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Chapter 10. Slovakia: Moderate but inclusive COVID-19 response

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10.1 Introduction

As in most of East Central Europe, the first wave of the global COVID-19 crisis affected Slovakia comparatively mildly in terms of daily confirmed cases and, particularly, daily confirmed deaths per million inhabitants. The government responded swiftly by banning public events and calling the state of emergency a few days after the first case was observed in early March 2020. The second wave of infections materialised, as elsewhere, during the summer and followed after restrictions were relaxed. This time Slovakia witnessed a major increase in cases and deaths, though the upsurge in October-November 2020 was not as substantial as in, for instance, Czechia or Poland. A second major and fairly timely lockdown from October 1 seemingly prevented such an escalation. At this point, Slovakia made an international name for itself by conducting two rounds of large-scale testing (partly carried out by the military) — in October and November Slovakia tested respectively 3.6 and 2.4 million inhabitants, of a population of almost 5.5 million. Yet, from early December 2020, Slovakia negatively outperformed most of its regional peers (except Czechia), prompting the government to intensify restrictions and repeatedly prolong the national lockdown until early March 2021. Further complicating matters was addressing Slovakia's marginalised Roma population. Many segregated Roma settlements were tested and put entirely into quarantine. Because health and living conditions are in a poor state there, the government provided tar-

geted support with protective gear, water supply and information campaigns — although with notable problems.[1]

Addressing the adverse (socio)economic effects of the lockdowns, the government implemented several extensive and fairly inclusive policy packages to protect employment, consumption and enterprise. Most of these measures were intended to prevent major economic and social distress, yet rather little was done to bolster Slovakia's resilience to future (health) crises. Therefore, the Slovakian COVID-19 policy response is, in line with our conceptualisation, most adequately characterised as "egalitarian status quo".

10.2 Background

The COVID-19 virus arrived just days after Slovaks casted their ballots in the parliamentary elections of February 29. The outgoing Pellegrini cabinet led by the social democratic party Smer-SD declared the first state of emergency, awaiting the formation of the subsequent Matovič government by the parties Ordinary People and Independent Personalities (OL'aNO), We Are Family, Freedom and Solidarity (SaS) and For The People.[2] These elections marked the end of an era in which Smer-SD had governed Slovakia almost uninterruptedly for nearly fifteen years. In most elections of the previous two decades, socioeconomic issues and redistribution shaped campaigns and strongly influenced voting behaviour (Haughton and Rybář 2008; Malová and Učeň 2013; Spáč 2014), but now corruption and distrust of the establishment dominated. After the murder of journalist J. Kuciak and his fiancée in February 2018, Slovakians took to the streets to protest the per-

1 See for instance https://ec.europa.eu/info/sites/info/files/overview_of_covid19_and_roma_-_impact_-_measures_-_priorities_for_funding_-_23_04_2020.docx.pdf and https://reliefweb.int/sites/reliefweb.int/files/resources/Roma%20in%20the%20COVID-19%20crisis%20-%20An%20early%20warning%20from%20six%20EU%20Member%20States.pdf.

2 The Pellegrini government consisted of Smer-SD, SNS and Most-Híd. The Matovič cabinet consisted of three parties (except SaS) that had not been in government previously, with For The People founded by former president Kiska about half a year before the election. Further, after a leadership dispute with R. Fico, Pellegrini formed his own social democratic party HLAS-SD in June 2020 together with ten other former Smer-SD deputies.

vasive problems of corruption in the largest demonstrations since the regime change. This led to the resignation of prime minister R. Fico and other Smer-SD ministers as well as large-scale criminal investigations.[3] Within this political context, the parties that formed the Matovič government all conveyed a "populist" message to oust the establishment and realise accountability and governance in the interest of ordinary citizens. Yet their ideological background is diverse. OL'aNO and We Are Family are arguably more anti-elitist and traditionalist than SaS and For The People, and while economic positions are generally centrist, SaS has a right-liberalist agenda whereas We Are Family displays stronger socioeconomic protectionist elements (Havlík et al. 2020).

