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## COVER NOTE

From:	Secretary-General of the European Commission, signed by Mr Jordi AYET PUIGARNAU, Director
date of receipt:	19 June 2020
To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union
No. Cion doc.:	C(2020) 4140 final
Subject:	COMMISSION DELEGATED REGULATION (EU) .../... of 19.6.2020 amending Delegated Regulation (EU) No 877/2013 supplementing Regulation (EU) No 473/2013 of the European Parliament and of the Council on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area

Delegations will find attached document C(2020) 4140 final.

Encl.: C(2020) 4140 final



EUROPEAN  
COMMISSION

Brussels, 19.6.2020  
C(2020) 4140 final

**COMMISSION DELEGATED REGULATION (EU) .../...**

**of 19.6.2020**

**amending Delegated Regulation (EU) No 877/2013 supplementing Regulation (EU) No 473/2013 of the European Parliament and of the Council on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area**

## **EXPLANATORY MEMORANDUM**

### **1. CONTEXT OF THE DELEGATED ACT**

In the Eurogroup meeting of 9 April 2020, the Ministers of Finance of the euro area Member States proposed to establish the Pandemic Crisis Support, based on the Enhanced Conditions Credit Line of the European Stability Mechanism, in response to the COVID-19 pandemic. The Eurogroup report states that “the only requirement to access [the Pandemic Crisis Support] will be that euro area Member States requesting support would commit to use this credit line to support domestic financing of direct and indirect healthcare, cure and prevention related costs due to the COVID-19 crisis”. The Board of Governors of the European Stability Mechanism adopted the Pandemic Crisis Support on 15 May 2020.

Article 2(3) and (4) of Regulation (EU) No 472/2013 of the European Parliament and the Council provide that a Member State benefitting from precautionary financial assistance of the European Stability Mechanism is subject to enhanced surveillance when receipt of such assistance is conditional on the implementation of new policy measures or when the Member State draws on the credit line. In accordance with Article 3(2) of the same regulation the reporting requirements under enhanced surveillance include those laid down in Article 10 of Regulation (EU) No 473/2013 and further detailed in Commission Delegated Regulation No 877/2013.

Recital 4 of Regulation (EU) No 472/2013 states that the intensity of economic and budgetary surveillance should be “commensurate with, and proportionate to, the severity of the financial difficulties encountered and should take due account of the nature of the financial assistance received.” In line with this principle, receipt of an ESM loan for the recapitalisation of financial institutions does not entail the reporting requirements under enhanced surveillance, including those laid down in Article 10 of Regulation (EU) No 473/2013. Since, the Pandemic Crisis Support, like the loan for the recapitalisation of financial institutions, makes available funds exclusively for specific needs, it is justified to replicate as much as possible this precedent by focusing the reporting requirements in this case.

In a joint letter dated 7 May 2020, Executive Vice-president Dombrovskis and Commissioner Gentiloni announced the intention to amend Commission Delegated Regulation No 877/2013 to further specify the reporting requirements applying to Member States drawing on the Pandemic Crisis Support. In line with the very specific and limited scope of the instrument, the related reporting requirements should only pertain to the actual use of the Pandemic Crisis Support funds to cover direct and indirect healthcare, cure and prevention related costs due to the COVID-19 crisis.

### **2. CONSULTATIONS PRIOR TO THE ADOPTION OF THE ACT**

In line with the Common Understanding of 2016 between the European Parliament, the Council and the Commission, the Commission consulted Member States’ experts on this Delegated Regulation in a meeting on 8 June 2020. Representatives of European Parliament and the Council participated in the meeting as observers.

### **3. LEGAL ELEMENTS OF THE DELEGATED ACT**

The amendment to Commission Delegated Regulation No 877/2013 lays down the reporting requirements applying to euro area Member States subject to enhanced surveillance as a result of having drawn on the Pandemic Crisis Support of the European Stability Mechanism. It introduces a new Article 2a which specifies that the reporting in this situation concerns (only) the use of the Pandemic Crisis Support funds to cover the direct and indirect healthcare, cure and prevention related costs due to the COVID-19 crisis, given the very specific and limited scope of the Pandemic Crisis Support. A new Annex II sets out the related reporting template.

