity for businesses, including immediate tax loans, deferred payments or payment in instalments (without interest); stopping recovery actions on the basis of

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\(^{19}\) Statistics Lithuania.

\(^{20}\) This includes i) government/compulsory schemes, ii) voluntary health care payment schemes and iii) household out-of-pocket payments.

\(^{21}\) For UAB Ignitis, the state-controlled energy holding company.
criteria of reasonableness and exemption of taxpayers from fines and penalties. Personal income tax may also be deferred.

Furthermore, guarantee limits for the Agricultural Credit Guarantee Fund and INVEGA\(^{22}\) will be increased by EUR 500 million and the terms of the guarantee provision will be extended.

The government also recommended that municipalities exempt businesses from the commercial real estate and land taxes, and that municipalities allow deferment of, or payment in instalments for, utilities and heat energy.

EUR 1 billion has been allocated to stimulate the economy. This includes relocation of EU funds for healthcare, employment and business areas, and provisions to allow to use of all funds from the climate change, road maintenance and development programmes, as well as acceleration of the renovation of multi-occupied buildings. It also includes an additional limit of State guarantees in order to create or supplement current financial instruments where primary risk is assumed by the State.

In addition to the above measures, the Bank of Lithuania released the countercyclical capital buffer, reducing the rate from 1% to 0% on (announced on 18 March and in effect from 1 April), allowing banks to provide up to EUR 1 billion in loans to businesses and residents. The Bank of Lithuania also announced regulatory measures expected to boost banks’ lending potential by EUR 2.5 billion, including reduction of capital adequacy requirements for credit institutions and reduction of liquidity reserves.

Finally there is a provision for the Government to borrow up to an additional 5 billion to ensure liquidity of the Treasury.

**Public management**

A large majority of civil servants are working remotely. Services are being provided to all citizens and residents remotely through the Sodra portal (State Social Insurance Fund). The portal allows for citizens to speak with a consultant online or receive a telephone consultation.

Lithuanian medical workers on the frontlines of the COVID-19 pandemic will receive pay increases. Public employees involved in emergency management may also receive bonus payments.

**Implementation and next steps**

Various measures are being debated and approved in the Lithuanian Parliament (Seimas), including the amendments to the Law on the Bank of Lithuania to allow the Bank to grant loans to a wider range of institutions (financial, insurance) facing liquidity problems.

Lithuania is in talks with the Nordic Investment Bank regarding a loan to help reduce the impact of the COVID-19 crisis. Specifically, the talks include extension of loans to financial intermediaries for on-lending to small and medium-sized companies as well as provision of direct financing to larger businesses experiencing a downturn (Lithuanian Ministry of Finance, 2020\(^{[3]}\)).

\(^{22}\) INVEGA provides provision of financial services and implementation and administration of financial and other support measures for SMEs.
References


[3] Lithuanian Ministry of Finance (2020), *Nordic-Baltic Ministers, Governors of the Nordic Investment Bank (NIB), have today invited the Bank to take swift action to help alleviate the effects from the corona crisis* (web page).
Introduction

Luxembourg has a population of approximately 0.6 million people. Over the past decade, economic growth in Luxembourg was higher than the OECD average, although the difference has decreased in recent years. Luxembourg has general government debt of less than 30% of the GDP (2018), which is the second lowest among OECD countries after Estonia. General government spending was 43.1% of GDP in 2018 and governmental health expenditures, including compulsory schemes, accounted for 4.5% of GDP in 2018 (OECD, 2019). General government employment is relatively low, accounting for 12.2% of total employment (2017).

The Luxembourg government announced measures totalling EUR 8.9 billion, or 14% of GDP. The vast majority of these measures (about 80%) are to increase liquidity.

Budget measures

The government has announced a support programme that aims to compensate for the loss of income, provide liquidity and fund extra health expenditures:

**Compensating for the loss of income**

- Companies that are forced to stop activities due to the government’s response measures, are eligible for partial unemployment support for their employees. The reimbursement is limited to 80% of the salary and a maximum of 250% of the minimum salary for unqualified labour (EUR 1 billion for 2 months). The companies that use the system of partial unemployment for their employees, will continue to pay 20% of the wages.
- The State is to cover the extraordinary leave of employees who cannot find a suitable solution for taking care of their young children (EUR 400 million for 2 months).
- Small businesses that close due to the response measures will receive a lump sum of EUR 5 000 (EUR 50 million).
- Reimbursement of VAT credits limited to a maximum of EUR 10 000 (€ 50 million).
- A series of measures specifically aimed at the cultural sector (no information on budgetary impact).

**Ensuring liquidity by providing additional loans and guarantees**

- Businesses and self-employed who encounter liquidity problems, can request the cancellation of advance payments for the two first quarters of 2020 as well as a deferral of 4 months for taxes due after 29 February (EUR 4.5 billion).
- The state guarantees new bank loans up to 85% (EUR 2.5 billion).
• Providing loans in co-operation with private banks, where the National Credit and Investment Company will provide 60% of the loan (EUR 400 million).
• Relaxation of repayment terms for loans of the National Credit and Investment Company (no information on budgetary impact).

Public management measures

For public employment, as with the private sector, teleworking is encouraged and the use of family leave has been extended.
• All officials for whom it is possible to work from home are encouraged to do so. To make this possible, the existing regulation on teleworking has been abolished since it excluded a whole category of public employees from teleworking.
• Extended and more flexible options to make use of family leave have been introduced to allow parents of young children to take care of their children at home since the schools are closed.

The government has taken measures to ensure the continuity of the services.
• In case of need, public service officials may also be redeployed from their current position to tasks that are considered essential in the context of COVID-19.
• All professionals with a medical diploma, medical students, retired medical staff and doctors on annual leave are to register for a reserve list via a platform.
• The government provides free temporary accommodation (hotels) for employees in the health sector who live in a neighbouring country.
• Employees in some crucial sectors will be allowed to work up to 12 hours a day and up to 60 hours a week.

Implementation

On 18 March, the Council of Luxembourg declared a state of crisis and gave the government the powers to introduce emergency measures in order to respond to the crisis.

References

Introduction

Mexico is a federal country with 32 states, with a population of about 130 million people. It is the 10th most populated country in the world, with a rather young population. Mexico has a small government sector compared with the OECD average, with general government expenditure representing less than 30% of GDP and general government employment representing 14% of total employment (2017). Mexico spends 2.8% of GDP on health (2018), making it the country with the smallest spending on health in the OECD as a share of GDP (OECD, 2019).

About one-third of Mexicans live below the poverty line (defined as under USD 5.50 per day), and another 30% are vulnerable to sinking into poverty. A large share of Mexicans work in the informal sector where they receive no social benefits. As such, the economic consequences of COVID-19 are likely to have a significant social impact, as there are few safety nets, in particular, for the informal sector. While the government is taking measures to support vulnerable people, it is not possible at this date to estimate the size of the response.

On 1 April, the government presented to Congress the pre-criteria for the 2021 Budget. The document states that the high level of international uncertainty on international markets, economic projections have been revised downwards several times over a short period. The GDP growth projections for 2020 are between -3.9 to 0.1%, the public deficit is estimated at 3.3% of GDP and the primary balance expected to be -0.4% of GDP. Projections for 2021 are a public deficit of -3.5% and a primary deficit of -0.6% of GDP.

Budget measures

The Federal Government, through the development bank Nacional Financiera (Nafin), will support SMEs up to MXN 25 billion (USD 1 billion). One million credits of MXN 25 000 each (USD 1 000), of which MXN 500 000 credits will go to the formal economy and MXN 500 000 to the informal economy. The credits will be settled over a period of 3 years, with no payment the first three months and further monthly payments of MXN 1 000 (USD 42), at an average rate of 6.5% per year.

On 25 March 2020, the National Banking and Securities Commission announced special accounting measures to be applied to the credit institutions, in order to mitigate the economic effects of Covid-19. In particular, there will be a partial or total deferral of capital and/or interest payments for four months, with the possibility to extend these measures for an additional two months. Support will also apply to mortgages, revolving and non-revolving credit granted to people such as: automotive credit, personal credit, payroll credit, credit card credit and micro credit, as well as commercial credit of physical persons.

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23 This refers to general government expenditures and compulsory schemes.
24 [www.gob.mx/shcp/prensa/comunicado-no-034-ejecutivo-federal-por-conducto-de-la-shcp-entrega-al-h-congreso-de-la-union-el-documento-de-pre-criterios-2021](http://www.gob.mx/shcp/prensa/comunicado-no-034-ejecutivo-federal-por-conducto-de-la-shcp-entrega-al-h-congreso-de-la-union-el-documento-de-pre-criterios-2021)
Some States are taking different actions to support SMEs in the formal and informal sectors: Discounts on payroll taxes for SME's and credit lines for payment of payrolls or supply merchandise for SMEs, among others. Many credits will be settled over a period of 2 years, with no payment during the first three or four months and low interest rates. Financial support to self-employed, rural workers (corn producers), family business and vulnerable groups (women, indigenous people) has also been put in place. The government of Mexico City has extended the deadline for tax payment.

**Public management**

An agreement signed by the Minister of Civil Service (Secretaria de la Función Pública) on the 20 of March 2020 suspended all exams and formal recruitment processes for civil servants in order to prevent the spreading of COVID-19.

