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2021/0052 (NLE)

Proposal for a

COUNCIL IMPLEMENTING DECISION

granting temporary support under Regulation (EU) 2020/672 to Estonia to mitigate unemployment risks in the emergency following the COVID-19 outbreak

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

• Reasons for and objectives of the proposal

Council Regulation (EU) 2020/672 ("SURE Regulation") lays down the legal framework for providing Union financial assistance to Member States, which are experiencing, or are seriously threatened with, a severe economic disturbance caused by the COVID-19 outbreak. Support under SURE serves for the financing, primarily, of short-time work schemes or similar measures aimed at protecting employees and the self- employed and thus reducing the incidence of unemployment and loss of income, as well as for the financing, as an ancillary, of some health-related measures, in particular in the workplace.

On 4 February 2021, Estonia requested Union financial assistance under the SURE Regulation. In accordance with Article 6(2) of the SURE Regulation, the Commission has consulted the Estonian authorities to verify the sudden and severe increase in actual and planned expenditure directly related to short-term labour market schemes and similar measures and health related measures caused by the COVID-19 pandemic. In particular, it concerns:

(a) a short-term labour market scheme for the preservation of jobs. The objective was to support private sector employees whose salaries/wages or working hours had been temporarily reduced because of the substantial impact of the emergency situation by providing employees with up to 70% of the employee's average monthly salary or wages, capped to EUR 1000 per employee per month. It concerns a temporary measure for the period of the emergency situation from March to May 2020. Given the continued impact of the emergency situation on employment, the furlough scheme was prolonged to apply in June 2020 and its conditions were adjusted so that the government support to an employee was reduced to up to 50% of the employee's average monthly salary or wages and capped to EUR 800 per employee. In order to receive the government support for employees, companies had to pay at least EUR 150 (on gross basis) per employee per month, so that each employee received a monthly earnings of at least EUR 584, which is equal to the minimum wage.

(b) an allowance for the preservation of earnings for parents who during the emergency situation had to suspend work to take care of their children with special educational needs. It was a temporary measure for the period of the emergency situation from 12 March to 17 May 2020. The allowance was calculated on the basis of social tax paid on a respective parent's salaries or wages in 2019. The support covered 70% of an average daily salary or wages of one parent.

(c) a short-term labour scheme for freelance artists, sports coaches and heads of choirs and dance groups. It was a temporary scheme for the period of the emergency situation from 1 March to 31 May 2020. Freelance artists were supported in an amount equal to the minimum wage for a period of two months. Heads of choirs and folk dance groups and sports coaches were provided with government support that represented 70% of average salary or wages for the period from October 2019 to February 2020, capped at EUR 1000 per employee per month. Sports coaches were supported in the amount of 50% of their regular salary/wages, the other 50% being paid by sports organisation.

(d) a health related measure consisting of public expenditure on personal protective equipment and additional general supplies and consumables.

(e) a short-term support scheme for hospitals to compensate for the costs of hiring temporary staff for COVID-19 units and intensive care units, and paying for extended working hours for

doctors, nurses and other staff. It covered the costs of an additional need for staff in COVID-19 units and intensive care units in hospitals. The additional staff was hired with higher salary (coefficient 2.0) to keep the staff motivated during the emergency situation.

(f) a compensation for employees for the first three days of sick leave for the period of the emergency situation from 13 March to 17 May 2020. The increased use of sick and care leaves due to COVID-19 was compensated for persons insured by the Estonian Health Insurance Fund for the first three days of sickness (which are normally paid by the employee).

Estonia provided the Commission with the relevant information.

Taking into account the available evidence, the Commission proposes to the Council to adopt an Implementing Decision to grant financial assistance to Estonia under the SURE Regulation in support of the above measures.

- **Consistency with existing policy provisions in the policy area**

The present proposal is fully consistent with Council Regulation (EU) 2020/672, under which the proposal is made.

The present proposal comes in addition to another Union law instrument to provide support to Member States in case of emergencies, namely Council Regulation (EC) No 2012/2002 of 11 November 2002 establishing the European Union Solidarity Fund (EUSF) ("Regulation (EC) No 2012/2002"). Regulation (EU) 2020/461 of the European Parliament and of the Council, which amends that instrument to extend its scope to cover major public health emergencies and to define specific operations eligible for financing, was adopted on 30 March 2020.

