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LEGISLATIVE ACTS AND OTHER INSTRUMENTS

Subject: COUNCIL IMPLEMENTING DECISION amending Implementing Decision (EU) 2020/1348 granting temporary support under Regulation (EU) 2020/672 to the Republic of Croatia to mitigate unemployment risks in the emergency following the COVID-19 outbreak

COUNCIL IMPLEMENTING DECISION (EU) 2022/...

of ...

amending Implementing Decision (EU) 2020/1348 granting temporary support under Regulation (EU) 2020/672 to the Republic of Croatia 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 Croatia on 6 August 2020, the Council, by means of Implementing Decision (EU) 2020/1348¹, granted financial assistance to Croatia in the form of a loan amounting to a maximum of EUR 1 020 600 000 with a maximum average maturity of 15 years, and with an availability period of 18 months, with a view to complementing Croatia'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 Croatia to finance short-time work schemes and similar measures, as referred to in Article 3 of Implementing Decision (EU) 2020/1348.
- (3) The COVID-19 outbreak has immobilised a substantial part of the labour force in Croatia. This has led to repeated sudden and severe increases in public expenditure in Croatia in respect of the measures referred to in Article 3, points (a) and (b), of Implementing Decision (EU) 2020/1348.

¹ Council Implementing Decision (EU) 2020/1348 of 25 September 2020 granting temporary support under Regulation (EU) 2020/672 to the Republic of Croatia to mitigate unemployment risks in the emergency following the COVID-19 outbreak (OJ L 314, 29.9.2020, p. 28).

- (4) The COVID-19 outbreak and the extraordinary measures implemented by Croatia in 2020, 2021 and 2022 to contain that outbreak and its socioeconomic and health-related impact have had a dramatic impact on public finances. In 2020, Croatia had a general government deficit and debt of 7,3 % and 87,3 % of gross domestic product (GDP) respectively, which narrowed to 2,9 % and 79,8 % respectively at the end of 2021. According to the Commission's 2022 spring forecast, Croatia is expected to have a general government deficit and debt of 1,8 % and 73,1 % of GDP respectively by the end of 2022. According to the Commission's 2022 summer interim forecast, Croatia's GDP is projected to increase by 3,4 % in 2022.
- (5) On 25 July 2022 Croatia requested further financial assistance from the Union in the amount of EUR 550 000 000 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, Croatia further extended and amended the short-time work schemes and similar measures set out in recitals (6) to (7).

- (6) On the basis of the ‘Labour Market Act’¹, Croatia introduced a measure that provides co-financing of workers’ salaries to businesses that experience a drop in revenue compared with 2019. The drop in revenue criteria are: a drop of 20 % in the period from March to May 2020, of 50 % in the period from June to December 2020, and starting from January 2021 the only requirement is a decrease in revenues compared to the corresponding month in 2019, on condition that the employment relationship is not terminated. For March 2020, the amount of support was set at HRK 3 250 per full-time employee, and starting from the month of April 2020 the monthly amount of support has been set at HRK 4 000 per full-time employee. The amount of support per employee remains unchanged over the period the measure remains active, but sectors that are eligible for support change over time, depending on economic conditions. For the period between November 2020 and June 2021, companies that are in lockdown by decision of the national authorities received support per full-time employee depending on the number of days of lockdown but not higher than HRK 4 000 for a full month of lockdown. The measure is an extension of the measure described in Article 3, point (a), of Implementing Decision (EU) 2020/1348, as provided for in the Administrative Council of Croatia Employment Service (CES) Decision adopted on 20 March 2020 and amended on 25 March, 7 April, 9 April, 6 May, 28 May, 18 June, 25 June, 10 July and 29 July, 7 September, 22 October, 4 November and 4 December 2020. Subsequent amendments by the CES were also adopted in 2021 through decisions taken on 8 January, 21 January, 3 March, 15 April, 30 April, 31 May, 23 July, 25 August, 29 September, 15 October, 4 November, and in 2022 through decisions taken on 27 January and 31 May. The measure was discontinued at the end of June 2022.

¹ OG 118/18, 32/20, 18/22.

- (7) Additionally, on the basis of the ‘Labour Market Act’, Croatia introduced a measure that provides support for the temporary reduction of working time in the period between June 2020 and December 2022 to businesses employing 10 or more employees operating in any sector. The requirement to benefit from this measure is an expected decline in the aggregate monthly working hours of all full-time workers of at least 10 % at employer level, or 20 % at the level of a business unit, in the month for which the support is applied for. The employer applying for the support is furthermore required to demonstrate a link between the impact of the COVID-19 outbreak on their business and the expected decline by, most notably, providing evidence of a drop in revenue in the month for which the support is applied for of at least 20 % compared to the corresponding month in 2019 or, exceptionally, in the case of January and February 2022, compared to the corresponding month in 2020. The application for the measure is submitted in the month preceding that for which the support is applied for. Up to HRK 2 000 per month per employee can be financed by the measure. The measure is an extension of the measure described in Article 3, point (b), of Implementing Decision (EU) 2020/1348, as provided for in the Administrative Council of Croatia Employment Service (CES) Decision adopted on 29 June 2020 and amended on 10 July and 22 October 2020, amended further on 8 January 2021 and 27 January 2022. The measure is planned to be enforced until the end of December 2022.

- (8) Croatia fulfils the conditions for requesting financial assistance set out in Article 3 of Regulation (EU) 2020/672. Croatia has provided the Commission with appropriate evidence that the actual public expenditure has increased by EUR 2 220 567 523 as of 1 February 2020 until the end of April 2022 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 the short-time work scheme and similar measures that cover a significant proportion of undertakings and of the labour force in Croatia. Croatia intends to finance EUR 631 536 540 of the increased amount of expenditure through Union funds and EUR 18 430 983 through its own financing.
- (9) The Commission has consulted Croatia and verified the sudden and severe increase in the actual public expenditure directly related to the short-time work schemes and similar measures, as referred to in the request of 25 July 2022, in accordance with Article 6 of Regulation (EU) 2020/672.
- (10) Financial assistance should therefore be provided with a view to helping Croatia 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.

- (11) Given that the availability period indicated in Implementing Decision (EU) 2020/1348 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) 2020/1348 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) 2020/1348 has taken effect.
- (12) Croatia and the Commission should take this Decision into account in the loan agreement referred to in Article 8(2) of Regulation (EU) 2020/672.
- (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 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.
- (14) Croatia 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 Croatia has implemented that expenditure.

- (15) The decision to provide financial assistance has been reached taking into account the existing and expected needs of Croatia, 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) 2020/1348 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 Croatia a loan amounting to a maximum of EUR 1 570 600 000. 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 Croatia and the Commission replacing the original loan agreement.’;

(2) Article 3 is replaced by the following:

‘Article 3

Croatia may finance the following measures:

- (a) the job preservation subsidies in sectors affected by COVID–19, pursuant to Articles 35 and 36 of the ‘Labour Market Act’ and as provided for in the Croatian ‘Employment Service decision of 20 March 2020’ as last amended by a decision adopted on 31 May 2022; and
- (b) the aid for reduced working hours, pursuant to Articles 35 and 36 of the ‘Labour Market Act’ and as provided for in the Croatian ‘Employment Service decision of 29 June 2020’ as last amended by a decision adopted on 27 January 2022.’.

Article 2

This Decision is addressed to the Republic of Croatia.

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