An official agreement issued on 23 March 2020 by the Minister for Civil Service (Secretaria de la Función Pública) amends the federal public employment law by adding a paragraph allowing “work from home for civil servants, with the exception of those for which the essential functions to be carried out require them to implement these in the designated places”. The agreement also bans official international trips (except with specific authorisation by the Federal Executive). The head of each agency and dependency is responsible for listing the essential functions to ensure the provision of essential goods and services. Another agreement signed on the same day specifies that during the period from 23 March to 17 April 2020, work from home will be allowed for adults above 60 years of age, disabled people, pregnant or lactating women and people with chronic non-communicable diseases (e.g. diabetes, hypertension). Alternate work days can be authorised for public servants with children below 12 years of age, and staggered entry times for civil servants (as long as they work 8 hours per day between 7:00 and 20:00).

Several entities (such as the National agency of Industrial Security and Environment Protection) issued resolutions according to which the days between 23 March and 17 April 2020 are considered as non-working days, without implying a labour suspension in the ministry.

On 14 March, the Ministry of Health and Ministry of Public Education jointly announced prevention measures for the education sector due to COVID-19. The holidays were extended from 23 March to 17 April, and classes are to start again on 20 April (if conditions allow).

On 23 March 2020, an agreement signed by the Minister of Health and President of the General Health Council and the Secretary of the General Health Council declared that the disease caused by COVID-19 in Mexico is a serious disease that requires priority attention. The agreement designated the Ministry of Health as the co-ordinating ministry for the response. The General Health Council has asked the State governments and participants of the national health system to design immediately plans for hospital reconversion and the immediate expansion of hospital capacity to attend to COVID-19 cases that require hospitalisation. The General Health Council is in permanent session until further notice.

On 27 March 2020, a Decree signed by the President of the Republic and the Minister of Health declared extraordinary actions in regions affected by COVID-19. This Decree authorised the Ministry of Health (Secretaría de Salud) to implement immediately extraordinary actions, including:

- To use all medical and social assistance equipment from the public, social and private sectors in the affected regions, including to buy, without going through a public tendering process, any type of good or services, nationally or internationally, such as diagnostic kits, surgery equipment, hygiene products and any other input it sees necessary to confront the emergency.

- To import, or authorise the import of these goods and services, without going through the usual administrative process, and to carry out any necessary actions to avoid price speculation or stockpiling of essential inputs.
On 30 March 2020, the Government issued an agreement (acuerdo) declaring a state of health emergency due to COVID-19.

References

Introduction

With a population of approximately 17.2 million people, the Netherlands achieved real economic growth of nearly 3% in 2017 and 2.6% in 2018 and 1.7% of GDP in 2019, which is slightly higher than the average growth rate of OECD countries for these years.

The general government debt has decreased systematically over the last years, with 64.6% of GDP in 2018. The government sector accounted for 42.2% of GDP in 2018 and has been decreasing in size in recent years. Government expenditures, including compulsory schemes for health spending were 8.2% GDP in 2018 (OECD, 2019). General government employment is relatively low accounting for just under 12% of total employment (2017).

The government introduced response measures of an estimated amount of EUR 16 billion (2.0% GDP) for the next 3 months. The Central Planning Bureau (CPB) published an estimate of the impact of the crisis based on four scenarios of how long the response measures to curb the spread of COVID-19 might remain in place. All four scenarios result in a recession. In the best-case scenario, the Dutch economy would shrink by 1.2% in 2020 while in the worst-case scenario it would shrink by 7.7%. Except for the best-case scenario, the effect of COVID-19 would be worse than the global financial crisis of 2007-08, according to the CPB.

Budget measures

The government’s package of responses to date comprise two main elements. The first element contains allowances for businesses and employees to compensate for income loss (EUR 12.3 billion).

- A new system of Temporary Emergency Bridging measures replaces the existing system of Time Reduction measures. The new system allows employers with a loss of turnover of at least 20% to claim the payment of up to 90% of the salary, if they do not dismiss personnel (EUR 10 billion).
- Income support for the self-employed for a maximum of 3 months and up to the social minimum wage of EUR 1,500 (EUR 1.5 billion extra expenditures and EUR 300 million administration cost for municipalities).
- Companies that have been hit by the measures (cafés, other businesses that had to close) will receive a lump sum of EUR 4,000 for the first 3 months to pay for recurring costs (EUR 475 million).

The second element of measures is to increase liquidity by providing extra loans, guarantees and deferring tax payments:

- The self-employed can apply for a loan up to EUR 10,000 (EUR 2 billion).
- Relaxation of the rules for the guarantees of businesses (EUR 1.6 billion guarantees and EUR 98 million expenditures).
- Guarantees for credits of agricultural companies (EUR 10 million).
• Deferral of tax payments without penalties and reducing interest charges from 4% to 0.01% (EUR 150 million).
• No interest charge for the deferral of micro-credit for start-ups (EUR 6 million).
• Reduction in advance income tax payments for businesses that expect a negative impact from the crisis on profits.

Public management

Each governmental organisation is obliged to have a business continuity plan. The requirement pre-dates the COVID-19 crisis. The plans should pay attention to critical functions and business processes.

Employees have to work from home, unless business continuity requires that they come to the office. Central government employers are asked to spread working hours as much as possible. Teleconferences are to be the norm, but actual meetings can be organised if the participants can keep a distance of at least 1.5 meters from each other.

To enable people to perform work in essential services, children of those workers may attend schools and child-care facilities if necessary.

At this time, there are no special measures to supplement the wages of those most burdened, however, the Policy Framework for Extra Rewards provides the possibility to do so in certain situations. The Cabinet has announced in the Parliament that it is to consider supplements for people working in essential services, such as the health sector, as a part of new measures to guarantee sufficient personnel and equipment for this sector.

There is no structural dialogue with social partners linked to COVID-19, but the partners have been involved for the elaboration of a protocol on guidelines on how to work safely in the construction and engineering sectors.

Implementation

On 18 March the government proposed measures to the Parliament. Supplementary budgets have also been introduced in the Parliament to provide the additional budget for the response measures and were approved on 26 March.

To keep the Parliament informed on the implementation of the measures, the government is to inform the Parliament of progress on regular intervals, for instance the update provided to the Parliament on 1 April.

Some measures will have a significant impact on municipalities, since the municipalities will have to implement the measures (such as payments to the self-employed). There have been co-ordination meetings between the association of municipalities and the government to discuss implementation.

References


The Netherlands Central Administration (2020), Rijksoverheid website, www.rijksoverheid.nl/
The Netherlands Central Planning Bureau (2020), CPB website, www.cpb.nl/
NEW ZEALAND

Introduction

With a population of approximately 4.5 million people, New Zealand has a history of stable economic growth of 2.8% in 2018 and 2.6% in 2019 and relatively low gross debt of 49.9% of GDP (2017). The government’s operating balance was NZD 0.3 billion, or 0.1% of GDP in 2019. (New Zealand Treasury, 2019[1]). The health sector is slightly larger than the OECD average at 9.3%\(^{25}\) of GDP in 2018 (OECD, 2019[2]).

The first case of COVID-19 was reported on 28 February 2020 and by 27 March, 368 cases were reported. The government response included a four-tier containment framework to help limit the spread of the virus and to maintain access to health services. The government announced support packages on 17 and 26 March, totalling NZD 12.1 billion, or nearly 4% of GDP, over the three-year forecast period, with around half of it spent by June 2020. The Treasury is preparing scenarios to help inform the potential economic and fiscal effects of COVID-19.

Budget measures

The New Zealand Treasury is the central budget authority and has worked with line ministries on the design and implementation of the government’s support package. The package comprised three main elements: extra funding for the health system, support for businesses and employees, and support for household incomes (New Zealand Government, 2020[3]).

11. Support for the health sector: Additional funding of NZD 500 million (4.1% of the package) went to the health system for public health communications, support for vulnerable populations, funding the health workforce, testing and tracing cases, and funding to treat cases.

12. Support for businesses and employees: The package included a Leave Payment Scheme to incentivise self-isolation by employees, the self-employed and contractors. Eligible firms were provided a lump sum payment of NZD 585 per week per full-time employee and NZD 350 per week per part time employee for 12 weeks. Depending on uptake, the support is estimated at NZD 5.1 billion (42.1% of the package). Other aspects of the package for business included a NZD 100 million fund to support worker redeployment and training, the reinstatement of depreciation for commercial and industrial buildings, increasing the thresholds for provisional tax and writing off low value assets, and giving time-limited discretion to Inland Revenue to remit the interest payable on tax debt.

13. Support household incomes: The package included a NZD 25 million across the board permanent increase to all main benefits from 1 April 2020, doubling of the 2020 Winter Energy Payment, and removing the hours test from the In-Work Tax Credit to assist those who may face variable hours.

\(^{25}\) This includes i) government/compulsory schemes, ii) voluntary health care payment schemes and iii) household out-of-pocket payments.
In addition, the Government increased the minimum wage as scheduled through previous announcements.

In addition to the measures that directly affect the government’s fiscal balance, the government issued loans and guarantees to the business sector, including a NZD 0.9 billion loan facility to Air New Zealand, a publicly listed company in which the government holds a 52% share, and a NZD 6.2 billion scheme to guarantee loans in other businesses. The scheme is to be administered by commercial banks for the loans the banks have issued to businesses.

Measures that substitute a direct fiscal response included engagement with the financial sector for mortgage holidays and to freeze rent increases on residential properties and forbid eviction notices for the period. The government has not engaged in any off-balance sheet initiatives in response to the pandemic and there have been no specific measures for subnational levels of government.

Public management

The public sector has limiting operations to essential services and the capacity of the health system to respond to the pandemic has been the first priority in the government’s response. On 24 March, schools, tertiary-level institutions and early childhood centres were closed. Other public officials were instructed to work remotely, based on the business continuity plans for their organisation.

Union membership in New Zealand is relatively low at around 19% (2018) of the total workforce, as of March 2019. In the public sector unions were involved in the determination and implementation of the workforce measures adopted in sectors, such as conservation, health, justice, primary industries, and teaching.

