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2021/0088 (NLE)

Proposal for a

COUNCIL IMPLEMENTING DECISION

amending Implementing Decision (EU) 2020/1351 granting temporary support pursuant to Regulation (EU) 2020/672 to the Republic of Latvia 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 25 September 2020, the Council granted financial assistance to Latvia with a view to complementing its national efforts to address the impact of the COVID-19 outbreak and respond to the socioeconomic consequences of the outbreak for workers and the self-employed.

On 11 March 2021, Latvia submitted a new request for Union financial assistance under the SURE Regulation.

In accordance with Article 6(2) of the SURE Regulation, the Commission has consulted the Latvian authorities to verify the sudden and severe increase in actual and planned expenditure directly related to Latvia's labour market measures and health-related measures and caused by the COVID-19 pandemic. In particular, the increased expenditure for which additional financial assistance is being requested pertain to a combination of new measures and existing measures referred to in Council Implementing Decision (EU) 2020/1351:

(a) an existing scheme for the compensation of idle time for workers and workers' bonus for children is extended for the period from 9 November 2020 to 30 June 2021. The scheme pays compensations to furloughed employees or self-employed persons of 50% or 70% of their salaries or incomes, depending on the tax regime under which they operate. The minimim level of support is set at EUR 500 and the maximum at EUR 1 000 per employee per calendar month. The scheme applies to companies, self-employed persons and payers of the licence fee, whose income from economic activity has decreased by at least 20%, as compared to August-October 2020 on average. The workers' bonus for children provides additional support to furloughed employees who have dependent children. The bonus amounts to EUR 50 per month per child.

(b) an existing scheme for wage subsidies extends support to all affected companies for the period from 9 November 2020 to 30 June 2021. The support is available to employers facing decrease in revenue from any economic activity by at least 20%. The scheme amounts to 50% of the average monthly gross wage, but not more than EUR 500 per calendar month. The beneficiary employers are obliged to maintain employment of supported workers and to top-up the wage subsidy to the full regular wage.

(c) a new measure consisting of sickness aid benefits for parents and caretakers provides support for employees who cannot work remotely and have to attend for children until age of 10 or for persons with disabilities, when schools and day-care centres are closed due to the COVID-19 infection. The benefit amounts to 60% of beneficiary's

average wage in the previous 12 months. The beneficiary's employer has to certify inability to work remotely and school or municipality has to confirm school closure or unavailability of day-care services.

(d) existing Covid-19 related sickness benefits are extended for the period from 16 November 2020 to 30 June 2021. Government pays fully the sick leave benefit to people who had to miss work due to requirement to self-isolate or self-quarantine, while normally, part of the sickness benefit is shared with employer.

(e) existing health-related expenditure on protective personal equipment and other medical supplies to ensure the health and safety of public sector employees, in particular, healthcare workers.

(f) a new measure consisting of premiums for medical practitioners and employees dealing with the Covid-19 crisis to reward them for their work in conditions of increased risk and workload. These premiums of 20% to 100% of monthly salaries exceed the maximum premiums allowed for public employees.

Latvia 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 Latvia under the SURE Regulation in support of the measures above.

Health-related measures, as requested by Latvia on 11 March 2021, amount to EUR 22 304 365.

- **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.

- **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 25 September 2020, the Council granted financial assistance to Latvia taking the form of a loan amounting to a maximum of EUR 192 700 000 with a maximum average maturity of 15 years, following Latvia's request of 7 August 2020, 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 loan was to finance the short-time work schemes, similar measures and health-related measures adopted by Latvia, as referred to in Council Implementing Decision (EU) 2020/1351[2].

(3) The COVID-19 outbreak continues to immobilise a substantial part of the labour force in Latvia. This has led to a still sudden and severe increase in public expenditure by Latvia in respect of new measures, namely sickness aid benefits for parents and caretakers and premiums for medical practitioners and employees dealing with the Covid-19 crisis and measures referred to in Article 3(a) (c) (d) (f) and (g) of Implementing Decision (EU) 2020/1351.

