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Proposal for a

COUNCIL IMPLEMENTING DECISION

granting temporary support under Council Regulation (EU) 2020/672 to Italy 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 7 August 2020, Italy requested Union financial assistance under the SURE Regulation. In accordance with Article 6(2) of the SURE Regulation, the Commission has consulted the Italian authorities to verify the sudden and severe increase in actual and planned expenditure directly related to short-time work schemes and similar measures and health related measures, caused by the COVID-19 pandemic. In particular, it concerns:

(1) an extension of existing short-time work schemes ('*Cassa integrazione guadagni'*). The measure covers 80 % of the usual salary of the employees, whose employment contract is maintained, of the companies completely or partially closed due to COVID-19, for a maximum of 18 weeks in the period from 23 February 2020 to 31 October 2020.

(2) an allowance of EUR 600 for the months of March and April 2020 for self-employed persons and freelancers. Freelancers who experienced a reduction of at least 33 % of their earnings in March and April 2020 on a year-to-year basis are also entitled to a EUR 1000 allowance for May 2020. A further allowance of EUR 600 for March 2020 is granted to self-employed workers and freelancers registered with private mandatory social security institutions .

(3) a variety of measures targeting specific professions that have been adversely impacted by the COVID-19 outbreak. This includes an allowance of EUR 600 for the month of March 2020 and of EUR 500 for the month of April 2020 for fixed-term employees in agriculture; an allowance of EUR 600 for the months of March, April and May 2020 for workers in the entertainment industry (with annual income up to EUR 50 000); an allowance of EUR 600 for the months of March, April and May 2020 for collaborators of sports associations; an allowance of EUR 600 for the months of March, April and May 2020 for on-call workers and an allowance of EUR 500 for the months of April and May 2020 for domestic workers.

(4) two measures addressing the impact of early-childhood education services and schools closure in the form of parental leave benefits for up to 30 days in the period from 5 March 2020 to 31 August 2020 for employees or self-employed persons with children up to 12 years old (or above 12, where the child is disabled and still attending school) covering 50 % of their income, and baby-sitting vouchers for a maximum of EUR 2 000 as an alternative to parental leave benefits and valid for the same period.

(5) additional disability leave benefits for up to 12 days in the period from 1 March 2020 to 30 April 2020 and an additional 12 days in the period from 1 May 2020 to 30 June

2020 for workers with a severe disability or with relatives with a severe disability. This is an extension of an existing scheme which entitles employees to three days of disability leave per month.

(6) non-repayable grants for self-employed workers and individual enterprises. The amount of the grant is calculated taking into account the drop in turnover suffered in April 2020 compared to April 2019 (from a minimum amount of EUR 1 000 to a maximum of 20 % of the drop in turnover).

(7) two health-related measures, a new temporary tax credit of 60 % of the costs of improving the safety of the workplace (up to a maximum of EUR 80 000) and a new temporary tax credit of 60 % of the costs of sanitising small businesses, professional offices, and non-profit institutions and purchasing safety equipment (up to a maximum of EUR 60 000).

Italy 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 Italy 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 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.

2020/0219 (NLE)

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

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 7 August 2020, Italy 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 Italy 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, Italy was expected to have a general government deficit and debt of 11.1% and 158.9% of gross domestic product (GDP) respectively by the end of 2020. According to the Commission's 2020 Summer interim forecast, Italy's GDP is projected to decrease by 11.2% in 2020.

(3) The COVID-19 outbreak has immobilised a substantial part of the labour force in Italy. This has led to a sudden and severe increase in public expenditure by Italy in respect of short-time work schemes for employees, allowances for the self-employed, fixed-term employees in agriculture, workers in the entertainment industry, collaborators of sport associations, domestic workers and on-call workers, baby-sitting vouchers, additional parental and disability leave benefits, non-repayable grants to self-employed workers and individual enterprises, and tax credits in support of public health measures, as set out in recitals 4 to 10.

(4) "Decree-law n. 18/2020"[2] and "Decree-law n. 34/2020"[3], as they are referred to in Italy's request of 7 August 2020, has been the basis for the introduction of a number of measures to address the impact of the COVID-19 outbreak, including an extension of existing short-time work schemes ('*Cassa integrazione guadagni*'). The measure covers 80 % of the usual salary of the employees, whose employment contract is

[1] OJ L 159, 20.5.2020, p.1.
[2] Decree-law n. 18/2020 as converted by Law n. 27/2020
[3] Decree-law n. 34/2020 as converted by Law n. 77/2020

maintained, of the companies completely or partially closed due to COVID-19, for a maximum of 18 weeks in the period from 23 February 2020 to 31 October 2020.

(5) For self-employed persons and freelancers, the authorities have introduced an allowance of EUR 600 for the months of March and April 2020. Freelancers who experienced a reduction of at least 33 % of their earnings in March and April 2020 on a year-to-year basis are also entitled to a EUR 1000 allowance for May 2020. A further allowance of EUR 600 for March 2020 is granted to self-employed workers and freelancers registered with private mandatory social security institutions.

(6) The authorities have introduced a variety of measures targeting specific professions that have been adversely impacted by the COVID-19 outbreak. This includes an allowance of EUR 600 for the month of March 2020 and of EUR 500 for the month of April 2020 for fixed-term employees in agriculture; an allowance of EUR 600 for the months of March, April and May 2020 for workers in the entertainment industry (with annual income up to EUR 50 000); an allowance of EUR 600 for the months of March, April and May 2020 for collaborators of sports associations; an allowance of EUR 600 for the months of March, April and May 2020 for on-call workers and, , an allowance of EUR 500 for the months of April and May 2020 for domestic workers.

