Council of the European Union

Brussels, 24 August 2020
(OR. en)

10208/20

Interinstitutional File:
2020/0220 (NLE)

ECOFIN 723
FIN 539
UEM 264

COVER NOTE

From:	Ms Ilze JUHANSONE, Secretary General of the European Commission
date of receipt:	24 August 2020
To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union
No. Cion doc.:	COM(2020) 467 final
Subject:	Proposal for a COUNCIL IMPLEMENTING DECISION granting temporary support under Council Regulation (EU) 2020/672 to Slovenia to mitigate unemployment risks in an emergency situation following the COVID-19 outbreak

Delegations will find attached document COM(2020) 467 final.

Encl.: COM(2020) 467 final

EUROPEAN
COMMISSION

Brussels, 24.8.2020
COM(2020) 467 final

2020/0220 (NLE)

Proposal for a

COUNCIL IMPLEMENTING DECISION

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

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, Slovenia requested Union financial assistance under the SURE Regulation. In accordance with Article 6(2) of the SURE Regulation, the Commission has consulted the Slovenian authorities to verify the sudden and severe increase in actual and planned expenditure directly related to short-time work schemes and similar measures caused by the COVID-19 pandemic. In particular, it concerns:

(1) a wage compensation scheme for employees who did not work (or waited for work) due to a temporary incapacity of the employers to provide work for business reasons. The benefit payable under the scheme is capped at 80% of the employees' average wage in the last three months, but is not lower than the minimum wage in Slovenia, and is conditional on employee retention during the employer's participation. The scheme was in force from 13 March 2020 to 31 May 2020. The scheme has since been extended from 1 June 2020 until 31 August 2020 with a planned further extension until the end of September 2020.

(2) an exemption from the payment of social security insurance contributions for employees benefitting from the wage compensation scheme. That scheme was also in force from 13 March 2020 to 31 May 2020.

(3) a short-time work scheme that allows employers to temporarily introduce part-time work, whilst employees are paid a full-time salary. The employer receives a fixed-amount subsidy for the employees' non-worked hours and is conditional on employee retention during the employer's participation and for one additional month. The scheme is in force from 1 June 2020 to 31 December 2020.

(4) a scheme that subsidised the payment of pension and disability insurance contributions (including contributions for professional pensions) for employees that remained in the workplace. The measure was coupled with an obligation for the employer to pay a monthly crisis allowance of EUR 200 to the working employees earning a wage below three times the minimum wage. Only for the part of the expenditure related to the employees who were continuously in employment up to the latest available outturn data was requested by the authorities. The measure was in force from 13 March 2020 to 31 May 2020.

(5) a measure that provides financing of social security contributions for self-employed persons, farmers and religious workers. The measure covers all social security insurance contributions for the beneficiaries who were insured and could not perform their economic activity, or could only perform part of that activity, during the epidemic. The measure was in force from 13 March 2020 to 31 May 2020.

(6) a basic income support for self-employed persons, farmers and religious workers that provided support of EUR 350 in March and of EUR 700 in April and May for the beneficiaries who were insured and could not perform their economic activity, or could only perform part of that activity, during the epidemic. The measure was in force from 13 March 2020 to 31 May 2020.

Slovenia 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 Slovenia 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.

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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 7 August 2020, Slovenia 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 Slovenia 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, Slovenia was expected to have a general government deficit and debt of 7.2% and 83.7% of gross domestic product (GDP) respectively by the end of 2020, According to the Commission's 2020 Summer interim forecast, Slovenia's GDP is projected to decrease by 7.0% in 2020.

(3) The COVID-19 outbreak has immobilised a substantial part of the labour force in Slovenia. This has led to a sudden and severe increase in public expenditure by Slovenia in respect of short-time work schemes and similar measures, as set out in recitals 4 to 9.