(4) The COVID-19 outbreak and the extraordinary measures implemented by Latvia in 2020 and 2021 to contain the outbreak and its socio-economic and health-related impact had and still have a dramatic impact on public finances. According to the Commission's 2020 autumn forecast, Latvia was expected to have a general government deficit and debt of 7.4% and 47.5% of gross domestic product (GDP) respectively by the end of 2020. In 2021, Latvia's general government deficit and debt are forecast to narrow to 3.5% and 45.9% of GDP respectively. According to the Commission's 2021 winter interim forecast, Latvia's real GDP is projected to increase by 3.5% in 2021.

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

[2] Council Implementing Decision (EU) 2020/1351 of 25 September 2020 on granting temporary support under Regulation (EU) 2020/672 to the Republic of Latvia to mitigate unemployment risks in the emergency following the COVID-19 outbreak, OJ L 314, 29.9.2020, p.38.

(5) On 11 March 2021, Latvia requested further financial assistance from the Union in an amount of EUR 112 500 000 with a view to continue complementing its national efforts undertaken in 2020 and 2021 to address the impact of the COVID-19 outbreak and respond to the socioeconomic consequences of the outbreak for workers and the self-employed. In particular it concerns the measures set out in recitals 6 to 8.

(6) Cabinet Regulation No 709 (adopted on 24 November 2020 and amended on 12 January 2021) "Regulations Regarding the Allowance for Idle Time for Taxpayers for the Continuation of their Activity in the Circumstances of the COVID-19 Crisis"[3] extended and amended a scheme for the compensation of idle time for workers, as referred to in Article 3(a) of Implementing Decision (EU) 2020/1351. The scheme applies to companies, self-employed persons and payers of the licence fee, whose income from economic activity has decreased by at least 20%, as compared to August-October 2020 on average. The scheme pays compensations to furloughed employees or self-employed persons of 50% or 70% of their salaries or incomes, depending on the tax regime under which they operate. The minimim level of support is set at EUR 500 and the maximum at EUR 1000 per employee per calendar month.

Attached to the scheme for the compensation of idle time for workers is the workers' bonus for children, as referred to in Article 3(c) of Implementing Decision (EU) 2020/1351. The bonus of EUR 50 per month per child provides an additional support for idle workers, who are entitled to personal income tax relief for dependants. The support measures is established by Cabinet Order No 706 "On the Allocation of Financial Resources to the State Budget Program 'Funds for National emergencies'"[4] and Cabinet Order No 15 "On the allocation of financial resources from the state budget programme 'Contingency funds'"[5]. The measure can be considered to be a similar measure to short- time work schemes, as referred to in Regulation (EU) 2020/672, as it provides income support to employees and the self-employed, which will help to cover the costs of childcare during school closures and therefore help parents to continue working, preventing putting the employment relationship at risk.

(7) The scheme for wage subsidies provides support to employers facing decrease in revenue from any economic activity by at least 20%. The scheme amounts to 50% of the average monthly gross wage, but not more than EUR 500 per calendar month. The beneficiary employers are obliged to maintain employment of supported workers and to top-up the wage subsidy to the full regular wage. The scheme is established by Cabinet Regulation No 675 on "Regulations Regarding the Provision of Aid to Taxpayers for the Continuation of their Activity in the Circumstances of the COVID-19 Crisis"[6] and Cabinet Order No 128 "On the Allocation of Financial Resources to the State Budget Program 'Funds for Unforeseen Events'"[7]. The measure extends the scheme for wage subsidies for the tourism and export industries, as referred to in Article 3(d) of Implementing Decision (EU) 2020/1351, and expands the coverage to all eligible employers.

(8) Sickness aid benefits for parents and caretakers provides support for employees who cannot work remotely and have to attend for children until age of 10 or for persons with disabilities, when schools and day-care centres are closed due to the COVID-19 infection. The measure can be considered to be a similar measure to short- time work

[3] Latvijas Vēstnesis, 230B, 27.11.2020.
[4] Latvijas Vēstnesis, 234, 03.12.2020.
[5] Latvijas Vēstnesis, 9, 14.01.2021.
[6] Latvijas Vēstnesis, 222A, 16.11.2020.
[7] Latvijas Vēstnesis, 42, 02.03.2021.

schemes, as referred to in Regulation (EU) 2020/672, as it provides income support to parents and caretakers and helps to preserve employment by preventing parents and caretakers who have to look after their children or persons with disabilities while schools and day-care centres are closed, from needing to terminate the employment relationship. The sickness aid benefit is provided for in the Amendment to the Law "On Maternity and Sickness Insurance" of 27 November 2020[8].