The public sector management response has been led through a National Crisis Management Centre, which is a central point of co-ordination across the public sector. All information concerning the government's response is available on a single site, with websites, such as the Treasury, containing business as usual information and directing visitors to the central site.

Implementation

The Government’s implementation of its budgetary response was through existing powers under the Public Finance Act. The implementation of the support package was possible through the Health Act, the Epidemic Preparedness Act, the Civil Defence Emergency Management Act and new legislation enacted by the Parliament before the House was adjourned on 24 March. The Ministry of Social Development was able to make payments within five days of the government announcing the package.

On 25 March, the Government enacted an Imprest Supply Bill and included provisions to authorise the government to incur expenses in response to the effects of COVID-19. The New Zealand Debt Management Office continued to conduct market operations to raise debt in the period following the pandemic, supported by a Government commitment to maintain levels of government bonds on issue at not less than 20% of GDP (NZDMO, 2020[4]).

The Government has indicated it would prepare a further package focused on recovery as part of this year’s Budget on 14 May.

References


NZDMO (2020), *New Zealand Debt Management Office*.

**Introduction**

With a population of approximately 5.4 million people, Norway’s economy is currently in a strong position, with relatively low unemployment and steady economic growth. In 2018, health expenditure in Norway totalled 10.2% of GDP and the share of health expenditure financed by public sources was 85.4% (OECD, 2019). In 2017, employment in government in Norway accounted for 30.3% of total employment compared to the OECD average of 17.7%.

The first case of the Coronavirus (COVID-19) was confirmed in Norway on 26 February. By 31 March the number of cases had risen to 4,615 and 39 deaths.

On 13 March 2020, the Government announced immediate measures to avoid unnecessary layoffs and bankruptcies in viable companies due to the economic shock caused by the COVID-19 pandemic. These measures are estimated to exceed NOK 65 billion (approximately 2% of mainland GDP). Norway has sufficient room for changes in economic policy as the Norwegian sovereign wealth fund provides a considerable fiscal buffer at three times the size of Norway’s non-oil economy and it is designed to be used when required (a fiscal policy rule governs how much can be transferred from the fund to the budget). There are certain mechanisms in place in Norway that make the economy quite well prepared for shock events, such as daily unemployment benefits, secure income if people become sick and access to healthcare services.

**Budget measures**

To mitigate the negative economic effects, the government has introduced measures in several steps, and it considers that more may be needed in the coming weeks.

**Phase 1**

- Phase 1 refers to immediate measures to avoid unnecessary layoffs and bankruptcies in viable companies. This includes reducing the number of days that employers have to pay salaries to workers that have been temporarily laid-off (from 15 to 2 days) and reducing the period between when a salary stops being paid to an employee and when that person is entitled to an unemployment benefit.
- The government has put in place immediate tax measures such as changing the corporate tax regulations so that companies can re-allocate losses from the previous year, changing tax regulations so that companies can postpone payments of wealth tax, suspending the tax on air passengers and aviation charges. The government has also temporarily reduced the low rate of

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26 This includes i) government/compulsory schemes, ii) voluntary health care payment schemes and iii) household out-of-pocket payments.
VAT from 12% to 8%, which includes passenger transport, accommodation and parts of the cultural sector as well as deferring the deadline for payment of the first VAT from April to June.

- The government has strengthened the support for in-house training for companies affected by the outbreak through increased grants to municipalities, as well as directly increasing allocation to municipalities, and making sure that pension rights are not affected negatively.
- The government has introduced a state guarantee scheme for new bank loans to small and medium-sized enterprises suffering losses. The government has also reinstated the Government Bond Fund to increase liquidity and access to capital in the Norwegian bond market, where larger companies typically raise funds.

**Phase 2**

- In Phase 2, the government will work on targeted measures towards sectors and businesses affected by the outbreak.

**Phase 3**

- In Phase 3, the government will consider broader measures if the virus outbreak causes the economy to go into a more severe downturn.

**Public management**

All schools, kindergartens and universities are closed in Norway although some of those institutions remain open for the children of parents who work in health care or other essential services. Most public events are banned, bars and restaurants are mostly closed but supermarkets and pharmacies remain open in Norway.

The government is encouraging everyone who has the possibility to work from home to do so. Anyone who has travelled abroad since 27 February should be home quarantined for 14 days.

According to the Norwegian Working Environment Act, employers are obliged to ensure a working environment that is safe and healthy and during the current situation, employers are to implement internal policies on preventive measures in accordance with the recommendations on the Norwegian Institute of Public Health.

**Implementation**

A new temporary legislation (Corona Act) that supplements existing law and is an enabling Act that aims to mitigate the consequences of COVID-19 on the economy and the Norwegian people has been passed unanimously in the Norwegian Parliament (Storting). The Act allows for the measures to be implemented through existing legislation as there is not sufficient time to fully follow the provisions in the Norwegian Constitution for enacting legislation. On 16 March, the Storting established a Coronavirus Special Committee that is to consider urgent matters relating to the COVID-19 crisis. The Committee’s membership comprises the President of the Storting and one MP from each of the nine parties sitting in Parliament.

**References**


Introduction

Poland has a population of around 38 million people (Statistics Poland). Prior to the Coronavirus (COVID-19) pandemic, economic growth was predicted to remain robust, though decreasing to 3.8% in 2020 and 3% in 2021. GDP growth had slowed in 2019, down from a post global financial crisis (GFC) peak of 5.1% in 2018. The fiscal stance reflected this situation and was expected to remain expansionary in 2020 to offset the impact of weak global conditions (OECD, 2019).

In Poland, the Parliament enacted legislation on 2 March 2020 containing specific solutions related to the prevention, counteraction and fighting COVID-19, other infectious diseases and crisis situations caused by them (so called: specact) came into force. The Act regulates many other key aspects of the functioning of the State during the COVID-19 pandemic.

On 18 March, the Polish government announced a PLN 212 billion coronavirus package (approximately 10% of GDP). The Government's stated objective is to protect jobs and ensure the financial and health security of citizens and businesses, and to distribute the costs of doing this as fairly as possible across society.

Budget measures

On 18 March 2020, Prime Minister Mateusz Morawiecki announced a PLN 212 billion (EUR 46.5 billion) 'Anti-Crisis Shield' Programme (program tarczy antykryzysowej). This represented approximately 10% of Polish GDP. The cost is based on direct spending plus the estimated cost of lending and tax breaks. The Shield Programme is based on five pillars:

14. Support to workers to prevent job losses: employee salaries are subsidised up to 40% of average monthly salary based on certain conditions. The subsidy will be provided on condition that the employer will not make any employees redundant. Companies with fewer than nine staff are exempt from social security contributions for three months. There are specific benefits for contractors and the self-employed covering up to 80% of their salary under certain conditions. The total estimate of these supports is estimated at PLN 9.5 billion over three months, of which PLN 6.8 billion is for micro-enterprises and PLN 2.6 billion for self-employed people.

15. Strengthening the guarantee of deposits and provision of support to financial institutions: Extension of bank working capital loans, liquidity funds including the possibility for medium and large companies to obtain a capital increase or financing in the form of bonds up to a ceiling of PLN 6 billion.

16. Healthcare support: On 8 March, the authorities unlocked EUR 23.3 million (PLN 98 million) for hospitals on 28 February. On 19 March, the Government has announced additional PLN 7.5 billion package for health sector in the framework of COVID-19 Measures.

17. Establishment of a public investment fund to modernise infrastructure, develop digitalisation and technological transformation.
18. Other support included deferral of certain obligations for businesses and non-budget measures such as protecting consumers from price increases and allowing greater flexibility for shops to open on Sunday, the extension of work permits for foreigners, and the extension of the minimum deadline for event organisers to refund customers.

Public Management

Tenured civil servants account for a small proportion of Poland’s public workforce. The rest are mainly classified as civil service employees or employees of local self-government. Subnational government is carried out at Regional, County and Municipal level. Human Resource Management in the Polish government is highly decentralised. Directors-General of Ministries are responsible for their own operations and directly employ their own public servants. Human resource management at subnational level is regulated by the law on local self-government. As such, solutions on public management may differ across government.

A key aspect of the Polish response to public management at central government level has been to introduce the possibility for managers to order their staff to work remotely. This is different from the principle of teleworking because an employee’s refusal to comply with an order to work remotely may result in disciplinary procedures. The Head of the Civil Service recommended that Directors-General develop transparent rules and procedures around remote working, including determining how to manage performance, establish communication channels, and equip their staff with secure IT equipment. As an example, in the Chancellery of the Prime Minister, 74% of staff work remotely and the number is rising.

Implementation

The possibility of remote work was implemented on 12 March – immediately after the announcement of the introduction of a pandemic emergency. Employees received a remote work order by email or directly, without the necessity of any amendments to labour contracts or agreements. Article 10 of the Act of 2 March noted that The Prime Minister may, at the request of the minister responsible for health, apply to the unit local self-government obligation to perform specific tasks in relation to the prevention of the spread of COVID-19. The Polish Government has developed an application that citizens can download to provide basic contact and health details and to fulfil certain obligations while in quarantine.

References


Introduction

With a population of approximately 10.5 million people, Portugal’s economic conditions have improved over the past few years, and GDP was back to its pre-crisis level at circa 2.2% per annum (2019). While estimates from the Bank of Portugal initially announced a 1.7% GDP increase, the Bank’s March 2020 forecast estimated a GDP decrease of -3.7% to -5.7% for 2020. Portugal’s general government debt has been decreasing since 2014 and corresponds to 140.6% of GDP (2018), one of the highest amongst OECD countries. The country’s average general government expenditures amount to 44% of GDP (2018), and health care spending is 9.1% of GDP (2018), slightly above the OECD average of 8.8% (OECD, 2019a). General government employment is 14.4% of total employment, slightly below the OECD average (2017).

