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European Union

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#### **LEGISLATIVE ACTS AND OTHER INSTRUMENTS**

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Subject:	COUNCIL IMPLEMENTING DECISION amending Implementing Decision (EU) 2020/1344 granting temporary support under Regulation (EU) 2020/672 to the Republic of Cyprus to mitigate unemployment risks in the emergency following the COVID-19 outbreak
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**COUNCIL IMPLEMENTING DECISION (EU) 2022/..**

**of ...**

**amending Implementing Decision (EU) 2020/1344 granting temporary support  
under Regulation (EU) 2020/672 to the Republic of Cyprus 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 outbreak<sup>1</sup>, and in particular Article 6(1) thereof,

Having regard to the proposal from the European Commission,

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<sup>1</sup> OJ L 159, 20.5.2020, p. 1.

Whereas:

- (1) Further to a request from Cyprus on 6 August 2020, the Council, by means of Implementing Decision (EU) 2020/1344<sup>1</sup>, granted financial assistance to Cyprus in the form of a loan amounting to a maximum of EUR 479 070 000 with a maximum average maturity of 15 years, and with an availability period of 18 months, with a view to complementing Cyprus' national efforts to address the impact of the COVID-19 outbreak and respond to the socioeconomic consequences of that outbreak for workers and the self-employed.
- (2) The loan was to be used by Cyprus to finance the short-time work schemes and similar measures, as referred to in Article 3 of Implementing Decision (EU) 2020/1344.

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<sup>1</sup> Council Implementing Decision (EU) 2020/1344 of 25 September 2020 on granting temporary support under Regulation (EU) 2020/672 to the Republic of Cyprus to mitigate unemployment risks in the emergency following the COVID-19 outbreak (OJ L 314, 29.9.2020, p. 13).

- (3) Further to a second request from Cyprus on 10 March 2021, the Council, by means of Implementing Decision (EU) 2021/680<sup>1</sup> amending Implementing Decision (EU) 2020/1344, granted additional financial assistance of EUR 124 700 000 to Cyprus by increasing the maximum loan amount to EUR 603 770 000 with a maximum average maturity of 15 years, and with an availability period of 18 months, with a view to complementing Cyprus' national efforts to address the impact of the COVID-19 outbreak and respond to the socioeconomic consequences of that outbreak for workers and the self-employed.
- (4) The additional loan was to be used by Cyprus to finance the short-time work schemes and similar measures, as referred to in Article 3 of Implementing Decision (EU) 2020/1344, as amended by Implementing Decision (EU) 2021/680.
- (5) The COVID-19 outbreak has immobilised a substantial part of the labour force in Cyprus. This has led to repeated sudden and severe increases in public expenditure in Cyprus in respect of the measures referred to in Article 3, points (c), (e), (f), (g), (h) and (i), of Implementing Decision (EU) 2020/1344.

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<sup>1</sup> Council Implementing Decision (EU) 2021/680 of 23 April 2021 amending Implementing Decision (EU) 2020/1344 granting temporary support under Regulation (EU) 2020/672 to the Republic of Cyprus to mitigate unemployment risks in the emergency following the COVID-19 outbreak (OJ L 144, 27.4.2021, p. 19).

- (6) The COVID-19 outbreak and the extraordinary measures implemented by Cyprus in 2020, 2021 and 2022 to contain that outbreak and its socioeconomic and health-related impact had and are still having a dramatic impact on public finances. In 2020, Cyprus had a general government deficit and debt of 5,8 % and 115,0 % of gross domestic product (GDP) respectively, which narrowed to 1,7 % and 103,6 % respectively at the end of 2021. According to the Commission's 2022 spring forecast, Cyprus is forecast to have a general government deficit and debt of 0,3 % and 93,9 % of GDP respectively by the end of 2022. According to the Commission's 2022 summer interim forecast, Cyprus' GDP is projected to increase by 3,2 % in 2022.
- (7) On 5 September 2022 Cyprus requested further financial assistance from the Union in the amount of EUR 29 200 000 with a view to continuing to complement its national efforts undertaken in 2020, 2021 and 2022 to address the impact of the COVID-19 outbreak and respond to the socioeconomic consequences of the outbreak for workers and the self-employed. In particular, Cyprus further extended or amended the short-time work schemes and similar measures set out in recitals (8) to (13).

