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COVER NOTE

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To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union
No. Cion doc.:	COM(2020) 754 final
Subject:	Proposal for a COUNCIL IMPLEMENTING DECISION granting temporary support under Regulation (EU) 2020/672 to Ireland to mitigate unemployment risks in the emergency following the COVID-19 outbreak

Delegations will find attached document COM(2020) 754 final.

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EUROPEAN
COMMISSION

Brussels, 16.11.2020
COM(2020) 754 final

2020/0333 (NLE)

Proposal for a

COUNCIL IMPLEMENTING DECISION

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

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

• Reasons for and objectives of the proposal

Council Regulation (EU) 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 27 October 2020, Ireland requested Union financial assistance under the SURE Regulation. In accordance with Article 6(2) of the SURE Regulation, the Commission has consulted the Irish authorities to verify the sudden and severe increase in actual and planned expenditure directly related to a temporary wage subsidy scheme adopted in response to the COVID-19 pandemic. In particular, the scheme subsidises a portion of the employer wage bill in circumstances where the employer's business has been affected by the restrictions introduced due to the COVID-19 crisis. The scheme is open to employers who retain staff on their payroll and it aims at supporting firms' viability and preserving the relationship between the employer and employee. The scheme was in place from 26 March 2020 until 31 August 2020. Initially, and until 3 May 2020, the subsidy scheme refunded employers up to a maximum of EUR 410 per week for each qualifying employee. From 4 May 2020, the subsidy payment moved to a system based on the previous net weekly pay for each employee, refunding employers between 70% and 85% of the employee's net earnings, subject to a cap of EUR 350 or EUR 410 per week, depending on the salary level.

Ireland 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 Ireland under the SURE Regulation in support of the above measure.

• Consistency with existing policy provisions in the policy area

The present proposal is fully consistent with Council Regulation (EU) 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 27 October 2020, Ireland requested financial assistance from the Union with a view to complementing its national efforts to address the impact of the COVID-19 outbreak and respond to the socio-economic consequences of the outbreak for workers and the self-employed.

(2) The COVID-19 outbreak and the extraordinary measures implemented by Ireland 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 Autumn forecast, Ireland is expected to have a general government deficit and debt of 6.8% and 63.1% of gross domestic product (GDP) respectively by the end of 2020 and Ireland's GDP is projected to decrease by 2.3% in 2020.

(3) The COVID-19 outbreak has immobilised a substantial part of the labour force in Ireland. This has led to a sudden and severe increase in public expenditure in Ireland in respect of the Temporary Wage Subsidy Scheme as set out in recital (4).

(4) The Emergency Measures in the Public Interest (Covid-19) Act 2020 (Article 28) "Covid-19: temporary wage subsidy provisions", which is referred to in Ireland's request of 27 October 2020, introduced a scheme that subsidises a portion of the employer wage bill in circumstances where the employer's business has been affected by the restrictions introduced due to the COVID-19 crisis. The scheme is open to employers who retain staff on their payroll and it aims at supporting firms' viability and preserving the relationship between the employer and employee. The scheme was in place from 26 March 2020 until 31 August 2020. Initially, until 3 May 2020, the subsidy scheme refunded employers up to a maximum of EUR 410 per week for each qualifying employee. From 4 May 2020, the subsidy payment moved to a system based on the previous net weekly pay for each employee, refunding employers between 70% and 85% of the employee's net earnings, subject to a cap of EUR 350 or EUR 410 per week, depending on the salary level.

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

(5) Ireland fulfils the conditions for requesting financial assistance set out in Article 3 of Regulation (EU) 2020/672. Ireland has provided the Commission with appropriate evidence that the actual public expenditure has increased by EUR 2 473 887 900 as of 1 February 2020 due to the increased amount directly related to the Temporary Wage Subsidy Scheme. This constitutes a sudden and severe increase because the new measure covers a significant proportion of undertakings and of the labour force in Ireland.

(6) The Commission has consulted Ireland and verified the sudden and severe increase in the actual public expenditure directly related to short-time work schemes and similar measures referred to in the request of 27 October 2020, in accordance with Article 6 of Regulation (EU) 2020/672.

(7) Financial assistance should therefore be provided with a view to helping Ireland 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.

(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 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.

(9) The decision to provide financial assistance has been reached taking into account existing and expected needs of Ireland, 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

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

Article 2

1. The Union shall make available to Ireland a loan amounting to a maximum of EUR 2 473 887 900. 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 this Decision has taken effect.

3. The Union financial assistance shall be made available by the Commission to Ireland 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. Ireland shall pay the cost of the 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 related to the loan granted under paragraph 1 of this Article.

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

Article 3

Ireland may finance the Temporary Wage Subsidy Scheme that subsidises a portion of the employer wage bill in circumstances where the employer's business has been affected by the restrictions introduced due to the COVID-19 crisis and where the employment relationship is maintained, as provided for in the Emergency Measures in the Public Interest (Covid-19) Act 2020 (Article 28) "Covid-19: temporary wage subsidy provisions".

Article 4

This Decision is addressed to the Republic of Ireland.

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

Article 5

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

Done at Brussels,

For the Council
The President