- **Consistency with other Union policies**

The proposal is part of a range of measures developed in response to the current COVID-19 pandemic such as the "Coronavirus Response Investment Initiative", and it complements other instruments that support employment such as the European Social Fund and the European Fund for Strategic Investments (EFSI)/InvestEU. By making use of borrowing and lending in this particular case of the COVID-19 outbreak for supporting Member States, this proposal acts as a second line of defence to finance short-time work schemes and similar measures, helping protect jobs and thus employees and self-employed against the risk of unemployment.

2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

- **Legal basis**

The legal basis for this instrument is Council Regulation (EU) 2020/672.

- **Subsidiarity (for non-exclusive competence)**

The proposal follows a Member State request and shows European solidarity by providing Union financial assistance in the form of temporary loans to a Member State affected by the COVID-19 outbreak. As a second line of defence, such financial assistance supports the government's increased public expenditure on a temporary basis in respect of short-time work schemes and similar measures to help them protect jobs and thus employees and self-employed against the risk of unemployment and loss of income.

Such support will help the population affected and helps to mitigate the direct societal and economic impact caused by the present COVID-19 crisis.

- **Proportionality**

The proposal respects the proportionality principle. It does not go beyond what is necessary to achieve the objectives sought by the instrument.

3. RESULTS OF EX-POST EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS

- **Stakeholder consultations**

Due to the urgency to prepare the proposal so that it can be adopted in a timely manner by the Council, a stakeholder consultation could not be carried out.

- **Impact assessment**

Due to the urgent nature of the proposal, no impact assessment was carried out.

4. BUDGETARY IMPLICATIONS

The Commission should be able to contract borrowings on the financial markets with the purpose of on-lending them to the Member State requesting financial assistance under the SURE instrument.

In addition to the provision of Member State guarantees, other safeguards are built into the framework in order to ensure the financial solidity of the scheme:

- A rigorous and conservative approach to financial management;
- A construction of the portfolio of loans that limits concentration risk, annual exposure and excessive exposure to individual Member States whilst ensuring sufficient resources could be granted to Member States most in need; and
- Possibilities to roll over debt.

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THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Council Regulation (EU) 2020/672 of 19 May 2020 on the establishment of a European instrument for temporary support to mitigate unemployment risks in an emergency (SURE) following the COVID-19 outbreak [1], and in particular Article 6(1) thereof,

Having regard to the proposal from the European Commission,

Whereas:

(1) On 4 February 2021, Estonia requested financial assistance from the Union with a view to complementing its national efforts to address the impact of the COVID-19 outbreak and respond to the socio-economic consequences of the outbreak for workers and the self-employed.

(2) The COVID-19 outbreak and the extraordinary measures implemented by Estonia to contain the outbreak and its socio-economic and health-related impact are expected to have a dramatic impact on public finances. According to the Commission's 2020 Autumn forecast, Estonia was expected to have a general government deficit and debt of 5.9% and 17.2% of gross domestic product (GDP) respectively by the end of 2020. According to the Commission's 2021 Winter interim forecast, Estonia's GDP is projected to have decreased by 2.9% in 2020.

(3) The COVID-19 outbreak has immobilised a substantial part of the labour force in Estonia. This has led to a sudden and severe increase in public expenditure in Estonia in respect of short-term labour market measures, and similar measures, as well as the recourse to relevant health-related measures related to the COVID-19 outbreak, as set out in recitals (4) to (9).

(4) Government Regulation no.130 "Tööhõiveprogramm 2017–2020" of 17 November 2016, as amended in 2020[2], as it is referred to in Estonia's request of 4 February 2021, introduced a short-term labour market scheme for the preservation of jobs (in force as from 23 March 2020). The objective was to support private sector employees whose salaries or working hours had been temporarily reduced because of the substantial impact of the emergency situation by providing employees with up to 70% of the employee's average monthly salary or wages, capped to EUR 1000 per employee per month. It was a temporary scheme for the period of the emergency situation from March to May 2020. Given the continued impact of the emergency situation, the

[1] OJ L 159, 20.5.2020, p.1.

[2] Riigi Teataja (henceforth RT) I, 20.03.2020, 3.

regulation was amended again[3] and applied for June 2020. Conditions for the furlough scheme were adjusted so that the government support to an employee was reduced to up to 50% of the employee's average monthly salary or wages and capped to EUR 800 per employee. In order to receive the government support for employees, companies had to pay at least EUR 150 (on gross basis) per employee per month, so that each employee received a monthly earnings of at least EUR 584, which is equal to the minimum wage.