The first case of COVID-19 was reported on 2 March 2020 and by 29 March, 5,962 cases were reported. On 18 March the Parliament authorised the President of the Republic to declare a state of emergency, which brought into force a series of measures to limit the spread of the virus, including restrictions on movement and shops closed. Portugal granted on 30 March temporary full citizenship rights – until June 30 - to all migrants and asylum seekers to increase the health response to the COVID-19 crisis. The government’s package of support represents EUR 9.2 billion in liquidities for firms and independent workers, representing nearly 4.3% of GDP.

Budget measures

On 12 March the Government created a EUR 200 million “COVID-19” credit line offering advantageous financing solutions for eligible firms. The amount was later doubled to attend the demand.

The Government’s budget response was announced by the Ministries in charge of Finance and in charge of Economy and Digital Transition. The support package include EUR 5.2 billion in fiscal stimulus, EUR 3 billion in State-backed credit guarantees and EUR 1 billion in social security payments.

- Fiscal stimulus: the main measures include flexibility for tax payments, including delayed payments without interest.
- State-backed credit guarantees: this measure is to ensure that the companies most affected by the COVID-19 outbreak have sufficient liquidity to safeguard jobs and continue operating. The sectors concerned are restaurants, tourism and industry (textile, wood and others), and support is also targeted at micro and small enterprises.
- Social security payments: EUR 1 billion in social security payments.

Other measures include social protection of workers and their families, such as keeping credit lines, or an exceptional financial support to workers who need to stay home with their children below 12 years old.

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27 This includes i) government/compulsory schemes, ii) voluntary health care payment schemes and iii) household out-of-pocket payments.
amounting to 66% of base salary (33% paid by the employer, and 33% paid by the social security), and measures to avoid dismissals.

Moreover, alongside France, Italy, Spain, Belgium, Ireland, Greece, Slovenia and Luxembourg, Portugal called for the creation “corona-bonds”, a new mutualised debt instrument.

Public management

The Agency for Administrative Modernisation (AMA) is co-ordinating a centralised communication system (including municipalities) and providing guidelines for the administration. The AMA is also responsible for ensuring that access to public services remains efficient through the portal https://eportugal.gov.pt/.

There has not been specific measures targeting civil servants, although teleworking was approved in the civil service. Whenever teleworking is not possible, civil servants have the right to flexible work conditions and flexible schedules. In such cases, the employer is to guarantee that social distancing is possible in the workplace; if this is not possible, working in shifts is advised. The government also has the right to redeploy workers as needed, namely to guarantee access to 18 "essential public services" within 6 Ministries (Justice, Education, Sea, Agriculture, Finance and Labour). Some unions have expressed concerns that civil servants were not being protected as they should be.

The National Health Service (Serviço Nacional de Saude) has adopted exceptional human resources measures, which include removing overtime ceilings, simplifying hiring procedures (including retired doctors), facilitating mobility, postponing annual leave entitlements).

Implementation

On 20 March, following the declaration of the state of emergency, the Government legislated on measures to prevent and contain the pandemic, save lives and ensure the provision of essential goods and services. The Law No. 1-A/2020 detailed the exceptional and temporary measures in response to the crisis. The Order No 3614-D/2020 details the guidelines for public services regarding the state of emergency context.

On March 26, the Government doubled the credit line to support firms’ cash flow from EUR 200 million to EUR 400 million. On the same date, the Government adopted a decree protecting jobs.

Moreover, Order No. 3301-E/2020 delegated powers to organs, agencies, services and other entities to allow the hiring of fixed-term public employees, for a four-month period.

References

Diário da República, (2020), Decreto n.º 10-G/2020
Diário da República, (2020), Decreto n.º 2-A/2020
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SLOVAK REPUBLIC

Introduction

With a population of approximately 5.45 million people, the Slovak Republic has had modest economic growth in recent years, with the outturn for 2019 forecast to be 2.3% (Ministry of Finance of the Slovak Republic, 2020[1]). Public debt is below the average for OECD countries, with gross debt sitting at 56.3% as a percentage of GDP in 2018. Government expenditures were 40.6% of GDP in 2018, and government health expenditures, including compulsory schemes, were estimated at 5.4% of GDP in the same year, slightly below the average across OECD countries (6.6%) (OECD, 2019[39]). General government employment accounts for 18.7% of total employment (2017).

The arrival of COVID-19 to Slovakia occurred later than was the case for neighbouring countries in Western Europe, with the first case of COVID-19 confirmed on 6 March 2020. The spread of COVID-19 in the Slovak Republic has also been relatively slow, with this being attributed to the decisions taken by then Prime Minister and interim Minister of Health to put in place some of the most serious precautions in Europe at the time. This included nationwide school closures on 9 March, land border checks and closure of non-essential businesses from 12 March, closure of international airports on 13 March, and the declaration of a state of emergency on 15 March. As of 2 April, there are 426 confirmed coronavirus cases in the Slovak Republic (Public Health Authority of the Slovak Republic, 2020[3]).

A new coalition government was formed in the Slovak Republic and sworn in by the President on 21 March. In light of the pandemic, one of the first tasks of the new coalition government has been to agree a package of fiscal measures to help firms and employees experiencing difficulties. The Council for Budget Responsibility published its most recent fiscal update in February 2020, pre-dating the arrival of COVID-19 in the Slovak Republic. At that time, the government’s fiscal balance was estimated to be -2.4% of GDP for 2020 (Council for Budget Responsibility, 2020[4]). A reforecast will be necessary to estimate the economic and fiscal effects of COVID-19 and associated fiscal measures.

Budget measures

The first fiscal measures approved in response to the pandemic are new rules in the sickness insurance system to help those affected by school closures and quarantine. Parents who are at home with their kids will get 55% of their gross salary from the state during school closure (instead of 10 days maximum). Employees in quarantine will get 55% of their gross salary from the state (first 10 days were covered by the employer previously). This measure is estimated to cost EUR 400 million.

The Government is currently working on a larger fiscal stimulus package to be focussed on helping employees and businesses negatively affected by the COVID-19 pandemic. A package amounting to approximately EUR 4.5 billion over the coming three months was agreed among coalition partners on 31 March, but has yet to be approved by Parliament. The planned direct aid measures amount to EUR 1 billion monthly and comprise:
• Support for employees: The state will pay 80% of wages at firms forced to shut. The state will also contribute help to self-employed people and employees in firms that suffer falling revenue, with payments linked to the size of the revenue drop.

• Support for businesses: Employers will be allowed to postpone their contributions to state social and health systems and delay some tax payments if they suffer a 40% drop in revenue. Firms can also offset accumulated losses from past years going back to 2014 against corporate income tax.

On top of the direct aid, the state will offer firms bank guarantees of up to EUR 500 million a month. Moreover, the government together with banks are preparing to postpone the loan re-payments for both firms and individuals.

The package is now in the Parliament and should be approved in the coming days.

Public management

In general, public officials – along with the rest of the public – are encouraged to work from home. However, the situation varies depending on the government institution.

The Government is not planning to increase medical personnel; however, unnecessary surgeries have been postponed in order to not overburden the health system. The Government is also trying to reallocate staff resources to areas facing major pandemic issues.

Implementation

The first measures relating to new rules in the sickness insurance system were approved on 25 March through an amendment to the Act No 461/2003 on Social insurance and other related Acts.

References


Introduction

With a population of approximately 2.1 million people, Slovenia has been a member of the European Union since 2004, and of the euro area since 2007. Its economic conditions have improved since the end of the European debt crisis, but GDP in 2018 was still lower than its 2008 level. Preceding the COVID-19 pandemic, the OECD had forecasted a growth rate of close to 3% in 2020 for Slovenia, and on 23 March 2020 the Republic of Slovenia’s Institute of Macroeconomic Analysis and Development (Urad RS za makroekonomske analize in razvoj, UMAR) published a revised forecast of between -6 and -8% due to the COVID-19 crisis. In 2018, Slovenia’s general government expenditures were 42.4% of GDP, with a government gross debt of 82.7%. In 2017, current expenditure on health was 8.2% of GDP. General government employment accounts for 17.1% of total employment (2017). On 29 March, the budget measures against the COVID-19 crisis amounted to EUR 3 billion, representing approximately 6% of GDP.

According to the WHO, on 30 March, Slovenia had 691 cases of COVID-19 and 9 deaths. The Government has implemented a range of measures in response to the pandemic including budget measures and restrictions on public gatherings, the closure of schools and non-essential businesses. A new government took office on 13 March, in the midst of the pandemic, following the resignation of former Prime Minister Šarec on 27 January 2020.

Budget measures

On 29 March, the National Assembly passed an “anti-Corona” legislative package, totalling EUR 3 billion (approximately 6% of GDP). The package focused on households, workers and businesses. It comprised subsidies to workers who lose at least 25% of their salaries, and included measures for pensioners, students and families. The legislation enabled the Government to reallocate budget funding to the health sector if required.

The most visible policy in the package was a pay compensation mechanism, covering 80% of the basic salary of some workers. The unemployed are entitled to benefits from the first day of unemployment. In a largely symbolic move, the Slovenian government has also reduced the salaries of high-level positions by 30%, such as that of the President of the Republic.

The Act also focuses on aiding business, notably by:

- freezing their payment of social contributions. The government will pay social security contributions for firms that continue operations during the crisis response period. deferring corporate tax payments for up to 24 months without incurring interest.

