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LEGISLATIVE ACTS AND OTHER INSTRUMENTS

Subject:	COUNCIL IMPLEMENTING DECISION amending Implementing Decision (EU) 2020/1351 granting temporary support under Regulation (EU) 2020/672 to the Republic of Latvia to mitigate unemployment risks in the emergency following the COVID-19 outbreak
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COUNCIL IMPLEMENTING DECISION (EU) 2021/...

of ...

**amending Implementing Decision (EU) 2020/1351
granting temporary support under Regulation (EU) 2020/672
to the Republic of Latvia 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 Latvia on 7 August 2020, on 25 September 2020 the Council granted financial assistance to Latvia in the form of a loan amounting to a maximum of EUR 192 700 000 with a maximum average maturity of 15 years, with a view to complementing Latvia'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 Latvia to finance the short-time work schemes, similar measures and health-related measures, as referred to in Article 3 of Council Implementing Decision (EU) 2020/1351¹.
- (3) The COVID-19 outbreak continues to immobilise a substantial part of the labour force in Latvia. This has led to a sudden and severe increase in public expenditure in Latvia in respect of new measures, namely sickness aid benefits for parents and caretakers and premiums for medical practitioners and employees dealing with the COVID -19 crisis and measures referred to in Article 3, points (a), (c), (d), (f) and (g), of Implementing Decision (EU) 2020/1351.

¹ Council Implementing Decision (EU) 2020/1351 of 25 September 2020 granting temporary support under Regulation (EU) 2020/672 to the Republic of Latvia to mitigate unemployment risks in the emergency following the COVID-19 outbreak (OJ L 314, 29.9.2020, p. 38).

- (4) The COVID-19 outbreak and the extraordinary measures implemented by Latvia 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, Latvia was expected to have a general government deficit and debt of 7,4 % and 47,5 % of gross domestic product (GDP) respectively by the end of 2020. In 2021, Latvia's general government deficit and debt are forecast to narrow to 3,5 % and 45,9 % of GDP respectively. According to the Commission's 2021 winter interim forecast, Latvia's real GDP is projected to increase by 3,5 % in 2021.
- (5) On 11 March 2021, Latvia requested further financial assistance from the Union of EUR 112 500 000, 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) 'Cabinet Regulation No 709 "Regulations Regarding the Allowance for Idle Time for Taxpayers for the Continuation of their Activity in the Circumstances of the COVID-19 Crisis"' (adopted on 24 November 2020¹ and amended on 12 January 2021²) extended and amended a scheme for the compensation of idle time for workers, as referred to in Article 3, point (a), of Implementing Decision (EU) 2020/1351. That scheme applies to companies, self-employed persons and payers of the licence fee, whose income from economic activity has decreased by at least 20 %, as compared to August-October 2020 on average. The scheme pays compensation to furloughed employees or self-employed persons of 50 % or 70 % of their salaries or incomes, depending on the tax regime under which they operate. The minimum level of support is set at EUR 500 and the maximum at EUR 1 000 per employee per calendar month. Attached to the scheme for the compensation of idle time for workers is the workers' bonus for children, as referred to in Article 3, point (c), of Implementing Decision (EU) 2020/1351.

¹ Latvijas Vēstnesis, 230B, 27.11.2020.

² Latvijas Vēstnesis, 9A, 14.01.2021.

The bonus of EUR 50 per month per child provides an additional support for idle workers who are entitled to personal income tax relief for dependants. The support measure was extended by 'Cabinet Order No 706 of 1 December 2020 "Regarding the Allocation of Funds from the State Budget Programme 'Funds for Unforeseen Events'""¹ and 'Cabinet Order No 15 of 11 January 2021 "Regarding the Allocation of Funds from the State Budget Programme 'Funds for Unforeseen Events'""². The measure can be considered to be a similar measure to short- time work schemes, as referred to in Regulation (EU) 2020/672, as it provides income support to employees and the self- employed.

¹ Latvijas Vēstnesis, 234, 03.12.2020.

² Latvijas Vēstnesis, 9, 14.01.2021.

- (7) The scheme for wage subsidies provides support to employers facing a decrease in revenue of at least 20 % from any economic activity. The scheme amounts to 50 % of the average monthly gross wage, but not more than EUR 500 per calendar month. The beneficiary employers are obliged to maintain employment of supported workers and to top up the wage subsidy to the full regular wage. The scheme was established by 'Cabinet Regulation No 675 on "Regulations Regarding the Provision of Aid to Taxpayers for the Continuation of their Activity in the Circumstances of the COVID-19 Crisis"' (adopted on 10 November 2020¹ and amended on 12 January 2021²) and 'Cabinet Order No 128 of 26 February 2021 "Regarding the Allocation of Funds from the State Budget Programme 'Funds for Unforeseen Events'""³. The measure extends the scheme for wage subsidies for the tourism and export industries, as referred to in Article 3, point (d), of Implementing Decision (EU) 2020/1351, and expands the coverage to all eligible employers.