(4) The "Act on the Interim Measure of Partial Reimbursement of Wage Compensation"[2] and the "Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy"[3], as they are referred to in Slovenia's request of 7 August 2020, introduced a wage compensation scheme for employees who did not work (or waited for work) due to a temporary incapacity of the employers to provide work for business reasons. The benefit payable under the scheme is capped at 80% of the employees' average wage in the last three months, but is not lower than the minimum wage in Slovenia, and is conditional on employee retention during the employer's participation. The scheme was in force from 13 March 2020 to 31 May 2020. On the basis of "the Act Determining the Intervention

[1] OJ L 159, 20.5.2020, p.1.
[2] (ZIUPPP), Official Gazette of RS 36/20
[3] (ZIUZEOP), Official Gazette of RS 49/20

Measures to Mitigate and Remedy the Consequences of the COVID-19 Epidemic"[4], the scheme has since been extended from 1 June 2020 until 31 August 2020 with a planned further extension until the end of September 2020.

(5) An exemption from the payment of social security insurance contributions for employees benefitting from the wage compensation scheme was introduced. That scheme was also in force from 13 March 2020 to 31 May 2020.

(6) A short-time work scheme has been created that allows employers to temporarily introduce part-time work, whilst employees are paid a full-time salary. The employer receives a fixed-amount subsidy for the employees' non-worked hours and is conditional on employee retention during the employer's participation and for one additional month. The scheme is in force from 1 June 2020 to 31 December 2020.

(7) For employees that remained in the workplace, the authorities introduced a scheme that subsidised the payment of pension and disability insurance contributions (including contributions for professional pensions). The measure was coupled with an obligation for the employer to pay a monthly crisis allowance of EUR 200 to the working employees earning a wage below three times the minimum wage. Only the part of the expenditure related to the employees who were continuously in employment up to the latest available outturn data was requested by the authorities. The measure was in force from 13 March 2020 to 31 May 2020.

(8) A measure has been introduced that provides financing of social security contributions for self-employed persons, farmers and religious workers. The measure covers all social security insurance contributions for the beneficiaries who were insured and could not perform their economic activity, or could only perform part of that activity, during the epidemic. The measure was in force from 13 March 2020 to 31 May 2020.

(9) Finally, a basic income support for self-employed persons, farmers and religious workers was introduced that provided support of EUR 350 in March and of EUR 700 in April and May for the beneficiaries who were insured and could not perform their economic activity, or could only perform part of that activity, during the epidemic. The measure was in force from 13 March 2020 to 31 May 2020.

(10) Slovenia fulfils the conditions for requesting financial assistance set out in Article 3 of Regulation (EU) 2020/672. Slovenia has provided the Commission with appropriate evidence that the actual and planned public expenditure has increased by EUR 1 203 670 000 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 Slovenia. Slovenia intends to finance EUR 90 000 000 of the increased amount of expenditure through Union funds.

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

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

[4] (Intervention Law), Zakon o interventnih ukrepih za omilitev in odpravo posledic epidemije COVID-19 (ZIUOOPE), adopted on 30. 5. 2020, Official Gazette No 80/20

(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 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.

(14) Slovenia 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 Slovenia has implemented that expenditure.

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

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

Article 2

1. The Union shall make available to Slovenia a loan amounting to a maximum of EUR 1 113 670 000. 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 Slovenia 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. Slovenia 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

Slovenia may finance the following measures:

(1) a wage compensation scheme, as provided for by Articles 7 and 8 of the Act on the Interim Measure of Partial Reimbursement of Wage Compensation and Articles 21 – 32 of the Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy (as amended)

and as extended by Articles 24 - 34 of the Act Determining the Intervention Measures to Mitigate and Remedy the Consequences of the COVID-19 Epidemic;

(2) an exemption from the payment of social security insurance contributions for workers benefiting from the wage compensation scheme, as provided for by Articles 21-32 of the Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy;

(3) a short-time work scheme subsidising temporary part-time employment, as provided for by Articles 11 - 23 of the Act Determining the Intervention Measures to Mitigate and Remedy the Consequences of the COVID-19 Epidemic;

(4) the payment of pension and disability insurance contributions for workers and of a monthly crisis allowance, as provided for by Article 33 of the Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy, for the part of expenditure related to companies that reduce or suspend working time or when the employees were continuously in employment;

(5) the financing of social security contributions for self-employed persons, farmers and religious workers, as provided for by Article 38 of the Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy;

(6) a basic income support for self-employed persons, farmers and religious workers, as provided for by Article 34 of the Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy.

Article 4

Slovenia 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 Republic of Slovenia.

Article 6

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

Done at Brussels,

For the Council
The President