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28 This includes i) government/compulsory schemes, ii) voluntary health care payment schemes and iii) household out-of-pocket payments.
• implementing a private sector loan guarantee mechanism, accounting for EUR 200 million of the package.

• Using the state-owned export and development bank to make additional funding available to businesses.

The Government has advised that a second package will follow soon.

Alongside Belgium, France, Greece, Ireland, Italy, Luxembourg, Portugal and Spain, Slovenia has called for the creation “corona-bonds”, a new mutualised debt instrument to support sovereign borrowing programmes by adding to the range of debt instruments available to governments to finance the budget measures.

As substitute for a direct budgetary measure, the government has issued a decree to reduce electricity prices by around 20% for the next three months to ease the impact of the pandemic.

Public management

The Ministry of Public Administration has established guidelines regarding the rights and obligations of public servants. The guidelines focus on several aspects:

• work from home when possible
• the use of leave with the agreement of the public servant
• the potential temporary relocation that can be made with or without the civil servant’s consent,
• furlough with a salary allowance of 80% of basic salary
• a financial supplement for dangerous work and excessive workload during an pandemic
• overtime that can be requested by the employer if necessary.

Guidelines and IT recommendations are available on a website managed by the Ministry of Public Administration. The Ministry is also preparing a more extensive Act on Temporary Measures in the Field of Employment, Wages and Supplements in the Public Sector.

Implementation

Decisions relating to a temporary bans of specific goods and services, the prohibition of public gatherings, and the prohibition of movement have been adopted through Government Ordinances. The “anti-corona” legislative packages – the first one has been passed, the second one is being drafted - are under the responsibility of the National Assembly.

Regarding increased budget flexibility, the Slovenian government has suspended its current budget while a revised budget is being prepared. During this time, around EUR 400 million remain available. The Government therefore asked for a reduction of 30% of spending most notably on goods and services expenditures and subsidies.

References

EUPAN (2020), Country response


Introduction

Spain made a successful recovery from the financial crisis and economic recession, underpinned by strong employment growth, gains in competitiveness and favourable external and financial conditions. Real GDP growth averaged at 2.4% between 2017-19 and public finances have improved, with public gross debt at 113.3% of GDP in 2018. Unemployment dropped from its “peak” during the height of the crisis, from 26% in 2013 to 14% in 2019, although this remained above the OECD average.

However, the OECD’s Economic Outlook of November 2019 projected growth in Spain to reduce to 1.6% in both 2020 and 2021. While revised data following the COVID-19 outbreak are not yet available for Spain, the OECD’s latest estimates for the euro area have downgraded GDP growth to just 0.8% in 2020.

In 2018, the government sector (general government expenditures) represented just over 41% of GDP, negligibly above the OECD average of 40%. Public employment in Spain accounted for 15.3% of total employment in 2017, with the majority employed at the subnational level (82% of total general government employment) in Autonomous Communities or municipalities who have the bulk of competencies for health and education. Overall, public employment levels remain below the OECD average. Health spending in 2018 accounted for 9% of GDP (6.2% of which is government-financed, the remainder out-of-pocket) (OECD, 2019a).

The first case of coronavirus (COVID-19) was reported in the Canary Islands in late January (from a visiting tourist); with the first mainland case in late February in Cataluña. As of 30 March 2020, the situation was dire: 7,340 deaths, over 46,000 persons hospitalised, and over 85,000 testing positive. The Spanish Government declared a state of national emergency, and a national lockdown began on 15 March. As of 31 March the lockdown had been extended to 11 April.

Spain’s Government issued two packages of measures to respond to the national COVID-19 crisis, totalling an estimated EUR 200 billion (or 20% of GDP).

Budget measures

Two packages of measures have been approved on 12 March and 17 March. The first package was for EUR 18.2 billion, including liquidity measures, with the second package amounting to EUR 5 billion of additional public expenditure, and up to EUR 100 billion in public guarantees. EUR 30 million was allocated for research on COVID-19. The measures were developed by the Council of Ministers, following debate and ratification by Congress (Congreso de Diputados).

For workers: notably, it was not possible to terminate employees due to COVID-19 and workers were granted the right to flexible work schedules to care for dependents. Furthermore, changes in the temporary employment adjustment schemes (ERTEs) were made: (i) through simplification; (ii) extending eligibility; (iii) unemployment benefits received under the temporary employment adjustment scheme do not count in terms of consumption of unemployment benefit rights, and (iv) employers will be exempt from social contributions during the period of application of the temporary employment adjustment scheme.
Furthermore, an extraordinary allowance is offered for self-employed workers affected by the suspension of economic activity.

**Social measures:** the Government prohibited the cutting of water, gas, and electric utilities, and telecoms services for "users with vulnerable consumer status, severe vulnerability or at risk of social exclusion". A supplemental credit of EUR 25 million has been earmarked to cover meal allowances to ensure the basic access to food for vulnerable children affected by the suspension of educational activity in schools. Finally, a moratorium was issued on mortgage payments, again for debtors in a situation of special vulnerability. The Autonomous Communities, as shown below, received funds for other social measures.

**For regions/municipalities:** Municipalities were permitted to utilise funds from the 2019 budgetary surplus for social services and primary assistance to dependent persons (EUR 300 million). For Autonomous Communities, advance transfers were made: in total EUR 600 million was provided to Autonomous Communities to use on social and health spending and emergency services.

**For businesses:** the moratorium on mortgage payments was expanded to include small businesses and commerce. Additionally, SMEs and self-employed persons were granted the option to delay tax payments (of up to EUR 30 000) for 6 months. Employers were granted a 50% exemption from social security contributions, from February to June 2020, for workers with permanent discontinuous contracts in the tourism sector and related activities.

**Various lines of credit opened:** The ICO (Instituto de Crédito Oficial) financing facility will administer EUR 400 million to support, through liquidity provision, firms and self-employed workers in the tourism sector affected by COVID-19. For the financial sector, the Government will open a new line of guarantees (also through ICO) of up to EUR 100 billion. Finally, the ICO is allowed to increase its funding by EUR 10 billion to extend its existing lines of credit to companies and self-employed workers.

**Public employment measures**

The Ministry for Territorial Policy and Public Administration issued two resolutions (the first on 10 March followed by a second on 12 March) concerning public employees at central level (Administration General del Estado). These resolutions covered working conditions, pay, and business continuity, and included:

- During preventive quarantines, public employees are to receive 100% of their remuneration. As such, public employees working in a particular place of residence, as a consequence of the temporary suspension of activities in their work units, and which have not been relocated to others, would still be considered effective working time. The resolution also allows flexibility during the working day without being subject to the limits established under normal working conditions. Teleworking is permitted and in-person meetings should be avoided as far as possible. To facilitate this, the use of videoconferences has been encouraged. Recruitment exams and in-person trainings were also suspended.
- Concerning service delivery, and with prior authorisation, the resolution permits employees to utilise non-contact modalities of work (such as web-based options) to guarantee the provision. In the case of in-person care, shifts will be established, if necessary, to support the continuity of services.
- Several parallel decrees expanded on the need to maintain the continuity of services. In the education sector, Royal Decree 463/2020, of 14 March, declared a state of emergency for the management of the health crisis has suspended all face-to-face educational activity, while maintaining that online teaching is possible. In addition, extraordinary services may be required of health personnel. Furthermore, some regions have suspended the granting of vacations, permits and licenses during the validity of the state of emergency.
Implementation

Spain is a quasi-federal country, with competencies for education, health and other social services at regional or municipal level. The Ministry of Territorial Policy and Public Function for the State Administration and those public entities in the autonomous communities and local Administration are empowered to issue instructions and resolutions that are necessary to regulate the provision of services of public employees to maintain the operation of essential services.

Concerning public employment, on 25 March, the Ministry led a meeting of the Coordination Commission on Public Employment, to share and align policies with Autonomous Communities and municipalities and provinces (through FEMP), who have competencies for a considerable number of services.

References


Introduction

Sweden has a population of approximately 10 million. Supported by robust consumption, investment and exports, GDP has expanded at an average rate of close to 3% until 2017. Global trade tensions had a negative impact for an open Swedish economy and reduced GDP growth to 1.2% in 2019. Employment in government in Sweden accounts for 28.8% of total employment compared to the OECD average of 17.7% (2017). In 2018, Sweden had the fifth highest expenditure on health29 as a share of the country’s GDP when compared to other OECD countries. Total health care expenditure as a share of GDP was around 11% in 2018 (OECD, 2019).

By 31 March 2020, Sweden had reported around 3 700 cases of COVID-19 and 110 deaths. Sweden has not closed its borders, schools, non-essential businesses or banned gatherings of people. Largely, the Public Health Agency has overseen the measures adopted in Sweden.

On 16 March, the Government announced a comprehensive package of up to SEK 300 bn (EUR 28 billion) to mitigate the effects of COVID-19. Additionally, the Riksbank (the Central Bank of Sweden) has lent up to SEK 500 billion to companies to maintain the supply of credit to Swedish companies and avoid the shortage of credit. On 30 March, the Government presented further measures to alleviate the impact on jobs and the Swedish economy. In total, the measures amount to approximately SEK 646 billion (nearly 13% of GDP), including liquidity provisions and credit guarantees.

Budget measures

The Government has announced measures to limit the spread of the coronavirus and to mitigate the economic impact of it by providing support to employees, businesses and industry, while ensuring adequate resources to the health care system and other areas of government, such as education.

Employees

Increased funding is to be paid to the Swedish public employment service and labour market policy programmes. It is also proposed that the maximum period of support for starting a new business be extended from six to twelve months.

The Government is to introduce a compensation system for short-term layoffs, under which the state will bear 75% of the costs from a reduction in the time worked. Employers will be able to get compensation right away and for the rest of 2020.