- (8) ‘Law 27(I)/2020’<sup>1</sup>, ‘Law 49(I)/2020’<sup>2</sup>, ‘Law 140(I)/2020’<sup>3</sup>, ‘Law 36(I)/2021’<sup>4</sup> and ‘Law 120(I)/2021’<sup>5</sup> have been the basis for the introduction of a number of monthly regulatory administrative acts<sup>6</sup>, outlining measures to address the impact of the COVID-19 outbreak. On the basis of those laws, the authorities have introduced the ‘scheme supporting companies for partial suspension of operations’, as referred to in Article 3, point (c), of Implementing Decision (EU) 2020/1344. It provides wage compensation to the employees of businesses experiencing a decline in turnover as a result of the pandemic, conditional on employment retention. The compensation covers 60 % of the employee’s salary or 60 % of the employee’s social insurance units earned in 2018, whichever is the greater. The compensation ranges between a maximum of EUR 1 214 and a minimum of EUR 360 per month. The measure was initially in force for the period from March 2020 to June 2020 and was subsequently extended to cover the period from January 2021 to August 2021.

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<sup>1</sup> E.E., Παρ.Ι(Ι), Αρ.4748, 27/3/2020

<sup>2</sup> E.E., Παρ.Ι(Ι), Αρ.4756, 26/5/2020

<sup>3</sup> E.E., Παρ.Ι(Ι), Αρ.4780, 12/10/2020

<sup>4</sup> E.E., Παρ.Ι(Ι), Αρ.4823, 29/3/2021

<sup>5</sup> E.E., Παρ.Ι(Ι), Αρ.4846, 16/7/2021

<sup>6</sup> Regulatory Administrative Acts, 131/188/239/2020 and Regulatory Administrative Acts 16/84/124/169/219/276/331/370/2021.

- (9) Furthermore, ‘Law 27(I)/2020’, ‘Law 49(I)/2020’, ‘Law 140(I)/2020’, ‘Law 36(I)/2021’ and ‘Law 120(I)/2021’ and a number of monthly regulatory administrative acts<sup>1</sup> have been the basis for the ‘special scheme for hotel units and tourist accommodation’, as referred to in Article 3, point (e), of Implementing Decision (EU) 2020/1344. It provides wage compensation to support employees in the hotel industry and other businesses providing tourist accommodation whose employer has fully suspended operations or experienced a decline in turnover of more than 40 %. Participation in the scheme is conditional on employment retention. The measure was initially in force for the period from June 2020 to October 2020 and was subsequently extended to cover the period from November 2020 to October 2021.

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<sup>1</sup> Regulatory Administrative Acts 269/317/393/418/498/533/631/2020 and 13/81/121/166/216/271/329/368/402/431/2021.

- (10) Furthermore, ‘Law 27(I)/2020’, ‘Law 49(I)/2020’, ‘Law 140(I)/2020’, ‘Law 36(I)/2021’ and ‘Law 120(I)/2021’ and a number of monthly regulatory administrative acts<sup>1</sup>, have been the basis for the ‘special scheme to support businesses related to the tourism industry or affected by tourism or associated with businesses that are subject to mandatory total suspension’, as referred to in Article 3, point (f), of Implementing Decision (EU) 2020/1344. The scheme provides wage compensation to the employees in the hotel industry and other businesses providing tourist accommodation that have fully suspended operations or experienced a decline in turnover of more than 40 % as opposed to 55 % in the original scheme, conditional on employment retention. The measure was initially in force for the period from June 2020 to August 2020 and was extended and amended to cover the period from September 2020 to October 2021.

