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LEGISLATIVE ACTS AND OTHER INSTRUMENTS

Subject: COUNCIL IMPLEMENTING DECISION amending Implementing Decision (EU) 2020/1350 granting temporary support under Regulation (EU) 2020/672 to the Republic of Lithuania to mitigate unemployment risks in the emergency following the COVID-19 outbreak

COUNCIL IMPLEMENTING DECISION (EU) 2021/...

of ...

**amending Implementing Decision (EU) 2020/1350
granting temporary support under Regulation (EU) 2020/672
to the Republic of Lithuania to mitigate unemployment risks in the emergency
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 outbreak¹, and in particular Article 6(1) thereof,

Having regard to the proposal from the European Commission,

¹ OJ L 159, 20.5.2020, p. 1.

Whereas:

- (1) Further to a request from Lithuania on 7 August 2020, on 25 September 2020 the Council granted financial assistance to Lithuania in the form of a loan amounting to a maximum of EUR 602 310 000 with a maximum average maturity of 15 years, with a view to complementing Lithuania's national efforts to address the impact of the COVID-19 outbreak and respond to the socio-economic consequences of that outbreak for workers and the self-employed.
- (2) The loan was to be used by Lithuania to finance the short-time work schemes and similar measures referred to in Article 3 of Council Implementing Decision (EU) 2020/1350¹.
- (3) The COVID-19 outbreak continues to immobilise a substantial part of the labour force in Lithuania. This has led to a sudden and severe increase in public expenditure in Lithuania in respect of the measures referred to in Article 3, points (a) and (b), of Implementing Decision (EU) 2020/1350.

¹ Council Implementing Decision (EU) 2020/1350 of 25 September 2020 granting temporary support under Regulation (EU) 2020/672 to the Republic of Lithuania to mitigate unemployment risks in the emergency following the COVID-19 outbreak (OJ L 314, 29.9.2020, p. 35).

- (4) The COVID-19 outbreak and the extraordinary measures implemented by Lithuania in 2020 and 2021 to contain that outbreak and its socio-economic and health-related impact have had and continue to have a dramatic impact on public finances. According to the Commission's 2020 autumn forecast, Lithuania was expected to have a general government deficit and debt of 8,4 % and 47,2 % of gross domestic product (GDP) respectively by the end of 2020. In 2021, Lithuania's general government deficit and debt are forecast to stand at 6,0 % and 50,7 % of GDP respectively. According to the Commission's 2021 winter interim forecast, Lithuania's GDP is projected to increase by 2,2 % in 2021.
- (5) On 11 March 2021, Lithuania requested further financial assistance from the Union of EUR 354 950 000, with a view to continuing to complement its national efforts undertaken in 2020 and 2021 to address the impact of the COVID-19 outbreak and respond to the socio-economic consequences of that outbreak for workers and the self-employed. In particular it concerns the measures set out in recitals (6) to (8).

- (6) In the 'Law on Employment No XII-2470' of 21 June 2016, as amended in 2020¹, as referred to in Article 3, point (a), of Implementing Decision (EU) 2020/1350, Lithuania introduced a scheme to pay subsidies to employers to cover estimated wages for each employed person facing time without work, as a support during the quarantine and state emergency. Before 1 January 2021, an employer could choose between subsidies to cover 70 % of the salary, up to a maximum of 1,5 times the minimum wage, or 90 % of the salary (100 % in the case of employees aged 60 and above), up to a maximum of the minimum wage. From 1 January 2021, an employer can receive subsidies to cover 100 % of the salary, up to a maximum of 1,5 times the minimum wage. Employers that have participated in the scheme must retain at least 50 % of their employees for at least three months after the pay subsidy ends.

¹ Article 41, part 2-1 of 'Law on Employment No XII-2470' of 21 June 2016, as amended by 'Law No. XIII-2822' of 17 March 2020, 'Law No. XIII-2846' of 7 April 2020, 'Law No. XIII-3005' of 4 June 2020, and 'Law No. XIV-131' of 23 December 2020.

