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2022/0238 (NLE)

Proposal for a

COUNCIL IMPLEMENTING DECISION

amending Implementing Decision (EU) 2020/1343 granting temporary support under Regulation (EU) 2020/672 to the Republic of Bulgaria 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 7 August 2020, Bulgaria requested financial assistance from the Union and on 25 September 2020, with its Implementing Decision (EU) 2020/1343, the Council granted financial assistance to Bulgaria with a view to complementing its national efforts to address the impact of the COVID-19 outbreak and respond to the socioeconomic consequences of the outbreak for workers.

On 23 June 2022, Bulgaria requested again Union financial assistance under the SURE Regulation.

In accordance with Article 6(2) of the SURE Regulation, the Commission has consulted the Bulgarian authorities to verify the sudden and severe increase in actual and planned expenditure directly related to Bulgaria’s labour market measures caused by the COVID-19 pandemic. In particular, this pertains to an existing measure referred to in Council Implementing Decision (EU) 2020/1343:

The scheme concerns the provision of wage subsidies to undertakings, which, due to the COVID-19 outbreak, have experienced a significant reduction in their activity and, in the absence of the measures, would have been unable to preserve employment. The monthly wage subsidy to the eligible undertakings amounts between 50% and 60% of the monthly gross salary (including employer’s social security contributions) of the benefitting personnel, depending on the size of the reduction in sales revenue.

Bulgaria 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 Bulgaria under the SURE Regulation in support of the measures above.

- **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 2020.

- **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 (EU) 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 outbreak¹, and in particular Article 6(1) thereof,

Having regard to the proposal from the European Commission,

Whereas:

- (1) Further to a request from Bulgaria on 7 August 2020, the Council, by means of Implementing Decision (EU) 2020/1343², granted financial assistance to Bulgaria in the form of a loan amounting to a maximum of EUR 511 000 000 with a maximum average maturity of 15 years, and with an availability period of 18 months, with a view to complementing Bulgaria's 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 Bulgaria to finance the short-time work schemes and similar measures as referred to in Article 3 of Implementing Decision (EU) 2020/1343.
- (3) The COVID-19 outbreak continues to immobilise a substantial part of the labour force in Bulgaria. This has led to a still sudden and severe increase in public expenditure in Bulgaria in respect of the measure referred to in Article 3(b) of Implementing Decision (EU) 2020/1343.
- (4) The COVID-19 outbreak and the extraordinary measures implemented by Bulgaria in 2020, 2021 and 2022 to contain that outbreak and its socioeconomic and health-related impact had and still have a dramatic impact on public finances. In 2020, Bulgaria had a general government deficit and debt of 4.0% and 24.7% of gross domestic product (GDP) respectively, which increased to 4.1% and 25.1% respectively at the end of 2021. According to the Commission's 2022 spring forecast, Bulgaria is forecast to have a general government deficit and debt of 3.7% and 25.3% of GDP respectively by the end of 2022. Bulgaria's GDP is projected to increase by 2.1 % in 2022.

¹ OJ L 159, 20.5.2020, p. 1.

² Council Implementing Decision (EU) 2020/1343 of 25 September 2020 granting temporary support under Regulation (EU) 2020/672 to the Republic of Bulgaria to mitigate unemployment risks in the emergency following the COVID-19 outbreak, OJ L 314, 29.09.2020, p.10.

- (5) On 23 June 2022 Bulgaria requested further financial assistance from the Union in the amount of EUR 460 170 000 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. In particular, Bulgaria further extended the short-time work schemes and similar measures set out in recital 6.
- (6) The wage subsidy is provided to undertakings, which, due to the COVID-19 outbreak, have suffered a revenue reduction of at least 30% due to restrictions on their activities between 13 March 2020 and 31 December 2020. The employment of employees is required to be maintained during participation in the measure and for an equal period afterwards. The monthly wage subsidy to the eligible undertakings amounts to between 50 and 60% of the employee's monthly gross salary (including employers' social security contributions), depending on the size of the decrease in revenue. The measure is an extension of the measure described in Article 3(b) of Council Implementing Decision (EU) 2020/1343, as provided for in Decree No. 151 of 3 July 2020 of the Council of Ministers and amended by Decree No. 278 of 12 October 2020, Decree No. 416 of 30 December 2020, Decree No. 93 of 18 March 2021, Decree No. 213 of 1 July 2021, Decree No. 322 of 7 October 2021, Decree No. 482 of 30 December 2021 and Decree No. 40 of 31 March 2022.³
- (7) Bulgaria fulfils the conditions for requesting financial assistance set out in Article 3 of Regulation (EU) 2020/672. Bulgaria has provided the Commission with appropriate evidence that the actual and planned public expenditure has increased by EUR 1 015 050 000 as of 1 February 2020 due to 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 Bulgaria. Bulgaria intends to finance EUR 43 880 000 of the increased amount of expenditure through its own financing.
- (8) The Commission has consulted Bulgaria 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 referred to in the request of 23 June 2022, in accordance with Article 6 of Regulation (EU) 2020/672.
- (9) Financial assistance should therefore be provided with a view to helping Bulgaria 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.
- (10) Given that the availability period indicated in Council Implementing Decision (EU) 2020/1343 has expired, a new availability period for the additional financial assistance is needed. The availability period for financial assistance granted by Council Implementing Decision (EU) 2020/1343 should be extended by 21 months and as a

³ Prom. State Gazette No. 60 of 07 July 2020, amended and supplemented SG No. 89 of 16 October 2020, supplemented SG No. 110 of 29 December 2020, amended SG No. 2 of 08 January 2021, amended and supplemented SG No. 24 of 23 March 2021, amended and supplemented SG No. 56 of 06 July 2021, amended and supplemented SG No. 85 of 12 October 2021, supplemented SG No. 97 of 19 November 2021, amended SG No. 1 of 04 January 2022, amended SG No. 27 of 05 April 2022.

consequence the total availability period should be 39 months starting from the first day after Implementing Decision (EU) 2020/1343 has taken effect.

- (11) Bulgaria and the Commission should take this Decision into account in the loan agreement referred to in Article 8(2) of Regulation (EU) 2020/672.
- (12) 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.
- (13) Bulgaria 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 Bulgaria has implemented that expenditure.
- (14) The decision to provide financial assistance has been reached taking into account existing and expected needs of Bulgaria, 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) 2020/1343 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 Bulgaria a loan amounting to a maximum of EUR 971 170 000. The loan shall have a maximum average maturity of 15 years.’;

- (b) paragraph 2 is replaced by the following:

- ‘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.’

- (c) 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 Bulgaria and the Commission replacing the original loan agreement.’;

- (2) Article 3 is replaced by the following:

‘Article 3

Bulgaria may finance the following measures:

- (a) wage subsidies to undertakings as provided for in Decree No. 55 of 30 March 2020 of the Council of Ministers;

- (b) wage subsidies to undertakings as provided for in Decree No. 151 of 3 July 2020 of the Council of Ministers as amended by Decree No. 278 of 12 October 2020, Decree No. 416 of 30 December 2020, Decree No. 93 of 18 March 2021, Decree No. 213 of 1 July 2021, Decree No. 322 of 7 October 2021, Decree No. 482 of 30 December 2021 and Decree No. 40 of 31 March 2022.

(3) Article 4 is replaced by the following:

‘Article 4

1. Bulgaria 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) 2020/1343, Bulgaria shall inform the Commission within six months after the date of adoption of that 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 Bulgaria.

Done at Brussels,

*For the Council
The President*