During Smer-SD's governments, economic policy was geared towards redistribution and weak economic nationalism. Despite Fico's repeated promises to build a "social state", Smer-SD's socioeconomic policies however were implemented haphazardly by means of so-called "social packages" consisting of ad hoc redistributive policies for its core constituents such as pensioners and lower incomes (Malová 2017). A resilient and extensive welfare state thus did not emerge. Moreover, the Fico cabinets implemented economic nationalist policies such as strategic company protectionism, pension demarketisation and a banking levy.[4] But Slovakia did not witness the nationalist interventionism in finance and industrial policy as observed in Hungary and Poland (Simons 2021).

Before the pandemic, Slovakia's macroeconomic position was favourable considering its decent growth and unemployment figures and respectable public finances. Moreover, data on Slovakia's economic structure and workforce shows that whereas its labour force is in regional terms fairly well-educated and productive, innovativeness falls short in terms of R&D expenditure (see

3 Smer-SD, which started losing electoral support since 2016, remained as the second largest party but in June 2020 it was split after a conflict between party leader R. Fico and prime minister P. Pellegrini. The latter founded the party Hlas-SD together with ten other former Smer-SD members of parliament.

4 The levy was adopted by the liberal-conservative Radičová government (2010-2011) yet the Fico government transformed the temporary tax into a permanent one and doubled its rate.

appendix 1.2 for vulnerability profiles). Regarding crisis resilience, the Slovak picture is mixed. As a eurozone member the country enjoyed negative long-term bond interest rates and ample liquidity support, but household mortgage debt accelerated in recent years to the highest intraregional position. Spending on social protection is medium on most indicators. The Slovak health care sector in particular receives comparatively large funds, as in Czechia, yet the availability of medical equipment and staff is moderate — one key issue here is that Slovakia displays the largest decrease of available medical personnel since the 1990s.[5] On the institutional side, Slovakia is roughly on the regional average in terms of (perceptions of) corruption and the quality of liberal-democratic institutions. Collective bargaining is characterised by weak union density and coverage rates, as elsewhere, and despite some improvements made by the Smer-SD governments to tripartite institutions the practice of social partnership remains largely characterised by "PR-corporatism" (Bernaciak 2013; Kahancová et al. 2017).

The COVID-19 crisis substantially affected Slovakia's previously robust economic position. Analysing the European Commission's (2020b) forecasts, 2020 meant a deep slump with a large public deficit of 9.6 per cent (only in the year 2000 did Slovakia record a higher deficit, of 12.6 per cent), and reaching 63.4 per cent, public debt rose to unprecedented levels in the country's post-communist history. The loss of output and enormous public measures to shield the economy from the severe contractionary effects pushed Slovakia for the first time over the EU's deficit and public debt limits. Slovakia is also unlikely to comply with these targets in the upcoming years. Based on this forecast, however, it also seems that growth will soon return. Moreover, the damage done to unemployment and public finances is relatively moderate if compared to the experience of some EU countries during the global financial crisis. The situation at the time of writing however urges for a less optimistic perception of future developments, par-

5 In 2019 the Slovakian health ministry conducted various strategic and budgetary reviews and proposed a number of essential reforms. A key plan to reconfigure (or stratify) the hospital system was however abandoned in late 2019, blocking much needed additional spending in the hospital infrastructure (European Commission 2020a, 59-60). The Matovič government indicated to introduce another reform proposal.

ticularly considering the ongoing lockdown and high number of daily confirmed cases as well as the arrival of a more infectious COVID-19 mutation from Britain. Uncertainty and low demand expectedly prevent new long-term investment (or foster disinvestment) by foreign (manufacturing) firms as highly important engines of growth and employment in Slovakia's export-led growth model.