(5) Government Regulation no. 26 "Erivajadusega lapse vanema toetuse saamise ja maksmise tingimused ning toetuse arvutamise alused", of 9 April 2020[4], as it is referred to in Estonia's request of 4 February 2021, introduced an allowance for the preservation of earnings for parents who during the emergency situation had to suspend work to take care of their children with special educational needs. It was a temporary measure for the period of the emergency situation from 12 March to 17 May 2020. The allowance was calculated on the basis of social tax paid on a respective parent's salaries or wages in 2019. The support covered 70% of an average daily salary or wages of one parent.

(6) Minister of Culture Regulation no. 7 "COVID-19 haigust põhjustava koroonaviiruse levikuga seotud kriisi leevendamiseks ette nähtud toetusmeede laulu- ja tantsupeo liikumises osalevatele kollektiividele" of 30 April 2020[5] and Minister of Culture Regulations no. 9 "COVID-19 puhangust tingitud erakorraline abi kultuuri- ja spordivaldkonnale", of 30 April 2020[6] (in force from 3 May to 11 September 2020) and "Treeneri tööjõukulu toetuse määramise tingimused, sealhulgas nõuded spordialaliidule, spordiklubile ja spordikoolile ning selle omaosalusele, treeningrühmale ja treenerile, ning toetuse suuruse, jaotamise, tagasimaksmise ja tagasinõudmise kord" of 26 November 2014, as amended in 2020[7], as they are referred to in Estonia's request of 4 February 2021, introduced a short-term scheme for freelance artists, sports coaches and heads of choirs and dance groups. It concerns a temporary measure for the period of the emergency situation due to the COVID-19 outbreak. Freelance artists were supported in an amount equal to the minimum salary for a period of two months. Heads of choirs and folk dance groups and sports coaches were provided with government income support that represented 70% of average salary or wages for the period from October 2019 to February 2020, capped at EUR 1000. Sports coaches were supported in the amount of 50% of their regular salary/wages, the other 50% being paid by sports organisation.

(7) Estonia also introduced a series of health-related measures to address the COVID-19 outbreak. Under the Parliament Act "Riigi 2020. aasta lisaeelarve seadus" adopted on 15 April 2020[8], as it is referred to in Estonia's request of 4 February 2021, is a health related measure, which allowed government purchases of personal protective equipment, additional general supplies and consumables.

(8) Government Regulation no. 28 "Eriolukorras Eesti Haigekassa kaudu hüvitiste ja teenuste eest maksmise tingimused ja kord", of 23 April 2020[9], as it is referred to in Estonia's request of 4 February 2021, introduced a short-term support scheme for

[3] RT I, 30.05.2020, 4
[4] RT I, 10.04.2020, 5.
[5] RT I, 30.04.2020, 28.
[6] RT I, 09.09.2020, 4.
[7] RT I, 05.05.2020, 21.
[8] RT I, 21.04.2020, 2.
[9] RT I, 24.04.2020, 13.

hospitals to compensate for the costs of hiring temporary staff for COVID-19 units and intensive care units, and paying for extended working hours for doctors, nurses and other staff. It covers the costs of an additional need for staff in COVID-19 units and intensive care units in hospitals. The additional staff was hired with higher salary (coefficient 2.0) to keep the staff motivated during the emergency situation.

(9) Finally, Government Regulation no. 28 "Eriolukorras Eesti Haigekassa kaudu hüvitiste ja teenuste eest maksmise tingimused ja kord", of 23 April 2020[10], as it is referred to in Estonia's request of 4 February 2021, introduced a compensation for employees for the first three days of sick leave. It was a temporary measure for the emergency situation period from 13 March to 17 May 2020. Increased use of sick and care leaves due to COVID-19 were compensated for persons insured by the Estonian Health Insurance Fund for the first three days of sickness, which is normally paid by the employee.

(10) Estonia fulfils the conditions for requesting financial assistance set out in Article 3 of Regulation (EU) 2020/672. Estonia has provided the Commission with appropriate evidence that the actual public expenditure has increased by EUR 230 000 000 as of 1 February 2020 due to the national measures taken to address the socio-economic effects of the COVID-19 outbreak. This constitutes a sudden and severe increase because it is related to both new measures and an increased demand for existing measures, which together cover a significant proportion of the labour force in Estonia.

(11) The Commission has consulted Estonia and verified the sudden and severe increase in the actual public expenditure directly related to short-time work schemes and similar measures, as well as the recourse to relevant health-related measures related to the COVID-19 outbreak referred to in the request of 4 February 2021, in accordance with Article 6 of Regulation (EU) 2020/672.