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<sup>1</sup> Regulatory Administrative Acts, 270/318/394/419/499/534/632/2020 and Regulatory Administrative Acts 14/82/122/167/217/274/330/ 369/403/432/2021.



- (11) Furthermore, ‘Law 27(I)/2020’, ‘Law 49(I)/2020’, ‘Law 140(I)/2020’, ‘Law 36(I)/2021’ and ‘Law 120(I)/2021’ and a number of monthly regulatory administrative acts<sup>1</sup>, have been the basis for a ‘Special Scheme for supporting businesses exercising special predefined activities’, as referred to in Article 3, point (g), of Implementing Decision (EU) 2020/1344. That scheme provides income compensation for 50 % of the staff of the businesses joining the scheme. The support covers 60 % of the employee’s salary or 60 % of the employee’s social insurance units earned in the appropriate reference year, whichever is greater. The compensation ranges between a maximum of EUR 1 214 and a minimum of EUR 360 per month. Participation in the scheme is conditional on employment retention. The measure, initially in force from June 2020 to August 2020, was extended to cover the period from September 2020 to October 2021.

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<sup>1</sup> Regulatory Administrative Acts, 272/320/396/420/500/535/633/2020 and Regulatory Administrative Acts, 404/433/2021.

- (12) Moreover, the ‘subsidisation scheme’ set by ‘Supplementary budget, Temporary framework for State aid measures to support the economy in the current COVID-19 outbreak’, as referred to in Article 3, point (h), of Implementing Decision (EU) 2020/1344 introduced subsidies for very small and small enterprises and the self-employed that employ up to 50 employees. Only the part of expenditure related to the support of the self-employed and one-person companies has been requested. Those subsidies provide a lump sum grant to support operating expenses of small businesses and the self-employed. The amounts of the lump-sum grants have been reviewed for various categories of businesses based on the number of employees. In addition, grants have been agreed for businesses which have suspended their operations since March 2020 with an amount of EUR 10 000 for up to 9 employees and EUR 15 000 for more than 9 employees. The subsidisation scheme can be considered to be a similar measure to short-time work schemes, as referred to in Regulation (EU) 2020/672, as it aims to protect the self-employed or similar categories of workers from reduction or loss of income. The measure, initially in force for the period from April 2020 to May 2020, was extended and amended for November 2020 in November 2020. The scheme was extended again in March 2021 and April 2021, and covered businesses of any number of employees that had to totally suspend their operations according to Decrees of the Minister of Health.

- (13) Furthermore, ‘Law 27(I)/2020’, ‘Law 49(I)/2020’, ‘Law 140(I)/2020’, ‘Law 36(I)/2021’ and ‘Law 120(I)/2021 and a number of monthly regulatory administrative acts<sup>1</sup> have been the basis for a ‘sickness benefit scheme’, as referred to in Article 3, point (i), of Implementing Decision (EU) 2020/1344. That scheme provides wage compensation to employees of the private sector and to the self-employed, on the condition that they are either classified as vulnerable individuals according to a list published by the Ministry of Health, placed in quarantine by the authorities, or infected by COVID-19. The measure was initially in force for the period from March 2020 to June 2020 and was extended to cover the period from November 2020 to June 2021.
- (14) Cyprus fulfils the conditions for requesting the financial assistance set out in Article 3 of Regulation (EU) 2020/672. Cyprus has provided the Commission with appropriate evidence that the actual and planned public expenditure has increased by EUR 777 840 000 as of 1 February 2020 as a result of the national measures taken to address the socioeconomic effects of the COVID-19 outbreak. This constitutes a sudden and severe increase because it is also related to an extension or amendment of existing national measures directly related to short-time work scheme and similar measures that cover a significant proportion of undertakings and of the labour force in Cyprus. Cyprus intends to finance EUR 144 870 000 of the increased amount of expenditure through Union funds.

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<sup>1</sup> Regulatory Administrative Acts, 128/185/236/539/637/2020 and Regulatory Administrative Acts, 19/87/127/172/222/273/2021.