10.3 Labour market and social policies

Ten days after its establishment, the Matovič government presented on March 31 2020 its *First Aid* package to protect employment and incomes. This initial response consisted of various measures for the self-employed and small and medium-sized enterprises (SMEs), most notably including i) a scheme covering eighty per cent of employees' salaries in companies that had to close due to health regulations, with a maximum limit of EUR 1,100 per month; ii) *Kurzarbeit* for indirectly affected companies keeping employment either by a) compensating up to 80 per cent of monthly wage costs with a maximum of EUR 880 (in October to EUR 1,100) or b) a flat rate contribution for the self-employed and employees in companies that recorded a drop in revenue (with a variable compensation scheme depending on revenue loss, maximum EUR 540 per employee, in October EUR 810) with a monthly maximum of 200,000 euro per company. Both measures are limited to a total of EUR 800,000 per company during the pandemic. Furthermore, employees in quarantine and parents at home with children under eleven years of age or caretakers of family members on sick leave could draw on a gross wage subsidy of 55 per cent, and unemployment benefits were extended to seven months from the previous six.[6] For the largest part these measures are covered by the European Social Fund. In addition, the government used the fiscal system to provide further relief, foremost including a deferral of payroll and income taxes for companies with a revenue loss of over forty per cent (with health and social

6 Sometimes the entire body of these and subsequent legislation and executive measures is referred to as Lex Corona, although more precisely it refers to Act 67/2020 Coll. on Certain Emergency Measures in Relation to the Spread of the Dangerous Contagious Human Disease COVID-19 and in the Judiciary amending certain laws.

security contributions for the month April waived) as well as of motor vehicle taxes and various VATs. Tax returns and payments for 2019 were delayed until one month after the pandemic is considered to have passed. Other employment protection included the right to work from home (and for companies to demand so) as well as a guarantee of retaining employment after absence.

Subsequently, in mid-April 2020, the government presented a second round of measures which extended the *Kurzarbeit* scheme to large companies (over 250 employees), after complaints from businesses and employer associations for not yet having addressed their dire need for such support.[7] Moreover, in the April-early May period the government increased the generosity of many of the aforementioned policies, for instance by lowering the thresholds of revenue losses of the secondly enumerated income support measure. Also, the monthly salary compensation of eighty per cent (up to EUR 1,100) was applied to staff of kindergartens, intended to retain about 22,000 jobs. Simultaneously, the government protected renters and mortgage owners (both residents and companies) by prohibiting the termination of lease agreements due to late payment and by allowing the deferral of payments on consumer loans and mortgages — which in June was followed by a rental subsidy. A rather more symbolic gesture was the announcement of a Mutual Assistance Fund for Slovaks in dire need, for which ministers, parliamentarians and private individuals voluntarily donate part of their salary — with Matovič (OL'aNO) indicating he would donate his entirely. Thereafter, in July the Matovič cabinet adopted a "social package" à la Smer-SD, worth about five hundred million euro for 2021, including a thirteenth month pension, a pregnancy allowance, a tax discount for families, employment support in kindergartens, and reduced medicine costs and free public travel for the elderly, children and disabled. Subsequently also compensation for first line workers, mostly in health care, was announced — a one-off bonus of EUR 300-500 on average per worker, in total amounting to EUR 50 million, later increased to seventy-seven million.

7 https://www.reuters.com/article/health-coronavirus-slovakia-business/update-1-slovak-government-to-expand-help-to-firms-hurt-by-coronavirus-idUSL5N2C252G.

Finally, in October 2020 the government extended these measures and increased generosity levels in its *First Aid Plus* package. The *Kurzarbeit* scheme for instance was prolonged to March 2021 and maximum rates increased from EUR 880 to EUR 1,100 and from EUR 540 to EUR 810 (see above). In the same framework, the so-called *SOS* subsidy of 300 euro per month for about 10,000 monthly applicants is introduced, which is intended for those having had to stop working due to the pandemic but who cannot draw on other income support. At the same time, in cooperation with and praised by employer organisations and others the cabinet decided to establish in 2022 a permanent *Kurzarbeit* scheme with a separate insurance fund independent from the country's Social Fund.[8] Finally, in terms of maintaining the employment positions of labour immigrants, Slovakia did not adopt specific regulations for occupations considered as essential. However, it made some exemptions for cross-border and seasonal workers, for instance extending time limits for short-term employment — although apart from manufacturing workers, the number of (official) key worker immigrants is almost nil in Slovakia.[9]

Irrespective of the extensiveness of these measures, the Slovakian trade union confederation KOZ SR already in late-March complained about the lack of consultation. In a declaration its leadership argued policies should not be 'aimed at maintaining profits, but at overcoming the crisis' and expressed its 'concern' about some coalition members for not having involved employee representatives.[10] As an ETUI report noted (Podvršič et al. 2020, 28), social partnership was circumvented and the Ministry of Finance designed the policies with only some input from Klub 500, a group representing the interests of Slovakia's five hundred largest companies. In fact, the report mentioned that unilateral changes to Labour Code regulations might have violated public law — although the government withdrew the measures after unions

8 https://www.azzz.sk/en/2020/07/turning-kurzarbeit-into-a-permanent-labour-market-instrument.