(9) Latvia also further extended and introduced a series of health-related measures to address the COVID-19 outbreak. In particular, it concerns the measures set out in recitals 10 to 12.

(10) An extension of Covid-19 related sickness benefits as referred to in Article 3 (g) of Implementing Decision (EU) 2020/1351, until 30 June 2021 is established by the Amendment to the Law "On Maternity and Sickness Insurance" of 13 November 2020[9]. The measures provides state-paid sickness benefits for those who had to miss work due to a requirement to self-isolate or self- quarantine, while normally, part of the sickness benefit is shared with employer.

(11) Additional support for health-related expenditure on personal protective equipment, as referred to in Article 3(f) Implementing Decision (EU) 2020/1351. The expenditure were already implemented in 2020, including those established by Cabinet Order No 380 "On Allocation of Financial Resources from the State Budget Program 'funds for emergencies'" [10].

(12) Premiums for medical practitioners and employees dealing with the Covid-19 crisis of 20% to 100% of monthly salaries rewards for work in conditions of increased risk and workload, as provided for in Cabinet Orders No 137 and 656 Regarding the Allocation of Funds from the State Budget Programme 'Funds for Unforeseen Events'[11], Cabinet Order No 743 "Amendment to Cabinet Order No. 655 of 6 November 2020" On Declaring a State of Emergency"'[12] and Cabinet Order No 37 of 21 January 2021 Regarding the Allocation of Funds from the State Budget Programme 'Funds for Unforeseen Events'[13]. These premiums are additional to the maximum premium set in the Law On Remuneration of Officials and Employees of State and Local Government Authorities. The measure supports employment by ensuring health safety of employees and continuity of essential public services.

(13) Latvia fulfils the conditions for requesting financial assistance set out in Article 3 of Regulation (EU) 2020/672. Latvia has provided the Commission with appropriate evidence that the actual and planned public expenditure has increased by EUR 405 297 901 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 also to both a new measure and an extension of existing measures directly related to short-time work schemes and similar measures that cover a significant proportion of undertakings and of the labour force in Latvia. Latvia intends to finance EUR 100 097 901 of the increased amount of public expenditure through its own financing.

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8 Latvijas Vēstnesis, 230A, 27.11.2020.
9 Latvijas Vēstnesis, 221A, 13.11.2020.
10 Latvijas Vēstnesis, 113A, 12.06.2020.
11 Latvijas Vēstnesis, 62B, 27.03.2020., Latvijas Vēstnesis, 218, 10.11.2020.
12 Latvijas Vēstnesis, 237A, 08.12.2020.
13 Latvijas Vēstnesis, 16, 25.01.2021.

(14) The Commission has consulted Latvia and verified the sudden and severe increase in the actual and planned 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 11 March 2021, in accordance with Article 6 of Regulation (EU) 2020/672.

(15) Health-related measures, as requested by Latvia on 11 March 2021 and referred to in recitals 10 to 12, amount to EUR 22 304 365.

(16) Financial assistance should therefore be provided with a view to helping Latvia 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.

(17) Latvia and the Commission should take this Decision into account in the loan agreement referred to in Article 8(2) of Regulation (EU) 2020/672.

(18) 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 pursuant to 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.

(19) Latvia should inform the Commission on a regular basis of the implementation of the planned public expenditure, in order to enable the Commission to assess the extent to which Latvia has implemented that expenditure.