# COMMISSION DELEGATED REGULATION (EU) .../...

of 19.6.2020

**amending Delegated Regulation (EU) No 877/2013 supplementing Regulation (EU) No 473/2013 of the European Parliament and of the Council on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area**

THE EUROPEAN COMMISSION,

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

Having regard to Regulation (EU) No 473/2013 of the European Parliament and of the Council of 21 May 2013 on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficits of the Member States in the euro area<sup>1</sup>, and in particular Article 10(3) thereof,

Whereas:

- (1) Pursuant to the statement of the Board of Governors of the European Stability Mechanism of 15 May 2020, Member States whose currency is the euro may receive financial assistance under the Pandemic Crisis Support, which is based on the Enhanced Conditions Credit Line of the European Stability Mechanism, adapted to the specific situation of the COVID-19 pandemic.
- (2) In particular, Member States benefitting from the Pandemic Crisis Support are not required to implement new policy measures. The only requirement is to use the credit line to finance direct and indirect healthcare, cure and prevention-related costs due to the COVID-19 pandemic.
- (3) In application of Article 2(3) and (4) of Regulation (EU) No 472/2013 of the European Parliament and of the Council<sup>2</sup>, a Member State drawing on Pandemic Crisis Support is to be subject to enhanced surveillance.
- (4) In accordance with Article 3(2) of that Regulation, the reporting requirements laid down in Article 10 of Regulation (EU) No 473/2013, and further detailed in Commission Delegated Regulation (EU) No 877/2013<sup>3</sup>, are to apply.

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<sup>1</sup> OJ L140, 27.05.2013, p. 11.

<sup>2</sup> Regulation (EU) No 472/2013 of the European Parliament and of the Council of 21 May 2013 on the strengthening of economic and budgetary surveillance of Member States in the euro area experiencing or threatened with serious difficulties with respect to their financial stability (OJ L 140, 27.5.2013, p. 1).

<sup>3</sup> Commission Delegated Regulation (EU) No 877/2013 of 27 June 2013 supplementing Regulation (EU) No 473/2013 of the European Parliament and of the Council on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area (OJ L 244, 13.9.2013, p. 23).

- (5) Regulation (EU) No 472/2013 states that the intensity of economic and budgetary surveillance should be commensurate with, and proportionate to, the severity of the financial difficulties encountered and should take due account of the nature of the financial assistance received.
- (6) Regulation (EU) No 877/2013 should therefore be amended accordingly.
- (7) With a view to the very specific and limited scope of the Pandemic Crisis Support, it is hence appropriate to define the reporting requirements applicable in that case. The structure of reporting required where a Member State is subject to an excessive deficit procedure pursuant to Article 126 TFEU or where a Member State is under enhanced surveillance for reasons other than drawing on Pandemic Crisis Support should not be affected,

HAS ADOPTED THIS REGULATION:

*Article 1*

Delegated Regulation (EU) No 877/2013 is amended as follows:

- (1) Article 1 is replaced by the following:

*‘Article 1*

**Subject matter**

This Regulation lays down specifications concerning the content of the reports that Member States whose currency is the euro are required to submit pursuant to Article 10(3) of Regulation (EU) No 473/2013.’

- (2) The following new Article 2a is inserted:

*‘Article 2a*

**Structure and content of the reporting of Member States under enhanced surveillance pursuant to Article 2(3) and (4) of Regulation (EU) No 472/2013 as a result of having drawn on the Pandemic Crisis Support of the European Stability Mechanism**

- 1. Where a Member State is subject to enhanced surveillance solely as a result of having drawn on the Pandemic Crisis Support of the European Stability Mechanism, the in-year reporting requirement pursuant to Article 10 of Regulation (EU) No 473/2013 shall pertain to the use of the Pandemic Crisis Support funds to cover direct and indirect healthcare, cure and prevention-related costs related to the COVID-19 pandemic.
  - 2. The reports shall include the table indicated in Annex II.’
- (3) The title of the Annex is replaced by the following:

‘ANNEX I’

- (4) The following new Annex II is added:

‘ANNEX II

*Table to be transmitted quarterly*

**Costs related to the COVID-19 pandemic**

	Year 2020				Year 2021(*)			
<i>In EUR million</i>	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<i>Time series of actual data ending at quarter of the respective report to be submitted</i>								
<b>Healthcare, cure and prevention costs directly related to the COVID-19 pandemic</b>								
[Item]								
[Further items as necessary] (**)								
<b>Part of overall public healthcare spending estimated to be directly or indirectly attributed to addressing the impact of COVID-19 on the healthcare system (***)</b>								
[Item]								
[Further items as necessary] (**)								
<b>Other indirect costs related to healthcare, cure and prevention due to the Covid-19 crisis</b>								
[Item]								
[Further items as necessary] (**)								

(\*) The last year of the availability period or of a possible disbursement of the Pandemic Crisis Support (whichever is earlier) is also the last year of the reporting, unless the Member State has not yet used all the funds drawn.

(\*\*) Items and sub-items, as necessary, accompanied with the relevant explanations to allow the Commission to perform a meaningful assessment.

(\*\*\*) This can include *inter alia* spending on hospitals; cure and rehabilitative care, ambulatory cure and rehabilitative care, diagnostics, pharmaceuticals, preventive care, health administrations, and health related long-term care.

## *Article 2*

This Regulation shall enter into force on the day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in the Member States in accordance with the Treaties.

Done at Brussels, 19.6.2020

*For the Commission*  
*The President*  
*Ursula VON DER LEYEN*