9 https://knowledge4policy.ec.europa.eu/publication/immigrant-key-workers-their-contribution-europes-covid-19-response_en.

10 https://www.kozsr.sk/2020/03/23/vyhlasenie-koz-sr-k-sposobu-komunikacie-o-moznych-opatreniach-na-eliminaciu-ekonomickych-a-socialnych-dopadov-sirenia-nakazy-covid-19/.

raised the legal issues. Employers too were dissatisfied with consultation, requesting the government to set up a committee of interest representatives. The subsequently established Economic Crisis Council does however only consist of independent experts, largely from Slovakia's prominent think-tanks.

10.4 Industrial policies

With the *First Aid* package and its subsequent extension, the government also directly responded to the financing needs of Slovak companies through bank guarantees and credits. Both were managed and insured by the Export-Import Bank, the Slovak Guarantee and Development Bank, and the Slovak Investment Holding. The state guaranteed up to eighty per cent of commercial loans with a maximum of EUR 1.8 million for the self-employed and SMEs, which were furthermore eligible for interest rate relief up to four per cent under the condition of maintaining employment. Also, these actors could make use of emergency loans of EUR 500,000 if they preserved employment and were not already in a bankruptcy procedure, again with a similar interest relief policy attached. In mid-May these were extended to large companies, just like the aforementioned employment measures. Moreover, the government introduced business protection policies such as temporary schemes against bankruptcies and enforcement proceedings.

The government also implemented some additional state aid policies for public institutions and entrepreneurs. In terms of sectoral aid to compensate for the lockdowns' adverse effects, the government allocated eleven million euro to protect cultural institutions and independent artists as well as one hundred million euro (maximum EUR 6,000 per company per month) to the entire tourism sector which includes, among others, restaurants, hotels and travel agencies — the latter under the condition that sales in April were above EUR 60,000 and the company had to close due to the pandemic restrictions. These measures came after considerable criticism from the culture and tourism sectors for being supported too little. Some analysts indeed indicated that

the employment support subsidies, especially after their extension to large companies, were particularly used by the (foreign dominated) automotive industry. Few Slovakian SMEs are said to have made use of such schemes and particularly sectors like tourism and culture are hit hardest without considerably using the assistance.[11]

In terms of investment for upgrading, not many policies are observed.[12] This is particularly worrisome because investment contracted in Slovakia in the second quarter of 2020 alone by almost a fifth as compared to 2019 — with two fifths of firms reducing their investment for 2020 (EIB 2020, 3). The Matovič government continued (and partially enhanced) some of the basic investments the previous administration initiated, such as to domestic research grants, various transportation and digital infrastructure projects and (new) hospitals (Ministry of Finance 2020b, 49, 67-68, 72-73). Moreover, the government decided to reallocate EUR 1.252 billion from EU funds and an additional EUR 100 million savings from the ESF to five policy areas, including job protection, and SMEs, health care and education. Some noteworthy but relatively small investments were made in this period. Among those are, for instance, EUR 80 million to support research and development and testing infrastructure connected to the pandemic, individual support schemes such as EUR three million to three Slovak companies for maintaining or increasing employment (largely) in research and development, and a smaller EUR 300,000 to over one hundred independent culture and arts projects in the Bratislava Region (shared by the region's budget and the Tatra Banka Foundation).[13] More substantially, while FDI investment slumped pre-pandemic (with repatriated profits increasing) (European Commission 2020a, 43), next to Porsche's announcement in 2019 to invest about EUR 250 million into the

11 https://spectator.sme.sk/c/22448617/coronavirus-assistance-did-not-go-to-the-hardest-hit-sector-of-business.html.

