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2020/0223 (NLE)

Proposal for a

COUNCIL IMPLEMENTING DECISION

on granting temporary support under Council Regulation (EU) 2020/672 to Bulgaria to mitigate unemployment risks in an emergency situation following the COVID-19 outbreak

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

• **Reasons for and objectives of the proposal**

Council Regulation 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 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 two wage subsidy measures adopted in response to the COVID-19 pandemic. In particular, the two measures provide wage subsidies to undertakings, which, due to the COVID-19 outbreak, have experienced a significant reduction in their activity or revenue and in the absence of the measures they would not be able to preserve employment. The monthly wage subsidy to the eligible undertakings amounts to 60% of the monthly gross salary (including employer’s social security contributions) of the benefitting employees.

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 above measures.

• **Consistency with existing policy provisions in the policy area**

The present proposal is fully consistent with Council Regulation 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 outbreak¹, and in particular Article 6(1) thereof,

Having regard to the proposal from the European Commission,

Whereas:

- (1) On 7 August 2020, Bulgaria requested financial assistance from the Union with a view to complementing its national efforts to address the impact of the COVID-19 outbreak and its socio-economic consequences for workers.
- (2) The COVID-19 outbreak and the extraordinary measures implemented by Bulgaria 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 Spring forecast, Bulgaria was expected to have a general government deficit and debt of 2.8% and 25.5% of gross domestic product (GDP) respectively by the end of 2020. According to the Commission's 2020 Summer interim forecast, Bulgaria's GDP is projected to decrease by 7.1% in 2020.
- (3) The COVID-19 outbreak has immobilised a substantial part of the labour force in Bulgaria. This has led to a sudden and severe increase in public expenditure in Bulgaria in respect of two wage subsidy measures, as set out in recitals 4 and 5.
- (4) More specifically, "Decree No. 55 from 30 March 2020 of the Council of Ministers"², as it is referred to in Bulgaria's request of 7 August 2020, introduced a measure that provides wage subsidies to undertakings, which, due to the COVID-19 outbreak, have voluntarily or by law reduced or stopped their activity. 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 60% of the monthly gross salary (including employer's social security contributions) of the benefitting employees.
- (5) Furthermore, "Decree No. 151 from 3 July 2020 of the Council of Ministers"³, as it is referred to in Bulgaria's request of 7 August 2020, introduced a measure that provides

¹ OJ L 159, 20.5.2020, p.1.

² Decree No. 55 from 30 March 2020 of the Council of Ministers, amended by Decree No. 71 from 16 April 2020 and Decree 106 from 28 May 2020 (Official Journal No. 31 from 1 April 2020)

³ Decree No. 151 from 3 July 2020 of the Council of Ministers (Official Journal No. 151 from 7 July 2020)

wage subsidies to undertakings, which, due to the COVID-19 outbreak, have suffered a revenue reduction of at least 20%. 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 60% of the monthly gross salary (including employer's social security contributions) of the benefitting employees.

- (6) 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 511 000 000 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 the new measures cover or are intended to cover a significant proportion of undertakings and of the labour force in Bulgaria.
- (7) 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 referred to in the request of 7 August 2020, in accordance with Article 6 of Regulation (EU) 2020/672.
- (8) Financial assistance should therefore be provided with a view to helping Bulgaria to address the socio-economic effects of the severe economic disturbance caused by the COVID-19 outbreak.
- (9) 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 TFEU. It does not override the requirement for Member States to notify instances of potential State aid to the Commission under Article 108 TFEU.
- (10) 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.
- (11) The decision to provide financial assistance has been taken 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

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

Article 2

1. The Union shall make available to Bulgaria a loan amounting to a maximum of EUR 511 000 000. The loan shall have a maximum average maturity of 15 years.
2. The availability period for financial assistance granted by this Decision shall be 18 months starting from the first day after the entry into force of this Decision.
3. The Union financial assistance shall be made available by the Commission to Bulgaria 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. Bulgaria shall pay the cost of 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.
6. The Commission shall decide on the size and release of instalments, as well as on the size of the tranches.

Article 3

Bulgaria may finance the following measures:

- (a) wage subsidies to undertakings as provided for by Decree No. 55 from 30 March 2020 of the Council of Ministers;
- (b) wage subsidies to undertakings as provided for by Decree No. 151 from 3 July 2020 of the Council of Ministers.

Article 4

Bulgaria shall inform the Commission by [*DATE: 6 months after date of publication of this Decision*], and every 6 months thereafter of the implementation of the planned public expenditure until such time as that planned public expenditure has been fully implemented.

Article 5

This Decision is addressed to the Republic of Bulgaria.

Article 6

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

Done at Brussels,

*For the Council
The President*