- Unemployment insurance: The requirements concerning who can receive money from an unemployment insurance fund will be temporarily relaxed in terms of how much people need to

29 This includes i) government/compulsory schemes, ii) voluntary health care payment schemes and iii) household out-of-pocket payments.
have worked and how long people need to have been a member of a fund. The highest and the lowest amounts paid out by an unemployment insurance fund will be raised temporarily. It is also proposed that the fund companies receive funding for administration.

- Sickness allowance: The state will bear the cost of the sickness allowance during April and May 2020. Those who are self-employed will be compensated by a standardised sickness allowance for up to 14 days.

**Businesses**

- Tax reliefs and refunds: Companies can apply for tax relief on the payment of employers’ tax deductions, social contribution and VAT. The relief is to be available from January to September 2020, with the possibility of extension.
- New enterprise and labour market policy: Increased funding is to be paid to the Swedish public employment service and labour market policy programmes. The maximum period of support for starting a new business is to be extended from six to twelve months. In addition, municipalities are to receive grants for summer jobs for young people and funding for green jobs, primarily in the area of nature and forest conservation.
- New enterprise and labour market policy: Increased funding is to be paid to the Swedish public employment service and labour market policy programmes. It is also proposed that the maximum period of support for starting a new business be extended from six to twelve months. In addition, municipalities are to receive grants for summer jobs for young people and funding for green jobs to enable subsidised employment, primarily in the area of nature and forest conservation.

**Industry**

- Increased funding for culture and sport: The Government has proposed an extra SEK 1 billion to the cultural and sporting sectors in response to the economic consequences of COVID-19. The additional funding will be granted for activities that lose revenue because of the restrictions on public gatherings.
- State credit guarantees to airlines and expanded credit guarantee framework: The Government has proposed that airlines can receive credit guarantees in 2020 amounting to a maximum of SEK 5 billion, of which SEK 1.5 billion is intended for the national carrier, SAS. The Swedish Export Credit Agency’s credit guarantee framework will be expanded by SEK 50 billion to support exporting companies in Sweden and the shipping industry.

**Sectors**

- Healthcare: The Public Health Agency will receive an additional SEK 41 million, the National Board of Health and Welfare will receive additional SEK 20 million, and the Swedish Medical Product Agency will receive an additional SEK 5 million. The National Board of Health and Welfare’s credit framework will be tripled to SEK 300 million to enable it to buy protective equipment and testing kits. The central government can also retroactively compensate municipalities and regions for unexpected costs in health and medical care associated with the outbreak.
- Education and training: Funding to vocational education and training is to increase as unemployment is expected to rise. Increased funding is allocated to distance learning at higher education institutions. To compensate for the increased work, Swedish Council for Higher Education and the Swedish Board of Student Finance are to receive increased funding. The income ceiling on student aid will be removed so that health and medical students can help without a reduction to their student aid.
Public management

Although Sweden’s responses to COVID-19 differ from most other OECD countries, the government has advocated working from home where possible, avoiding non-essential travel and for the elderly to avoid social contact. Gatherings of more than 50 people have been banned, a change from the initial ban of gatherings of 500 or more. Universities and colleges have closed but elementary schools remain open.

The Swedish Agency for Government Employers (https://www.arbetsgivarverket.se/) has put in place certain measures, such as compiling ongoing questions and answers in response to the COVID-19 from a labour law perspective. The questions and answers are divided into different areas, where it’s possible to find information on working time and rest, obligation for work and homework, sick leave, compensation and other relevant issues. According to Arbetsgivarverket, employers are responsible for the worker’s working environment even when they are working from home. Employers can agree with employees on necessary tasks that need to be carried out of those employees who are absent due to illness if they are covered by the collective agreement, by the individual employment contract and if the employer has the right qualifications. Arbetsgivarverket has also initiated negotiations with unions to make relevant changes in the collective agreement connected to working time.

The Parliament has passed a new law that makes it possible to close temporarily schools and preschools while establishing an obligation on municipalities to keep certain schools and preschools open. The obligation is intended for children whose parents perform essential service roles in, for example the healthcare sector, military, energy supply, protection and security, financial services and public administration.

Implementation

On 19 March, the government presented its initial package of measures to the Parliament. Further measures are to be presented to Parliament through proposed amendments to the 2019/20 Budget and a supplementary budget. The Parliament is also considering legislative proposals on non-budgetary measures so implementation can occur quickly if the need arises.

References


Introduction

With a population of more than 8.6 million people, Switzerland is a small and export-oriented economy with a GDP of almost CHF 700 billion. Government expenditures were 34.2% of GDP and general government gross debt was low with 42.8% of GDP in 2017. Switzerland is among the OECD countries that spends most on health care. Total health care spending in 2018 is at 12.2% of GDP (OECD, 2019[1]). General government employment accounts just over 10% of total employment (2017).

By 30 March 2020, 14,274 COVID-19 cases were reported. The outbreak has claimed 257 lives. On 16 March, the Federal Council declared a national state of emergency, closing shops, restaurants, bars, entertainment facilities and schools (with exceptions for food stores and pharmacies) and introducing border controls until 19 April. The Federal Council prohibited public gatherings of five people or more and recommended citizens to stay home (Swiss Federal Office of Public Health, 2020[2]). In March, the Federal Council announced a package of measures of around CHF 42 billion (6% of GDP) to cushion the economic consequences of COVID-19 (Swiss Federal Department of Economic Affairs, Education and Research, 2020[3]). The exact value of the package will depend on the rate of uptake, as outlined below.

Budget measures

The package of measures focuses on the short-term work scheme, increasing liquidity for enterprises by means of tax-related measures and government guarantees. The package comprises the following elements.

- Extension of the short-term work scheme and simplification of the administrative procedures: The unemployment insurance fund is to provide an additional CHF 8 billion for short-time work allowances, of which CHF 6 billion will be funded by the Federal Budget. The short-time work allowance will also be paid to employees in fixed-term contracts, people in temporary employment, employer-like entities, such as partnerships, apprentices, and individuals who work with his or her spouse or registered partner. The latter group will receive a lump sum of CHF 3,320 for a full-time position. The waiting period for the short-time work allowances is suspended and workers no longer have to cut overtime before they can benefit from allowances until September 2020.

- Compensation for loss of earnings: Self-employed persons who suffer a loss of earnings due to official measures (school closures, medical quarantine or closing of companies and shops) will be compensated. Employed parents will be entitled to compensation if they have to stop working due to school closures. The compensation is paid out from the income compensation allowance scheme and corresponds to 80% of income at a maximum of CHF 196 per day. The income compensation allowance scheme was granted CHF 4 billion from the Federal Budget.

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30 This includes i) government/compulsory schemes, ii) voluntary health care payment schemes and iii) household out-of-pocket payments.
• Deferral of taxes and social security contributions (SSC) to increase the liquidity of enterprises: Companies can extend the tax payment deadlines without having to pay default interest. As such, the interest rate for VAT, federal income taxes, customs duties, special consumption taxes and incentive taxes were reduced to 0.0% until the end of 2020. In addition, the Federal Council enacted a temporary and interest-free deferral for the payment of SSC for affected companies and the self-employed (including adjusting regular advance payments for SSC if wage payments or sales have decreased significantly). Moreover, employers may temporarily use the employer contribution reserves to pay employee contributions for the occupational pension scheme.

• Sectoral support: The ban on events in the cultural sector is to be cushioned by emergency aid and compensation of CHF 280 million. Sports clubs and organisers of mass sport that face severe problems are to be supported by repayable loans and subsidies (CHF 50 million each).

Separate from measures that directly affect the fiscal balance, the Federal Budget guarantees bridging credit facilities for SMEs. More specifically, the Federal Council implemented a guarantee programme worth CHF 20 billion. Affected enterprises can apply for bridging credits of up to 10% of annual sales and a maximum of CHF 20 million. Amounts of up to CHF 0.5 million will be paid out immediately and interest free by banks and fully secured by the government. Amounts in excess of this sum are to be secured by the government to 85% and require an examination by the bank (Swiss Federal Department of Finance, 2020[4]). In addition, a debt enforcement standstill was enacted from 19 March to 4 April.

At the cantonal level, complementary measures were announced, including the canton of Basel-Stadt that developed a deferred payment for local infrastructure services (energy and water) and secures bridging credit facilities for enterprises offered by the cantonal savings bank. The canton of Zurich provides credit guarantees to a total of CHF 425 million to encourage commercial banks to improve access to finance for regional SMEs. The canton also provides funds for emergency aid to the self-employed. The canton of Aargau announced a support package of CHF 300 million to support enterprises and the self-employed.

Public management

The Federal Administration maintained its services and followed the recommendations for all employers, as issued by the Federal Council. The recommendations include reduced requirements for medical certificates to relieve the pressure on the health system and information campaigns for employees about protective measures as stated by the Federal Office of Public Health. Further aspects of the package include the recommendation to employees not to use public transport at peak times and increased flexibility on work hours, including teleworking if feasible. In addition, there is the right to a maximum of three days paid leave for emergency care and further care for family members.

In the health sector, the Federal Council defined that hospitals carry out only urgently required medical interventions to keep capacity for COVID-19 patients. Moreover, the capacity in health care was increased by activating military services specialised in health support. Several cantons mobilised civil defence volunteers. The Federal Council increased the flexibility on the work-rest times in the health sector. However, the public employee association called for supplementary measures to protect health workers.

Implementation

The Federal Council announced the package of measures amounting to around CHF 42 billion to cushion the economic consequences of the spread of COVID-19 in two steps, i.e., on 13 March and 23 March.