12 Prior to the pandemic, Slovakia introduced a R&D expenses super-deduction from 25 to 100 per cent in 2019 and from 100 to 200 per cent in 2020. In 2018 this tax relief amounted to EUR 25 million, used by 257 (mainly large) firms (Ministry of Finance 2020b, 27).

13 The companies are Mahle Behr Senica, BHS-Sonthofen and Charvát Strojárne.

production of electric vehicles, in November 2020 Volkswagen planned to invest roughly EUR 1 billion in the following five years in its existing plant (EBRD 2020, 2).[14]

Particularly in light of pre-existing problems, it seems productive upgrading or innovation through investment is unlikely to occur. Already before the pandemic the Commission indicated that Slovakia's convergence with the EU weakened, pointing out that not only further structural reforms are needed (given its worsening business environment) but also more and specific investment in infrastructure, (digital) R&D, human capital, and public institutions and services — with healthcare and education being in a particularly fragile state (European Commission 2020a). Specifically to health care, in mid-2020 the Commission recommended to combat the persisting challenges the pandemic had brought to light. Besides governance modernisation, further investments to increase resilience is explicitly mentioned, particularly for labour shortages and the supply of medical supplies and health infrastructure (European Commission 2020c, 4-5). Irrespective of present public investment being unambitious, the Matovič government largely seems to share the Commission's view in terms of reform objectives and priorities. Namely, the government outlined in its governing manifesto that education, labour market and allocative efficiency are the main structural challenges it seeks to address. Somewhat more concretely, the priority reform measures envisaged are, among others, concerned with, respectively, educational accreditation and teacher salaries, the labour market inclusion of disadvantaged groups, and (transparency in) public administration, the judiciary and simplified taxation (Ministry of Finance 2020b, 34-38).

Besides concrete but minor investment measures, the government presented its recovery plan *Modern and Successful Slovakia* within the framework of the circa 7.5 billion euro allocated to Slovakia from the EU's Next Generation Fund — total investments of this plan are estimated to be roughly EUR thirty billion, of which

14 The EBRD-report mentions EUR 500 million yet this sum relates, presumably, to the new Passat and Skoda Superb models. See https://www.reuters.com/article/us-volkswagen-slovakia-idUSKBN27W1K2.

twelve billion would come from the EU's structural funds.[15] The plan identifies eight strategic areas, which besides fiscal, labour market and governance reforms include the green economy, health care, education, science, research and innovation, and digitalisation. These areas respectively correspond roughly to problems of the transition to (household) carbon-neutrality, the weak capacity of health care services and staff shortages, the fragmented education system and ill maintained school buildings, shortages of qualified labour, and the inadequate (public) digital infrastructure. At this point the strategy remains in the planning phase, although in early January 2021 the Ministry of Education for instance already allocated about three million euro to digitalisation in primary schools. Note too that in the context of the EU's EFSI programme Slovakia as of February 2019 was granted a total of EUR 537 million in project financing — most of which goes into transport infrastructure.[16]

Rather than direct investment, on June 24 the government presented a package of 114 measures to improve the business environment, called *business stake*.[17] Most of these cancel various business regulations, many of which are concerned with auditing, health and safety, labour inspection, and the Social Insurance Act (e.g. information provision obligations). Beside deregulation, the package also includes tax deductions on fuel expenses and tax losses, the extension of pre-COVID-19 subsidy schemes for SMEs and micro-enterprises, a waiver of the banking levy for the second half of 2020 and its abolishment thereafter, and the cancellation of payment of higher than anticipated corporate income tax sums. Economy minister Sulík (SaS) who was largely responsible for the proposed policies — therefore the measures are sometimes called "Sulík's 100" — heralded the package upon presentation as 'the most beautiful day for Slovakia since the introduction of

15 The Ministry of Finance's Institute for Financial Policy assumed in a September 2020 forecast that Slovakia would draw about EUR 5.8 billion between 2022 and 2024. Growth would, partly by the plan, be accelerated to 3.9 and 4.3 per cent in 2022 and 2023 respectively (IFP 2020, 8).

16 https://ec.europa.eu/info/sites/info/files/slovakia-investment-plan-factsheet_en.pdf.

