

Government to provide support to enterprises and the employed

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On Monday, 16 March, the meeting of the task force established on assignment of the Prime Minister for the support to enterprises and the employed under the management of the Minister for Finance, Jānis Reirs, was held. To contain further spread of the COVID-19 coronavirus, unprecedented restrictions already have been imposed. The government works in an emergency regime in order to ensure the imposition of the necessary additional restrictions for minimizing further spread of the virus, as well as to provide the necessary support to the health sector and introduce the necessary support measures so as to limit, as far as possible, the volume of the economic shock and for it not to have any long-term effects on the economy at large.

The Minister of Finance, Jānis Reirs, points out: "At present, the impact on the economy at large and separate sectors thereof is a variable quantity, as the situation in Latvia, in Europe, and in the world develops at an accelerated pace. An increasing number of countries have set new restrictions, putting bans on organising public events, closing down educational institutions, and limiting border crossing. Amid such restrictions, an increasing number of enterprises face delayed supplies and cancelled orders or bookings, resulting in a harsh decline in the turnover of enterprises in separate sectors. To overcome these short-term difficulties, the government will offer several support mechanisms to entrepreneurs and employees."

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Currently, in close cooperation with the social partners of the government, the following support mechanisms are being developed:

Loan guarantees, so that an enterprise facing short-term cash flow problems would have the possibility of postponing the payment of the principal amount until the situation is resolved. The support program will be ensured by the Development Finance Institution Altum; Postponed tax payments (which can be extended for one year already now, by addressing the State Revenue Service); For the banks to be able to continue their lending activity, the Single Supervisory Mechanism carrying out banking supervision in the Eurozone, in response to the consequences caused by coronavirus, on 12 March 2020 adopted the decision to alleviate the set requirement of formation and maintenance of the liquidity reserves and capital buffer for the banks. Therewith, all entrepreneurs facing short-term difficulties should primarily address their bank.

In light of the considerable impact on the aviation sector due to international passenger-carriage restrictions, if necessary, support could be provided also to Air Baltic.

At present, the Ministry of Welfare is working on proposals as to how, during the COVID-19 pandemic, in a solidary manner, to provide fixed-term State aid to employers in ensuring the payment of sick-leave certificates, which would also require additional funding from the central government budget. The government is yet to agree upon the best solution and to introduce amendments to the legal framework.

At the same time, it is essential to prepare well-balanced proposals for limiting and reducing the impetus for high-risk behaviour of people without concurrently forming the basis for concealing the situation in cases where persons themselves intentionally choose to travel to any of the territories affected by COVID-19, therewith endangering both their own health and safety and the health and safety of their family and public at large.

Furthermore, attention should be paid to and corresponding conditions should be incorporated into the legal framework for cases in which sickness benefits and sick-leave pay can be suspended or not disbursed (a person him/herself has intentionally and considerably harmed their own health or the health of persons under their care, and it is detected by a doctor; for a person, who has failed during the period of temporary incapacity, without any justified cause, to visit the doctor or Medical Commission for the Assessment of Health Condition and Working Ability, the benefit shall not be paid for the period of violation).

It should also be noted that, when introducing changes to the procedure for the payment of labour force taxes, inter alia, payment of the personal income tax, forming the most important source of local government budget revenue, it directly affects the local government budgets and the availability of the local government services arising therefrom. In turn, the local government support and assistance to the population will play the most essential role in this state of emergency. Therefore, before adopting any decisions in support of the corresponding proposals, the situation should also be assessed in financial terms and in breakdown by budgetary levels, as well as in terms of the nature of its impact on the central government budget and the local government budget.

Concurrently, it should also be considered that the government has assigned to several line ministries, primarily the Ministry of Health, the tasks of organising work in a non-stop regime, paying for overtime hours and attracting additional employees, as well as performing acquisition of additional goods and restoring the material reserves for implementation of the national safety and health measures, requesting additional funding from the central government budget program "Funds for Unforeseen Cases". As the funds in the referred-to program are limited, concurrent work should also be performed on the proposals on supplementing the available financial resources.

The previous crisis proved that an adequate liquidity reserve should always be present. Thus, for the purposes of funding the support measures, the resource will be used which the Treasury attracted in the international and local capital market at the time, when it was beneficial to borrow. It also includes the 30-year bonds issued in the previous year. The strategy of the Treasury is to borrow money when there is a good opportunity for doing it -- with low rates and the market is favourable, and not in times of excessive need.

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