(7) Two measures addressing the impact of early-childhood education services and schools closure have also been introduced by the authorities, in the form of parental leave benefits for up to 30 days in the period from 5 March 2020 to 31 August 2020 for employees or self-employed persons with children up to 12 years old (or above 12, where the child is disabled and still attending school) covering 50 % of their income, and baby-sitting vouchers for a maximum of EUR 2 000 as an alternative to parental leave benefits and valid for the same period. These measures can be considered as similar measures to short-time work schemes, as referred to in Regulation (EU) 2020/672, as they provide 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 relation at risk.

(8) Furthermore, the authorities have introduced additional disability leave benefits for up to 12 days in the period from 1 March 2020 to 30 April 2020 and an additional 12 days in the period from 1 May 2020 to 30 June 2020 for workers with a severe disability or with relatives with a severe disability. This is an extension of an existing scheme which entitles employees to three days of disability leave per month.

(9) Non-repayable grants for self-employed workers and individual enterprises have been introduced. The amount of the grant is calculated taking into account the drop in turnover suffered in April 2020 compared to April 2019 (from a minimum amount of EUR 1 000 to a maximum of 20 % of the drop in turnover).

(10) Finally, two health-related measures have been introduced by the authorities, a new temporary tax credit of 60 % of the costs of improving the safety of the workplace (up to a maximum of EUR 80 000) and a new temporary tax credit of 60 % of the costs of sanitising small businesses, professional offices, and non-profit institutions and purchasing safety equipment (up to a maximum of EUR 60 000). Since the tax credits consist of forgone revenue for the government, they can be considered equivalent to public expenditure.

(11) Italy fulfils the conditions for requesting financial assistance set out in Article 3 of Regulation (EU) 2020/672. Italy has provided the Commission with appropriate evidence that the actual and planned public expenditure has increased by EUR 28 811

965 628 as of 1 February 2020 due to the increased amounts directly related to short-time work schemes for employees, allowances for the self-employed, fixed-term employees in agriculture, workers in the entertainment industry, collaborators of sport associations, domestic workers and on-call workers, baby-sitting vouchers, additional parental and disability leave benefits, and non-repayable grants to self-employed workers and individual enterprises. This constitutes a sudden and severe increase because it relates to both new and an extension of existing measures, which cover a significant proportion of undertakings and of the labour force in Italy. Italy intends to finance EUR 320 000 000 of the increased amount of expenditure through Union funds.

(12) The Commission has consulted Italy 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 7 August 2020, in accordance with Article 6 of Regulation (EU) 2020/672.

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

(14) 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.

(15) Italy 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 Italy has implemented that expenditure.

(16) The decision to provide financial assistance has been taken taking into account existing and expected needs of Italy, 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. In particular, the amount of the loan has been established to ensure compliance with the prudential rules applicable to the portfolio of loans as specified in Council Regulation (EU) 2020/672,

HAS ADOPTED THIS DECISION:

Article 1

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

Article 2

1. The Union shall make available to Italy a loan amounting to a maximum of EUR 27 438 486 464. 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 Italy in a maximum of ten 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. Italy 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

Italy may finance the following measures:

(a) the extension of existing short-time work schemes (‘*Cassa integrazione guadagni*’) for employees, as provided for by Articles 19-22 of Decree-law n. 18/2020 as converted by Law n. 27/2020 and Articles 68-71 of Decree-law n. 34/2020 as converted by Law n. 77/2020;

(b) an allowance for the self-employed, as provided for by Articles 27, 28 and 44 of Decree-law n. 18/2020 as converted by Law n. 27/2020 and Article 84 of Decree-law n. 34/2020 as converted by Law n. 77/2020;

(c) allowances for fixed-term employees in agriculture, as provided for by Article 30 of Decree-law n. 18/2020 and Article 84 of Decree-law n 34/2020 as converted by Law n. 77/2020;

(d) allowances for workers in the entertainment industry, as provided for by Article 38 of Decree-law n. 18/2020 and Article 84 of Decree-law n 34/2020 as converted by Law n. 77/2020;

(e) allowances for collaborators of sport associations, as provided for by Article 96 of Decree-law n. 18/2020 and Article 84 of Decree-law n 34/2020 as converted by Law n. 77/2020;

(f) an allowance for domestic workers, as provided for by Article 85 of Decree-law n. 34/2020 as converted by Law n. 77/2020;

(g) an allowance for on-call workers, as provided for by Articles 44 of Decree-law n. 18/2020 and Article 84 of Decree-law n. 34/2020 as converted by Law n. 77/2020;

(h) non-repayable grants to self-employed workers and individual enterprises, as provided for by Article 25 of Decree-law n. 34/2020 as converted by Law n. 77/2020, for the part of expenditure related to the support of the self-employed and one-person companies;

(i) parental leave benefits, as provided for by Articles 23 and 25 of Decree-law n. 18/2020 as converted by Law n. 27/2020 and Article 72 of Decree-law n. 34/2020 as converted by Law n. 77/2020;

(j) baby-sitting vouchers, as provided for by Articles 23 and 25 of Decree-law n. 18/2020 as converted by Law n. 27/2020 and Article 73 of Decree-law n. 34/2020 as converted by Law n. 77/2020;

(k) disability leave benefits, as provided for by Articles 24 of Decree-law n. 18/2020 as converted by Law n. 27/2020 and Article 74 of Decree-law n. 34/2020 as converted by Law n. 77/2020;

(l) tax credits in respect of improvements to the safety of the workplace, as provided for by Article 120 of Decree-law n. 34/2020 as converted by Law n. 77/2020;

(m) tax credits in respect of sanitisation of workplaces and purchase of safety equipment, as provided for by Article 125 of Decree-law n. 34/2020 as converted by Law n. 77/2020.

Article 4

Italy 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 Italian Republic.

Article 6

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

Done at Brussels,

For the Council
The President