17 podnikatel'ské kilečko in Slovak.

the tax reform.'[18] Although no formal consultation mechanism was in place, business actors did file their proposals for the easing of business regulations and they were invited by Sulík to propose further adjustments for a second package. Regarding the banking levy, the financial sector and the Ministry of Finance signed a deal which stipulates that in exchange for the tax's abolition the banks commit to investing EUR 0.5 billion a year in government projects and one billion euro in loans to individuals and companies. Further, one billion euro from the previously collected money is to be invested into the Development Fund for Slovakia, according to prime minister Matovič.[19]

10.5 Fiscal and monetary policies

As seen above, the impact of these measures on the central government's deficit and debt has been almost unprecedented. In fact, in early May the government borrowed about EUR four billion in medium and long-term sovereign bonds (respectively at interest rates of 0.35 per cent and almost 1.1 per cent), which reportedly was both the largest issue in Slovakia's post-communist history and in the Central and Eastern European region.[20] Slovakia's revenue capacity is similar to its Visegrád peers, yet as a eurozone member the country has considerably higher credit ratings and lower borrowing costs (with only Czechia at a slightly worse but similar level). It benefits from the ECB's various programmes, such as PEPP and APP.[21] Nevertheless, in November, Fitch for instance partly downgraded Slovakia's ratings.[22] The adoption of the 2021 budget in early December did not lead to significant contestation or instability within the governing coalition but it evi-

18 https://spectator.sme.sk/c/22433375/sulik-sends-his-business-environment-boosting-measures-to-parliament.html.

19 https://spectator.sme.sk/c/22431433/controversial-bank-levy-will-change-banks-sign-deal-with-the-state.html.

20 https://e.dennikn.sk/1884447/slovensko-si-pozicalo-4-miliardy-eur-je-to-historicky-najvacsi-predaj-nasich-statnych-dlhopisov/?ref=list.

21 Similarly, the NBS implements macroprudential policies as adopted within the Eurosystem framework, such as the temporary lowering of the countercyclical capital buffer to one per cent.

22 https://www.fitchratings.com/research/sovereigns/slovakia-rating-action-report-06-11-2020.

dently served as ammunition for the opposition to politicise and criticise the government's approach. Prime minister Matovič however argued it was necessary and indicating the tough spot his government was in he called it 'a compromise of compromises', while finance minister E. Heger (OL'aNO) labelled it as 'a budget of rescue and responsibility'.[23]

The draft budgetary plan indicates slightly lower deficits and overall debt figures than the European Commission's (2020) forecasts but it does outline a structured approach to address budgetary inadequacies (Ministry of Finance 2020a).[24] The National Bank of Slovakia (NBS) was mildly positive but critical about the draft budget and publicly warned about similar figures as the Commission as well as the minimal estimated impact of the current fiscal stimulus. While the NBS reported that the government's crisis assistance alleviates the effects of the pandemic containment measures on the real economy and that it shares some of the government's prognoses for subsequent years, it also cautioned for pre-existing imbalances and highlighted the need for future budget consolidation (NBS 2020).[25]

10.6 Conclusions

Slovakia responded with relatively timely, extensive and regularly extended measures to address the COVID-19 crisis and the economic consequences of the restrictions to companies and households. As for other countries in the region and beyond, the pandemic proved a major challenge to policy-making and required extensive state capacity. In this regard it seems that despite various kinds of criticism to possibly level at the government, it acted to the best of its abilities, also considering the relative governing inexperience of many in the Matovič cabinet. Bringing the

23 https://spectator.sme.sk/c/22552223/a-huge-debt-and-deficit-the-threat-of-a-greek-road-what-is-the-new-budget-like.html.

24 See also the Commission's opinion on Slovakia's draft budgetary plan for 2021: https://ec.europa.eu/info/sites/info/files/economy-finance/opinion_on_dbp_slovakia.pdf.