¹ Latvijas Vēstnesis, 222A, 16.11.2020.

² Latvijas Vēstnesis, 9, 14.01.2021.

³ Latvijas Vēstnesis, 42, 02.03.2021.

- (8) Sickness aid benefits for parents and caretakers provide support for employees who cannot work remotely and have to look after children under 10 years of age or persons with disabilities when schools and day-care centres are closed due to the COVID-19 outbreak. The measure can be considered to be a similar measure to short- time work schemes, as referred to in Regulation (EU) 2020/672, as it provides income support to parents and caretakers and helps to preserve employment by preventing parents and caretakers who have to look after children or persons with disabilities while schools and day-care centres are closed from needing to terminate the employment relationship. Sickness aid benefits are provided for in the 'Amendment to the Law "On Maternity and Sickness Insurance" of 26 November 2020'¹ and 'Cabinet Order No 707 of 1 December 2020 "Regarding the Allocation of Funds from the State Budget Programme 'Funds for Unforeseen Events'"² and 'Cabinet Order No 13 of 11 January of 2021 "Regarding the Allocation of Funds from the State Budget Programme 'Funds for Unforeseen Events'"³.
- (9) Latvia also further extended and introduced a series of health-related measures to address the COVID-19 crisis. In particular, this concerns the measures set out in recitals (10) to (12).
- (10) An extension until 30 June 2021 of the COVID-19-related sickness benefits as referred to in Article 3, point (g), of Implementing Decision (EU) 2020/1351 was established by the 'Amendments to the Law "On Maternity and Sickness Insurance" of 12 November 2020'⁴. The measure provides state-paid sickness benefits for those who had to miss work due to a requirement to self-isolate or self- quarantine, while usually part of the sickness benefit is shared with the employer.

¹ Latvijas Vēstnesis, 230A, 27.11.2020.

² Latvijas Vēstnesis, 234, 03.12.2020

³ Latvijas Vēstnesis, 9, 14.01.2021.

⁴ Latvijas Vēstnesis, 221A, 13.11.2020.

- (11) Additional support is provided for health-related expenditure on personal protective equipment, as referred to in Article 3, point (f), of Implementing Decision (EU) 2020/1351. The expenditure was already implemented in 2020, including that established by 'Cabinet Regulation No 380 of 9 June 2020 "Regulations on the Resources for Ensuring Epidemiological Safety Necessary for Institutions Included in the List of Priority Institutions and Needs"'¹.
- (12) Premiums for medical practitioners and employees dealing with the COVID-19 crisis of 20 % to 100 % of monthly salaries rewards work performed in conditions of increased risk and increased workload, as provided for in 'Cabinet Orders No 136 of 27 March 2020 and No 656 of 6 November 2020 "Regarding the Allocation of Funds from the State Budget Programme 'Funds for Unforeseen Events'"², 'Cabinet Order No 743 of 8 December 2020 "Amendments to Cabinet Order No 655 of 6 November 2020 'On Declaring a State of Emergency'"³ and 'Cabinet Order No 37 of 21 January 2021 "Regarding the Allocation of Funds from the State Budget Programme 'Funds for Unforeseen Events'"⁴. Those premiums are additional to the maximum premium set in the 'Law On Remuneration of Officials and Employees of State and Local Government Authorities'. The measure supports employment by ensuring health safety of employees and continuity of essential public services.

¹ Latvijas Vēstnesis, 113A, 12.06.2020.

² Latvijas Vēstnesis, 62B, 27.03.2020., Latvijas Vēstnesis, 218, 10.11.2020.

³ Latvijas Vēstnesis, 237A, 08.12.2020.

⁴ Latvijas Vēstnesis, 16, 25.01.2021.