31 The Federal Council will examine an increase of the volume of the guarantee programme.
As the measures were considered urgent, the finance delegation of the Federal Parliament approved the funding commitments in an urgency procedure for a supplementary budget for 2020 of around CHF 30 billion. The Federal Parliament will have to approve the volume of the funding commitments within 6 months based on new legislation. The Federal Council considers the additional expenditures and funding commitments as extraordinary expenditures consistent with the provisions of the Federal debt brake. In extraordinary circumstances, e.g. severe recessions or natural disasters, the rule’s expenditure ceiling can be raised by a qualified majority of both chambers of the Federal Parliament. In principle, these exceptional expenditures have to be compensated over the next years. By means of emergency ordinance, the Federal Council activated the guarantees for COVID-19 bridging credit facilities as of 26 March. Many of the measures targeted at the labour market were activated timely by the Federal Council.

References


Introduction

Turkey has a population of over 81 million people, with 2.8% GDP growth in 2018, as opposed to 7.5% in 2017. In 2018, the economy slowed sharply after the rapid depreciation of the lira, which increased the national debt burden. In 2019, growth picked up, although the OECD projected GDP growth of around 3%, below Turkey’s potential growth (OECD, 2019[1]). Turkey had a fiscal balance deficit of 2.8% of GDP in 2017, and general government gross debt was 35.2% of GDP for the same year. In 2018, the government’s health expenditures, including compulsory expenditures were 3.3% of GDP (OECD, 2019[2]). General government employment accounts for 10.7% of total employment (2017).

The first case of COVID-19 in Turkey was reported on 10 March 2020 and by 1 April, almost 15 700 cases were confirmed. All schools were closed from 12 March and schools will continue distance education until 30 April. Confinement measures were implemented for people over the age of 65 and with chronic illnesses from 22 March. The most recent measures include strict limitations on travel between provinces, suspension of all overseas flights, closure of non-essential shops and recreational areas. On 18 March 2020, the President rolled out a TRY 100 billion (approximately 1.5% of GDP) plan to tackle the impacts of the COVID-19 on the economy.

Budget measures

The TRY 100 billion COVID-19 plan was announced following a co-ordination meeting with the participation of cabinet ministers, presidents of the Parliamentary Commission on Planning and Budget, and the Competition Authority, the Governor of the Central Bank, Turkish Airlines Chairman of the Board and the representatives of confederation of unions and civil society organisations among others. The plan, labelled as the “Economic Stability Shield Programme”, consists of 21 measures including payment deferrals for businesses, tax cuts and an increase in minimum pension pay-outs. The package did not include support measures for the health sector other than permitting health workers to travel free-of-charge on public transportation. Ministry of Health has started to recruit 32 000 new staff. The Programme includes:

Support for individuals and families

- An additional TRY 2-billion in cash assistance to approximately 2 million families in need, based on criteria specified by the Ministry of Family, Labour and Social Policies; and TRY 7 billion minimum wage support is earmarked in support for workers with minimum wage.
- Other measures included a healthcare programme for people at home above the age of 80 who live alone and an increase in the minimum pay-out to pensioners to TRY 1 500 a month (from TRY1 258). The holiday bonus for retirees will be paid in April instead of June.
- Easing of conditions for access to the short-term employment allowance. Short-term employment scheme aims to provide income support to employees during a temporary shortening of the employment period in the whole or part of the workplace. To benefit from the allowance, the
employer should apply to the Turkish Employment Agency because of a general, regional or sectoral economic crisis or force majeure event.

Support for businesses

- Deferral of value-added tax and social security payments for various sectors, including retail, iron-steel, automotive, logistics-transportation, cinema-theatre, accommodation, food-beverage, textile-garments and events-organisation.
- Postponement of debt repayments for companies affected by the crisis for a minimum of three months.
  Specific attention was given to the export and aviation sectors through an extension of financial support to stocks for exporters, the suspension of the tourism accommodation tax until November, and a reduction to the value-added tax for domestic aviation to 1% from 18% (for 3 months).
  A grant of TRY 6 million to firms that locally produce disinfectants, protective clothes, goggles and masks.

Credit assistance

- Doubling the limit of the Treasury-backed “Credit Guarantee Fund” to TRY 50 billion for guarantee loans to SMEs;
- A credit card will be made available to all craftsmen and small traders under a TRY 25,000 limit

The President called for financial institutions to take necessary measures to mitigate the impacts of COVID-19 on the economy, such as extending credit conditions and meet the cash and liquidity demands of businesses in order to maintain employment and growth. On 30 March, three state-owned banks launched a “Personal Needs Support Loan” to support households with incomes of less than TRY 5000 per month. The loan support can be up to TRY 10,000, with a 6-month grace period, up to 36 months on monthly instalments in order to finance basic needs.

Public management

In the context of the Economic Stability Shield Programme, the President announced that flexible and remote working models in the legislation will be implemented. Following the announcement, on 22 March a Presidential Circular was issued allowing civil servants to work from home and to work flexibly. The measures apply to all public sector employees regardless of the contractual arrangement. As per the decision by the Minister of Interior, flexible working measures do not apply to the institutions such as the General Directorate of Security, Gendarmerie General Command, and the Coast Guard.

The Presidential Circular allows public employees to work in shifts to ensure continuity of essential services. When working in shifts, those who are not working are considered to be on administrative leave. Principles and procedures for the implementation of flexible working measures are determined by the heads of public institutions (Government of Turkey, 2020[3]).

Some unions have participated in meetings to co-ordinate the fight against COVID-19, including the Confederation of Public Employees Unions. The Secretary General of the Confederation sent a letter to the President of the Republic outlining necessary measures to protect public servants.
Implementation

On 24 March, the Parliament passed an omnibus bill stipulating amendments to some laws for regulations in the economy as per the Economic Stability Shield Programme, for example, granting financial help for minimum wages. To date, the implementation of the programme has been possible through the government's existing organisational structures.

References


**UNITED KINGDOM**

**Introduction**

With a population of approximately 66.4 million people, the United Kingdom has had low but stable economic growth in recent years, with the outturn for 2019 forecast to be 1.4% (Office for Budget Responsibility, 2020[1]). Public debt is relatively high, with gross debt siting at 112.9% as a percentage of GDP in 2018. Government expenditures were 40.8% of GDP in 2018, and government health expenditures, including compulsory schemes, were estimated at 7.5% of GDP in the same year, slightly above the average across OECD countries (6.6%) (OECD, 2019[39]). General government employment accounts for 16% of total employment (2017). The first case of Coronavirus (COVID-19) was reported on 31 January 2020 and by 29 March, almost 20,000 cases were confirmed. The government has put in place regulations to keep individuals in isolation where there is a risk that they have the virus. In addition, the Prime Minister announced on 23 March that people can only leave their homes for very limited reasons including basic food shopping, to exercise once a day and essential work (UK Government, 2020[3]).

In light of the pandemic, the government has announced fiscal measures that are estimated to amount to over GBP 50 billion, or 2.4% of GDP (Institute for Fiscal Studies, 2020[4]). The UK Office for Budget Responsibility’s latest Economic and Fiscal Outlook was published on 11 March 2020, pre-dating the announcement of many of the fiscal measures. At that time, the government’s fiscal balance was estimated to be -0.2% of GDP for 2020-21 (Office for Budget Responsibility, 2020[1]). A reforecast will be necessary to estimate the economic and fiscal effects of COVID-19 and associated fiscal measures.

**Budget measures**

The Government’s initial budgetary response was conducted through the Budget on 11 March, and subsequent measures have been announced through press conferences at Downing Street on 17, 20 and 26 March. The measures comprised three main elements: extra funding for the health system, support for individuals and businesses affected by COVID-19 and support for the economy.

- **Support for the health sector:** GBP 5 billion to support the NHS and social services to treat patients, although this represents a potentially uncapped commitment by the Chancellor.
- **Support for individuals and businesses:** GBP 7 billion to support the self-employed, businesses and vulnerable people. The package includes the Coronavirus Job Retention Scheme, which will provide government grants to cover 80% of the salary of retained workers up to a total of 2,500 GBP per month, the Self-Employment Income Support Scheme, a taxable grant work 80% of self-employed workers average monthly profits up to GBP 2,500 a month, and increased provisions in relation to sick pay (the Government will fully meet the costs of providing statutory sick pay for up to 14 days for workers in firms with up to 250 employees) and benefits (the Government increased Universal Credit standard allowance and the Working Tax Credit basic element by GBP 1,000 per year). Tax measures were also announced, such as the deferment of the next quarter of VAT payments and self-assessment payments for the self-employed.
Support for the economy: GBP 18 billion to support the economy. The Government has announced that it will provide bridging loans of GBP 330 billion to the business sector, although the Chancellor suggested that this could also potentially be uncapped. As part of this, the Bank of England launched Covid-19 Corporate Financing Facility (CCFF) on 23 March: specifically aimed at supporting liquidity amongst large firms, many of whom had reported cashflow problems, this allows businesses to issue new short-term bonds, which the Bank will print money to buy. The Coronavirus Business Interruption Loan Scheme, announced at the Budget, will let banks offer loans of up to GBP 5 million to support SMEs. The government will cover the costs of interest on these loans for a year.

Measures have also been introduced to protect homeowners, renters and landlords. The UK Treasury announcement suggested that mortgage lenders have agreed they will support customers that are experiencing issues with their finances as a result of COVID-19, including through payment holidays of up to 3 months. This has been extended to landlords whose tenants are experiencing financial difficulties due to the pandemic.

The measures announced also mean that over GBP 3.5 billion in additional funding will be provided to the devolved administrations to support businesses in Scotland, Wales and Northern Ireland (as a result of the Barnett formula) (HM Treasury, 2020[9]).