25 https://spectator.sme.sk/c/22545439/the-public-finance-deficit-may-reach-10-per cent.html.

above together into our analysis of policy aims (ultimate end of policies) and policy means (how policy ends are met), the Slovak case displays the aim of “egalitarian status quo” with a mixture of Keynesian and orthodox means. The crisis response largely aimed at a generalised protection of employment, income and company survival, with policies albeit improvised largely serving their purpose. Slovakia also adopted various targeted (but perhaps not flawless) measures for the most vulnerable, such as the Roma. However, despite the general nature of measures such as the *Kurzarbeit*, there are some indications that the manufacturing sector is likely to have benefitted most from this protectionary state aid rather than the hardest hit tourism and cultural sectors, notwithstanding the later adoption of specific sectoral aid. The consequences of policies intended to be general may thus have been asymmetrical across industries. Furthermore, despite some public investment and direct support to companies, the extent of upgrading for domestic resilience has been limited. Besides the substantial additional investment expected to be made in context of the banking levy’s abolition, presently investment largely remains in a planning phase, particularly in view of the *Next-GenerationEU* programme. Intentions are clearly outlined, yet implementation is being awaited. Here the structural question of state capacity persists, particularly in terms of finances — an issue which might be considered inevitable in a crisis situation of historically unprecedented proportions, yet capacity is a structural problem in Slovakia’s policy-making. The comparatively low absorption of EU funds, a key source of investment, remains an obstacle to upgrading.

Moving on, policy means are mostly of a Keynesian nature as they reflect debt-based countercyclical interventions to protect and maintain consumption and employment — e.g. with instruments of *Kurzarbeit*, parental and childcare benefits, extension of unemployment benefits, rental and mortgage support, emergency credits and deferral of taxes. Nevertheless, Slovakia also adopted clear orthodox measures through its large pro-business package intended to tackle “red tape and rigidities” through deregulation, flexibilisation and enhanced administrative efficiency. Finally, statist interventions are not observed, only insofar as the

use of the military for large-scale testing is concerned. Heterodox measures are absent too, partly because some policies considered under this rubric are absent for eurozone members (e.g. debt monetisation) and partly because some have in fact been annulled (i.e. banking levy).[26]

26 For a discussion on the ECB and monetisation https://www.bruegel.org/2020/04/monetisation-do-not-panic/.

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Table 10. 1 Policy summary Slovakia

Policy (sub-)areas		**Slovakia**
Social and labour market policy	Employment and income support	Several income/employment support for employees, self-employed and others (5 measures including a new *Kurzarbeit* scheme) for reasons of mandatory closure or revenue loss. Some later extended to larger companies
		Deferral income taxation
		Extension of unemployment benefits by one month
		Compensation of various added taxes including motor vehicles
		Childcare/nursing allowances
		Right to sickness benefits for quarantine
		Travel support for disabled
	Housing	Deferral of loans to consumers, including mortgages. Prohibition of unilateral termination of rental agreement for (non-) residents by landlord; rental subsidy for various incomes
	Essential workers	Employment support for kindergartens
		Income support for health care workers and others
	Labour migration	Some minor rule changes

Industry, trade and investment	Public investment	Reallocation of EU funds to health care and education
		R&D and other support for health care and medicines related to pandemic
		Some education investment (e.g. digitalisation of primary schools)
	Statism	-
	State aid to domestic sector and foreign business	Bank and loan guarantees for SMEs and self-employed, subsequently extended to large companies
		Deferral of social security contributions
		Postponement of loan repayments for SMEs, subsequently extended to large companies; bankruptcy protection
		Cancellation or easing of various labour market regulations and social security rules to ease business environment (Business Stake package)
		Sectoral aid to culture, transportation, tourism (including restaurants etc.)
	Trade and FDI	Investment support for Volkswagen
Monetary and fiscal policy	Monetary and financial policy	ECB policy (e.g. PEPP and additional APP)
	Macroprudential	Within Eurosystem framework (e.g. temporary lowering of countercyclical capital buffer to 1 per cent)
	Fiscal	Large bond issue (EUR 4 billion)
		Suspension payment payroll taxes, (corporate) income taxation and VATs (see above) as well as increased deductions (e.g. fuel)
		Abolition of banking levy
Governance and political institutions	Social partnership and interests	Weak consultation, various complaints by employers and unions; establishment of Economic Crisis Council (independent experts)
	Political institutions	-