- (13) Latvia fulfils the conditions for requesting financial assistance set out in Article 3 of Regulation (EU) 2020/672. Latvia has provided the Commission with appropriate evidence that the actual and planned public expenditure has increased by EUR 405 297 901 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 both to new measures and to an extension of existing measures directly related to short-time work schemes and similar measures that cover a significant proportion of undertakings and of the labour force in Latvia. Latvia intends to finance EUR 100 097 901 of the increased amount of public expenditure through its own financing.
- (14) The Commission has consulted Latvia 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 Latvia's request of 11 March 2021, in accordance with Article 6 of Regulation (EU) 2020/672.
- (15) Health-related measures, as referred to in Latvia's request of 11 March 2021 and in recitals (10) to (12), amount to EUR 22 304 365.
- (16) Financial assistance should therefore be provided with a view to helping Latvia 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.

- (17) Latvia and the Commission should take this Decision into account in the loan agreement referred to in Article 8(2) of Regulation (EU) 2020/672.
- (18) 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.
- (19) Latvia 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 Latvia has implemented that expenditure.
- (20) The decision to provide financial assistance has been reached taking into account existing and expected needs of Latvia, 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) 2020/1351 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 Latvia a loan amounting to a maximum of EUR 305 200 000. 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

Latvia may finance the following measures:

- (a) the scheme for the compensation of idle time for workers, as provided for in "Cabinet Regulations No 179 (adopted 31 March 2020) 'Regulations Regarding the Allowance for Idle Time for the Self-employed Persons Affected by the Spread of COVID-19' and No 165 (adopted 26 March 2020) 'Regulations Regarding the Employers Affected by the Crisis Caused by COVID-19 which are Eligible for the Allowance for Idle Time and Division of the Payment for Late Tax Payments in Instalments or Deferral Thereof for up to Three Years'", as extended and amended;
- (b) the downtime allowance, as provided for on the basis of "Cabinet Regulation No 236 (adopted 23 April 2020)'Regulations Regarding the Assistance Allowance for Idle Time for Employed or Self-employed Persons Who have been Affected by the Spread of COVID-19'";
- (c) the workers' bonus for children, as provided for in "Cabinet Order No 178 of 16 April 2020 'Regarding the Allocation of Funds from the State Budget Programme "Funds for Unforeseen Events'", as extended;

- (d) the scheme for wage subsidies for the tourism and export industries, as provided for in "Information report on measures to overcome the Covid-19 crisis and economic recovery", as extended;
- (e) wage support payments for medical professionals and those employed by the cultural industry, as provided for in the "Law On Measures for the Prevention and Suppression of Threat to the State and Its Consequences Due to the Spread of COVID-19", the "Law on the Suppression of Consequences of the Spread of COVID-19 Infection" and "Cabinet Order No 303 of 3 June 2020 'Regarding the Allocation of Funds from the State Budget Programme "Funds for Unforeseen Events""", respectively;
- (f) health related expenditure on protective personal equipment, as provided for in "Cabinet Orders No 79 of 3 March 2020, No 118 of 20 March 2020 and No 220 of 27 April 2020, 'Regarding the Allocation of Funds from the State Budget Programme "Funds for Unforeseen Events""", "Cabinet Regulation No 380 of 9 June 2020 'Regulations on the Resources for Ensuring Epidemiological Safety Necessary for Institutions Included in the List of Priority Institutions and Needs'";
- (g) COVID-19 related sickness benefits, as provided for in the "Amendment to the Law 'On Maternity and Sickness Insurance'" (adopted 20 March 2020), as extended;

- (h) sickness aid benefits for parents and caretakers, as provided for in the "Amendment to the Law 'On Maternity and Sickness Insurance'" (Sections 48 and 49 of transitional provisions), adopted 26 November 2020, "Cabinet Order No 707 of 1 December 2020 'Regarding the Allocation of Funds from the State Budget Programme 'Funds for Unforeseen Events'" and "Cabinet Order No 13 of 11 January 2021 'Regarding the Allocation of Funds from the State Budget Programme 'Funds for Unforeseen Events'";
- (i) premiums for medical practitioners and employees dealing with the Covid-19 crisis, as provided for in "Cabinet Order No 136 Adopted 27 March 2020 'Regarding the Allocation of Funds from the State Budget Programme 'Funds for Unforeseen Events'", "Cabinet Order No 656 Adopted 6 November 2020 Regarding the Allocation of Funds from the State Budget Programme 'Funds for Unforeseen Events'", "Cabinet Order No 743 of 8 December 2020. 'Amendment to Cabinet Order No. 655 of 6 November 2020' On Declaring a State of Emergency" and "Cabinet Order No 37 Adopted 21 January 2021 Regarding the Allocation of Funds from the State Budget Programme 'Funds for Unforeseen Events'";

(3) Article 4 is replaced by the following:

'Article 4

1. Latvia 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) 2020/1351, Latvia 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 Latvia.

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