(12) Financial assistance should therefore be provided with a view to helping Estonia to address the socio-economic effects of the severe economic disturbance caused by the COVID-19 outbreak. The Commission should take the decisions concerning maturities, size and release of instalments and tranches in close cooperation with national authorities.

(13) This Decision should be without prejudice to the outcome of any procedures relating to distortions of the operation of the internal market that may be undertaken, in particular under Articles 107 and 108 of the Treaty. It does not override the requirement for Member States to notify instances of potential State aid to the Commission under Article 108 of the Treaty.

(14) The decision to provide financial assistance has been reached taking into account existing and expected needs of Estonia, as well as requests for financial assistance pursuant to Regulation (EU) 2020/672 already submitted or planned to be submitted by other Member States, while applying the principles of equal treatment, solidarity, proportionality and transparency,

HAS ADOPTED THIS DECISION:

Article 1

Estonia fulfils the conditions set out in Article 3 of Regulation (EU) 2020/672.

[10] RT I, 24.04.2020, 13.

Article 2

1. The Union shall make available to Estonia a loan amounting to a maximum of EUR 230 000 000. The loan shall have a maximum average maturity of 15 years.

2. The availability period for financial assistance granted by this Decision shall be 18 months starting from the first day after this Decision has taken effect.

3. The Union financial assistance shall be made available by the Commission to Estonia in a maximum of eight instalments. An instalment may be disbursed in one or several tranches. The maturities of the tranches under the first instalment may be longer than the maximum average maturity referred to in paragraph 1. In such cases, the maturities of further tranches shall be set so that the maximum average maturity referred to in paragraph 1 is respected once all instalments have been disbursed.

4. The first instalment shall be released subject to the entry into force of the loan agreement provided for in Article 8(2) of Regulation (EU) 2020/672.

5. Estonia shall pay the cost of the funding of the Union referred to in Article 4 of Regulation (EU) 2020/672 for each instalment plus any fees, costs and expenses of the Union resulting from any funding related to the loan granted under paragraph 1 of this Article.

6. The Commission shall decide on the size and release of instalments, as well as on the size of the tranches.

Article 3

Estonia may finance the following measures:

(a) a short-term labour market scheme for the preservation of jobs, as provided for by the Government Regulation no.130 "Tööhõiveprogramm 2017–2020" of 17 November 2016, as amended in 2020;

(b) an allowance for the preservation of income for parents who during the emergency situation had to suspend work to take care of their children with special educational needs, as provided for by the Government Regulation no. 26 "Erivajadusega lapse vanema toetuse saamise ja maksmise tingimused ning toetuse arvutamise alused" of 9 April 2020;

(c) a short-term scheme for freelance artists, sports coaches and heads of choirs and dance groups, as provided for by the Minister of Culture Regulations no.7 "COVID-19 haigust põhjustava koroonaviiruse levikuga seotud kriisi leevendamiseks ette nähtud toetusmeede laulu- ja tantsupeo liikumises osalevatele kollektiividele", of 30 April 2020 and Regulations no. 9 "COVID-19 puhangust tingitud erakorraline abi kultuuri- ja spordivaldkonnale" of 30 April 2020 and "Treeneri tööjõukulu toetuse määramise tingimused, sealhulgas nõuded spordialaliidule, spordiklubile ja spordikoolile ning selle omaosalusele, treeningrühmale ja treenerile, ning toetuse suuruse, jaotamise, tagasimaksmise ja tagasinõudmise kord" of 26 November 2014, as amended in 2020;

(d) a health related measure, which allowed government purchases of personal protective equipment, additional general supplies and consumables, as provided in the Parliament Act "Riigi 2020. aasta lisaeelarve seadus" of 15 April 2020;

(e) a short-term support scheme for hospitals to compensate for costs of hiring temporary staff for COVID-19 units and intensive care units, and paying for

extended working hours for doctors, nurses and other staff, as provided for by Government Regulation no. 28 “Eriolukorras Eesti Haigekassa kaudu hüvitiste ja teenuste eest maksmise tingimused ja kord” of 23 April 2020;

(f) a compensation for employees for the first three days of sick leave, as provided for by the Government Regulation no. 28 “Eriolukorras Eesti Haigekassa kaudu hüvitiste ja teenuste eest maksmise tingimused ja kord” of 23 April 2020.

Article 4

This Decision is addressed to the Republic of Estonia.

This Decision shall take effect on the date of its notification to the addressee.

Article 5

This Decision shall be published in the *Official Journal of the European Union*.

Done at Brussels,

For the Council
The President