Public management

The public sector response has the same requirements as the private sector on limiting operations to essential services. The capacity of the health system to respond to the pandemic has been the first priority of the government’s response. On 23 March, schools, tertiary institutions and early childhood centres were closed. The same evening, public officials – along with the rest of the public - were instructed to work from home if they are not providing essential services. The Government has provided help and guidance to support the civil service during this transition including, for example, working-from-home guidance and a new Coronavirus (COVID-19): Looking After Your Wellbeing and Mental Health Toolkit (UK Government, 2020[6]).

Many public officials cannot work from home as they are maintaining public service provision. In these cases departments are to ensure that staff can operate from the workplace safely in accordance with public health guidance (Civil Service Now, 2020[52]). Specific measures are being taken to increase the workforce in the Department for Health Social Care. There are also several measures relating to the Home Office, the Department for Education and others. Measures include, retired medical and social workers being able to return to work without this affecting their pensions; employment safeguards for volunteer workers pausing their main work for four weeks; allowing police and immigration officers to support and enforce public health measures, including powers to detain people and put them in appropriate isolation facilities if necessary to protect public health; allowing more phone or video hearings for court cases to stop the spread of the virus in courts; and enabling Border Force to temporarily suspend operations at airports or transport hubs if there are insufficient resources to maintain border security (Department of Health & Social Care, 2020[8]).

Implementation

The UK Parliament shut down on the 26 March to combat the spread of COVID-19, and will re-convene on 21 April at the earliest to deal with Budget legislation. Before Parliament adjourned, two emergency laws were moved through both Houses and given Royal Assent in order to help implement the Government response to the pandemic.
Firstly, the Parliament enacted specific legislation – the Contingencies Fund Act 2020 – to fund the COVID-19 response. This allows the Contingencies Fund to be topped up with a further 48% of 2019-20 spend (around GBP 266 billion) so that UK Government can make immediate payments from it. The loans will be repaid when Main Estimates are voted in July. Normally the fund is 2% of the past years’ spend; until 2021 it can be 50% (UK Parliament, 2020[9]).

Secondly, the Parliament enacted emergency legislation to strengthen response plans – the Coronavirus Act 2020. The Act intends to enable actions in five areas; to increase NHS capacity, ease the burden on frontline staff, contain and slow the virus (through reducing social contact), manage the deceased with respect, and support people (UK Parliament, 2020[10]). The legislation will be time-limited – for 2 years – and not all of these measures will come into force immediately. The Act allows the four UK governments to switch on these new powers when they are needed, and, crucially, to switch them off again once they are no longer necessary, based on the advice of Chief Medical Officers of the four nations.

On 17 March, the Prime Minister set up new ministerial structures to co-ordinate, prioritise and respond to the COVID-19 pandemic across government. This includes four new implementation committees focusing on health, public sector preparedness, economy and international response. The chairs of the implementation committees - the Chancellor, the Health Secretary, Chancellor of the Duchy of Lancaster and the Foreign Secretary – attend and report into a daily C-19 meeting, chaired by the Prime Minister (UK Government, 2020[11]).

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UNITED STATES

Introduction

The United States, with a population of approximately 329 million people, has seen steady economic expansion averaging 2.9% per annum of real GDP growth in 2018. Sustained fiscal deficits have resulted in the accumulation of government gross debt of 107.3% of GDP in 2018. Prior to the outbreak of COVID-19, government expenditure was at 38% of GDP in 2017 with spending in the health sector at 9.3% of GDP. General government employment is relatively low, at just over 15% of total employment (2017).

In response to the outbreak, the Federal Government has put in place an estimated USD 2.2 trillion of fiscal measures, around 10% of GDP, to provide direct assistance to taxpayers, distressed businesses, and to support to sectors (particularly health) affected by the pandemic. In March 2020, the Congressional Budget Office (CBO) published baseline budget projections and estimates (pre-crisis) that the country will exceed a USD 1 trillion budget deficit by the end of the year (CBO, 2020). In this context, the COVID-19 response measures reflect a significant increase in the country’s projected debt levels – reflecting the scale and gravity of the situation.

Budget Measures

The Federal Government’s budgetary measures came through supplemental appropriation laws voted on by the US Congress and enacted by the President of the United States. The measures include provisions to support federal agencies’ response to the crisis, support for households through direct payments and enhanced unemployment benefits, assistance to distressed businesses, tax cuts for households and businesses as well as aid to States and Local Governments in their efforts to address the health emergency. Currently, the government has put in place three phases of supplemental appropriations to address the crisis:

- **Phase 1:** *(H.R. 6074: Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020): USD 8.3 billion in emergency funding for federal agencies to develop a vaccine, and to provide medical supplies, grants for public health agencies, small business loans and assistance for health systems in other countries (Public Law No: 116-123, 2020).*

- **Phase 2:** *(H.R. 6201: Families First Coronavirus Response Act): USD 3.5 billion towards guaranteed free COVID-19 testing, paid sick leave (via tax credits), enhanced unemployment insurance, expanded food security initiatives and increased federal Medicaid funding (Public Law No: 116-127, 2020[59]).

- **Phase 3:** *(H.R. 748: Coronavirus Aid, Relief, and Economic Security or the CARES Act): an estimated USD 2.2 trillion for direct payments to taxpayers, emergency loans to distressed businesses, additional funding for the health care system, the suspension of payments for federal student loans and revisions to provisions for student aid (Public Law No: 116-136, 2020). Of which:
  - Support for the health sector: an estimated USD 180 billion to fund hospitals and public health institutions, community health centres and an expansion of health-insurance coverage.*
Support for businesses and employees: an estimated USD 959 billion in grants, tax cuts, loans and loan guarantees in support for distressed businesses. This includes USD 377 billion for small businesses (in technical assistance, grants and loan guarantees), USD 582 billion for large businesses, including the airline and transportation industries.

Support for household incomes: an estimated USD 592 billion is provided to support household incomes. Most notably, USD 290 billion for direct payments of up to USD 1 200 for individuals, with an additional USD 500 per qualifying child (with payments being phased out when incomes exceed USD 75 000 or USD 150 000 for joint filers). Additionally, USD 260 billion for the expansion and extension of unemployment benefits (including an extra USD 600 through an additional 13 weeks of benefits) and USD 42 billion in support of safety net provisions such as food stamps and housing support.

Support for the education sector: an estimated USD 32 billion to establish an Education Stabilisation Fund for states, school districts and higher education institutions as well as support for federal student aid (including deferments in payments of student loans).

Tax Cuts: an estimated USD 300 billion in tax cuts to individuals and businesses. This includes USD 20 billion of individual tax cuts (including unrestricting caps on charitable giving as a share of income, waivers to minimum distribution rules and withdrawals from retirement accounts) and an estimated USD 280 billion to businesses (including tax credits to retain employees and deferments to payroll tax payments).

Support for State and Local Governments: USD 150 billion is allocated to support state and local government efforts to respond to the health crisis.

Public management

The Office of Personnel Management (OPM) has provided guidance to government agencies to maintain the continuity of operations, re-align non-critical work and apply greater flexibility to federal employees. Most notably, it has asked agency plans and operations to reflect a reduction and re-prioritisation of non-mission-critical services to free up capacity for critical services, leverage and share existing materials and resources relevant for the health response, maximise teleworking (including mandatory teleworking, if necessary) across the Federal workforce and provide steps togrant flexibility for sick and paid leave due to employees affected by COVID-19 (Executive Office of the President, 2020[61]; Office of Personnel Management, 2020[62]).

A number of federal employee unions have pushed for greater clarity and flexibility for federal agencies to allow employees to work from home. In light of concerns raised by federal employees and unions, the Senate Bill S.3561 is to be voted upon and will require Federal agencies to permit employees to telework full-time during the public health emergency (U.S. Senate, 2020). Unions have raised concerns about the working conditions of employees during the crisis, for example, calls against the Department of Veteran Affairs for failing to work with unions to provide the appropriate equipment and planning to protect workers against COVID-19 (NFE, AFGE, NAGE, NNU, SEIU, 2020).

Implementation

Following the first case of COVID-19 in the United States in the state of Washington on 20 January 2020, on 29 January, the White House created the Coronavirus Taskforce, composed of subject-matter experts from the US Government, to co-ordinate the administration’s response to the health crisis (White House, 2020). On 13 March 2020, the President announced that the outbreak in the USA constitutes a national emergency, allowing greater flexibility to mobilise the Federal Government to address the crisis and utilise
provisions from the President's Disaster Relief Fund (of more than USD 40 billion) under the Stafford Law (White House, 2020; FEMA, 2020). This allows the Federal Emergency Management Agency (FEMA) to lead the government’s response by mobilising a whole-of-government approach, in close co-ordination with all 50 states, the District of Columbia, five territories and four tribes. Efforts thus far include using the government’s Logistic Supply Chain Management System to monitor and procure commodities and mobilising the U.S. Army Corps of Engineers to construct alternate care facilities in New York (FEMA, 2020). Reflecting a nation-wide shortage of medical supplies, on 27 March 2020, the President invoked the Defence Production Act of 1950, and requested that the General Motors Company perform and prioritise contracts to produce ventilators for use during the crisis (White House, 2020).

The passage of the three supplemental appropriation packages provide legal exemptions from the Pay-As-You-Go Act of 2010 as well as certain budget scorekeeping rules that require new spending to be offset by spending cuts or added revenue.

Currently, the government is continuing to assess the need for additional appropriations, with discussions for “Phase 4” underway to address potential additional funding to federal agencies, states, unemployment benefits and potentially additional direct payments to taxpayers to sustain the economy through the crisis.

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