- (15) The Commission has consulted Cyprus and verified the sudden and severe increase in the actual and planned public expenditure directly related to the short-time work schemes and similar measures referred to in the request of 5 September 2022, in accordance with Article 6 of Regulation (EU) 2020/672.
- (16) Financial assistance should therefore be provided with a view to helping Cyprus to address the socioeconomic 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.
- (17) Given that the availability period indicated in Implementing Decision (EU) 2020/1344 has expired, a new availability period for the additional financial assistance is needed. The availability period for financial assistance of 18 months granted by Implementing Decision (EU) 2020/1344 should be extended by 21 months and, as a consequence, the total availability period should be 39 months starting from the first day after Implementing Decision (EU) 2020/1344 has taken effect.
- (18) Cyprus and the Commission should take this Decision into account in the loan agreement referred to in Article 8(2) of Regulation (EU) 2020/672.

- (19) 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.
- (20) Cyprus 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 Cyprus has implemented that expenditure.
- (21) The decision to provide financial assistance has been reached taking into account existing and expected needs of Cyprus, 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) 2020/1344 is amended as follows:

(1) Article 2 is amended as follows:

(a) paragraphs 1 and 2 are replaced by the following:

- ‘1. The Union shall make available to Cyprus a loan amounting to a maximum of EUR 632 970 000. The loan shall have a maximum average maturity of 15 years.
2. The availability period for financial assistance granted by this Decision shall be 39 months starting from the first day after this Decision has taken effect.’;

(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 concluded between Cyprus and the Commission replacing the original loan agreement.’;

(2) Article 3 is replaced by the following:

*‘Article 3*

Cyprus may finance the following measures:

- (a) the special leave scheme for parents, as provided for in “Law 27(I)/2020”, and in “Regulatory Administrative Acts, 127/148/151/184/192/212/213/235/2020”, as extended;
- (b) the schemes supporting companies for the total suspension of operations, as provided for in “Law 27(I)/2020” and in “Regulatory Administrative Acts, 130/148/151/187/212/213/238/243/271/273/2020”, as extended;
- (c) the schemes supporting companies for the partial suspension of operations, as provided for in “Law 27(I)/2020” and in “Regulatory Administrative Acts, 131/188/239/2020”, as last amended by “Law 120(I)/2021” and by “Regulatory Administrative Act 370/2021”;
- (d) the special scheme for the self-employed, as provided for in “Law 27(I)/2020” and in “Regulatory Administrative Acts, 129/148/151/186/237/322/2020”, as extended;

- (e) the special scheme for hotel units and tourist accommodation, as provided for in “Law 27(I)/2020” and in “Regulatory Administrative Acts, 269/317/393/418/498/533/631/2020”, as last amended by “Law 120(I)/2021” and by “Regulatory Administrative Act 431/2021”;
- (f) the special scheme to support businesses related to the tourism industry or affected by tourism or associated with businesses that are subject to mandatory total suspension, as provided for in “Law 27(I)/2020” and in “Regulatory Administrative Acts, 270/318/394/419/499/534/632/2020”, as last amended by “Law 120(I)/2021” and by “Regulatory Administrative Act 432/2021”;
- (g) the special scheme for supporting businesses exercising special predefined activities, as provided for in “Law 27(I)/2020” and in “Regulatory Administrative Acts, 272/320/396/420/500/535/633/2020”, as last amended by “Law 120(I)/2021” and by “Regulatory Administrative Act 433/2021”;
- (h) the subsidisation scheme of very small and small enterprises and the self-employed, as provided for in “Supplementary budget, Temporary framework for State aid measures to support the economy in the current COVID-19 outbreak”, for the part of expenditure related to the support of the self-employed and one-person companies, as extended and amended;



- (i) the sickness benefit scheme, as provided for in “Law 27(I)/2020” and in “Regulatory Administrative Acts, 128/185/236/539/637/2020” as last amended by “Law 120(I)/2021” and by “Regulatory Administrative Act 273/2021”.’.

*Article 2*

This Decision is addressed to the Republic of Cyprus.

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*

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