- (7) Under the 'Law on Employment No XII-2470' of 21 June 2016, as amended in 2020, as referred to in Article 3, point (a), of Implementing Decision (EU) 2020/1350, subsidies were also paid for employees returning from time without work¹, for a period of up to six months following their return to work. Subject to a cap of the minimum wage or twice the minimum wage, depending on the economic activity carried out by the employer, the amount of the subsidies paid in the first and second months following return to work could be as high as 100 % of an employee's salary, in the third and fourth months as high as 50 %, and in the fifth and sixth months as high as 30 %. Those subsidies can be considered to be a similar measure to short-time work schemes, as referred to in Regulation (EU) 2020/672, as they aimed to provide income support to employees and help maintain existing employment relationships.

¹ Article 41, part 2-4 of 'Law on Employment No XII-2470' of 21 June 2016, as amended by 'Law No. XIII-2882' of 7 May 2020 and 'Law No XIII-3005' of 4 June 2020.

- (8) The authorities have also introduced benefits for the self-employed including the self-employed engaged in agricultural activity with an agricultural holding or farm of no less than four economic size units, as referred to in Article 3, point (b), of Implementing Decision (EU) 2020/1350. That measure was amended in 2020¹. In 2020, that benefit amounted to EUR 257 and was paid during the period of the quarantine and state emergency and the following two months. In 2021, the benefit amounts to EUR 260 and is paid during the period of the quarantine and state emergency and one month after. The benefits for the self-employed can be considered to be a similar measure to short-time work schemes, as referred to in Regulation (EU) 2020/672, as they aim to protect the self-employed or similar categories of workers from a reduction in or loss of income.
- (9) Lithuania fulfils the conditions for requesting financial assistance set out in Article 3 of Regulation (EU) 2020/672. Lithuania has provided the Commission with appropriate evidence that the actual and planned public expenditure has increased by EUR 1 101 607 198 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 an extension of existing national measures directly related to short-time work schemes and similar measures that cover a significant proportion of undertakings and of the labour force in Lithuania. Lithuania financed EUR 144 347 198 of the increased amount of expenditure through Union funds.

¹ Article 5-1 of 'Law on Employment No XII-2470' of 21 June 2016, as amended by 'Law No. XIII-2822' of 17 March 2020, 'Law No. XIII-2846' of 7 April 2020, 'Law No. XIII-2877' of 30 April 2020, and 'Law No. XIV-35' of 3 December 2020.

- (10) The Commission has consulted Lithuania 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 Lithuania's request of 11 March 2021, in accordance with Article 6 of Regulation (EU) 2020/672.
- (11) Financial assistance should therefore be provided with a view to helping Lithuania 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.
- (12) Lithuania and the Commission should take this Decision into account in the loan agreement referred to in Article 8(2) of Regulation (EU) 2020/672.
- (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 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.

- (14) Lithuania 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 Lithuania has implemented that expenditure.
- (15) The decision to provide financial assistance has been reached taking into account existing and expected needs of Lithuania, 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) 2020/1350 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 Lithuania a loan amounting to a maximum of EUR 957 260 000. 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 that loan agreement or, where relevant, be subject to the entry into force of an addendum thereto, or of an amended loan agreement.';

(2) Article 3 is replaced by the following:

'Article 3

Lithuania may finance the following measures:

- (a) wage subsidies during time without work, as provided for in Article 41 of "Law on Employment No XII-2470" of 21 June 2016, as amended in 2020;
- (b) wage subsidies after time without work, as provided for in Article 41 of "Law on Employment No XII-2470" of 21 June 2016, as amended in 2020;
- (c) benefits to the self-employed, as provided for in Article 5-1 of "Law on Employment No XII-2470" of 21 June 2016, as amended in 2020;
- (d) benefits to the self-employed engaged in agriculture, as provided for in Article 5-2 of "Law on Employment No XII-2470" of 21 June 2016, as amended in 2020.;

(3) Article 4 is replaced by the following:

'Article 4

1. Lithuania 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) 2020/1350, Lithuania shall inform the Commission within six months after the date of adoption of that amending implementing decision, and every six 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 Lithuania.

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

Article 3

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

Done at Brussels,

For the Council

The President
