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2020/0215 (NLE)

Proposal for a

COUNCIL IMPLEMENTING DECISION

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

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EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

• Reasons for and objectives of the proposal

Council Regulation 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 6 August 2020, Slovakia requested Union financial assistance under the SURE Regulation. In accordance with Article 6(2) of the SURE Regulation, the Commission has consulted the Slovakian authorities to verify the sudden and severe increase in actual and planned expenditure directly related to the national short-time work scheme and similar measures caused by the COVID-19 pandemic. The national short-time work scheme aims at protecting employees and the self- employed and thus reducing the incidence of unemployment and loss of income. It allows businesses experiencing economic difficulties to temporarily reduce the hours worked by their employees, who are provided with public income support for the hours not worked. The scheme can be accessed by employers who have temporarily furloughed some of their employees from March 2020 to December 2021. Such employers can request a reimbursement of wage costs of up to 80% of the usual gross salary of the employee furloughed up to a maximum of EUR 880 per month, conditional on employee retention. In addition to the national short-time work scheme, Slovakia also introduced the following accompanying measures (a) a flat-rate contribution per employee from March to the end of September 2020 contingent on a decrease in sales of at least 20% (monthly support from EUR 180 to EUR 540 depending on the sales decrease); (b) a flat-rate contribution until the end of September 2020 payable to self-employed persons with compulsory social insurance contingent on a decrease in sales of at least 20% (monthly support from EUR 180 to EUR 540 depending on the sales decrease); (c) a reimbursement of 80% of the employee's gross salary (up to a maximum of EUR 1 100) until the end of September 2020 for enterprises closed by decree; and (d) a flat-rate allowance of EUR 210 per month until the end of September 2020 for workers working under a contract, single-person companies and the self-employed.

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

• Consistency with existing policy provisions in the policy area

The present proposal is fully consistent with Council Regulation 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 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 6 August 2020, Slovakia requested financial assistance from the Union with a view to complementing its national efforts to address the impact of the COVID-19 outbreak and its socio-economic consequences for workers.

(2) The COVID-19 outbreak and the extraordinary measures implemented by Slovakia 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 Spring forecast, Slovakia was expected to have a general government deficit and debt of 8.5% and 59.5% of gross domestic product (GDP) respectively by the end of 2020. According to the Commission's 2020 Summer interim forecast, Slovakia's GDP is projected to decrease by 9.0% in 2020.

(3) The COVID-19 outbreak has immobilised a substantial part of the labour force in Slovakia. This has led to a sudden and severe increase in public expenditure by Slovakia in respect of the national short-time work scheme and similar measures, as set out in recital 4.

(4) More specifically, "Act No. 5/2004 Coll. on Employment Services", as it is referred to in Slovakia's request of 6 August 2020, has been the basis for the introduction of a number of measures to address the impact of the COVID-19 outbreak, including a scheme to support employers who temporarily furloughed employees between March 2020 to December 2021. Such employers can request a reimbursement of wage costs of up to 80% of the usual gross salary of the employee furloughed up to a maximum of EUR 880 per month, conditional on employee retention. In addition, a number of accompanying measures were introduced: (a) a flat-rate contribution per employee from March to the end of September 2020 contingent on a decrease in sales of at least 20% (monthly support from EUR 180 to EUR 540 depending on the sales decrease); (b) a flat-rate contribution until the end of September 2020 payable to self-employed persons with compulsory social insurance contingent on a decrease in sales of at least

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

20% (monthly support from EUR 180 to EUR 540 depending on the sales decrease); (c) a reimbursement of 80% of the employee's gross salary (up to a maximum of EUR 1 100) until the end of September 2020 for enterprises closed by decree; and (d) a flat-rate allowance of EUR 210 per month until the end of September 2020 for workers working under a contract, single-person companies and the self-employed. The flat-rate allowance can be considered a similar measure to short-time work schemes, as referred to in Regulation (EU) 2020/672, as it aims at protecting the self-employed or similar categories of workers from reduction or loss of income.

(5) Slovakia fulfils the conditions for requesting financial assistance set out in Article 3 of Regulation (EU) 2020/672. Slovakia has provided the Commission with appropriate evidence that the actual and planned public expenditure has increased by EUR 1 077 457 000 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 the new measures cover a significant proportion of undertakings and of the labour force in Slovakia. Slovakia intends to finance EUR 390 262 000 of the increased amount of expenditure through Union funds and EUR 56 311 400 through its own financing.

(6) The Commission has consulted Slovakia and verified the sudden and severe increase in the actual and planned public expenditure directly related to short-time work schemes and similar measures referred to in the request of 6 August 2020, in accordance with Article 6 of Regulation (EU) 2020/672.

(7) Financial assistance should therefore be provided with a view to helping Slovakia to address the socio-economic effects of the severe economic disturbance caused by the COVID-19 outbreak.

(8) 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 TFEU. It does not override the requirement for Member States to notify instances of potential State aid to the Commission under Article 108 TFEU.

(9) Slovakia 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 Slovakia has implemented that expenditure.

(10) The decision to provide financial assistance has been taken taking into account existing and expected needs of Slovakia, 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

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

Article 2

1. The Union shall make available to Slovakia a loan amounting to a maximum of EUR 630 883 600. 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 the entry into force of this Decision.

3. The Union financial assistance shall be made available by the Commission to Slovakia 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. Slovakia shall pay the cost of 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.

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

Article 3

Slovakia may finance the national short-time work scheme and accompanying measures as provided for by Article 54(1)(e) of Act No. 5/2004 Coll. on Employment Services.

Article 4

Slovakia shall inform the Commission by [*DATE: 6 months after date of publication of this Decision*], and every 6 months thereafter of the implementation of the planned public expenditure until such time as that planned public expenditure has been fully implemented.

Article 5

This Decision is addressed to the Slovak Republic.

Article 6

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

Done at Brussels,

For the Council
The President