(20) The decision to provide financial assistance has been reached taking into account existing and expected needs of Latvia, 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

Implementing Decision (EU) 2020/1351 is amended as follows:

(1) Article 2 is amended as follows:

(a) paragraph 1 is replaced by the following:

‘1. The Union shall make available to Latvia a loan amounting to a maximum of EUR 305 200 000. The loan shall have a maximum average maturity of 15 years.’;

(b) paragraph 4 is replaced by the following:

‘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. Any further instalments shall be released in accordance with the terms of such loan agreement or, where relevant, be subject to the entry into force of an addendum to the latter, or an amended loan agreement concluded between Latvia and the Commission.’;

(2) Article 3 is replaced by the following:

‘*Article 3*

Latvia may finance the following measures:

(a) the scheme for the compensation of idle time for workers, as provided for in ‘Cabinet Regulations No 179 (Adopted 31 March 2020) “Regulations Regarding the Allowance for Idle Time for the Self-employed Persons Affected by the Spread of COVID-19” and No 165 (Adopted 26 March 2020) “Regulations Regarding the Employers Affected by the Crisis Caused by COVID-19 which are Eligible for the Allowance for Idle Time and Division of the Payment for Late Tax Payments in Instalments or Deferral Thereof for up to Three Years”’, as extended ;

(b) the downtime allowance, as provided for on the basis of ‘Cabinet Regulation No 236 “Regulations Regarding the Assistance Allowance for Idle Time for Employed or Self-employed Persons Who have been Affected by the Spread of COVID-19”’;

(c) the workers’ bonus for children, as provided for in ‘Cabinet Order No 178 “On the Allocation of Financial Resources to the State Budget Program ‘Funds for National emergencies”’, as extended;

(d) the scheme for wage subsidies for the tourism and export industries, as provided for in ‘Information report on measures to overcome the Covid-19 crisis and economic recovery’, as extended;

(e) wage support payments for medical professionals and those employed by the cultural industry, as provided for in the ‘Law On Measures for the Prevention and Suppression of Threat to the State and Its Consequences Due to the Spread of COVID-19’, the ‘Law on the Suppression of Consequences of the Spread of COVID-19 Infection’ and ‘Cabinet Order No 303 “On the Allocation of Financial Resources from the State Budget Program ‘Contingency Funds’””, respectively;

(f) health related expenditure on protective personal equipment, as provided for in ‘Cabinet Orders No 79, 118 and 220 “On Allocation of Financial Resources from the State Budget Program ‘funds for emergencies’”, as extended’;

(g) COVID-19 related sickness benefits, as provided for in ‘09.06.2020. Cabinet Regulation No 380 from June 9, 2020 “Regulations on the resources for ensuring epidemiological safety necessary for institutions included in the list of priority institutions and needs”’, as extended;

(h) sickness aid benefits for parents and caretakers, as provided for in the Law “On Maternity and Sickness Insurance” Sections 48 and 49 of transitional provisions and ‘Cabinet Order No 707 “On the Allocation of Financial Resources to the State Budget Program ‘Funds for National emergencies’ and ‘Cabinet Order No 13 “On Allocation of Financial Funds from the State Budget Program ‘Contingency Funds’’;

(i) (premiums for medical practitioners and employees dealing with the Covid-19 crisis, as provided for in ‘Cabinet Order No 136 Adopted 27 March 2020 Regarding the Allocation of Funds from the State Budget Programme ‘Funds for Unforeseen Events’’, ‘Cabinet Order No 656 Adopted 6 November 2020 Regarding the Allocation of Funds from the State Budget Programme ‘Funds

for Unforeseen Events'', 'Cabinet Order No 743 of 08.12.2020. "Amendment to Cabinet Order No. 655 of 6 November 2020" On Declaring a State of Emergency"' and 'Cabinet Order No 37 Adopted 21 January 2021 Regarding the Allocation of Funds from the State Budget Programme 'Funds for Unforeseen Events'.

(3) Article 4 is replaced by the following:

'*Article 4*

1. Latvia shall inform the Commission by 30 March 2021, and every six months thereafter of the implementation of the planned public expenditure until that planned public expenditure has been fully implemented.

2. Where measures referred to in Article 3 are based on planned public expenditure and have been subject to an Implementing Decision amending Implementing Decision (EU) 2020/1351, Latvia shall inform the Commission within 6 months after the date of adoption of that decision, and every 6 months thereafter of the implementation of the planned public expenditure until that planned public expenditure has been fully implemented.' .

Article 2

This Decision is addressed to the Republic of Latvia.

Done at Brussels,

For the Council
The President