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

COUNCIL IMPLEMENTING DECISION (EU) 2020/1348

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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 outbreak[(1)], and in particular Article 6(1) thereof,

Having regard to the proposal from the European Commission,

Whereas:

(1) On 6 August 2020, Croatia 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 socioeconomic consequences of the outbreak for workers and the self-employed.

(2) The COVID-19 outbreak and the extraordinary measures implemented by Croatia to contain the outbreak and its socioeconomic and health-related impact are expected to have a dramatic impact on public finances. According to the Commission's 2020 Spring forecast, Croatia was expected to have a general government deficit and debt of 7,1 % and 88,6 % of gross domestic product (GDP) respectively by the end of 2020. According to the Commission's 2020 Summer interim forecast, Croatia's GDP is projected to decrease by 10,8 % in 2020.

(3) The COVID-19 outbreak has immobilised a substantial part of labour force in Croatia. This has led to a sudden and severe increase in public expenditure by Croatia in respect of job preservation subsidies in sectors affected by COVID–19 and aid for reduced working hours, as set out in recitals (4) and (5).

(4) More specifically, on the basis of the 'Labour Market Act'[(2)], which is referred to in Croatia's request of 6 August 2020, the Croatian Employment Service decided[(3)] to introduce a measure that provides co-financing of workers' salaries to businesses that experience a drop in revenue (of 20 % in the period March to May 2020 or 50 % in June 2020), on condition that the employment relationship is not terminated. For March 2020, the amount of support is set at HRK 3 250,0 per full-time employee, and for the months of April, May and June 2020, the monthly amount of support is set at HRK 4 000 per full-time employee.

Changes to legislation: *There are currently no known outstanding effects for the Council Implementing Decision (EU) 2020/1348. (See end of Document for details)*

(5) On the basis of the 'Labour Market Act', the Croatian Employment Service also decided[4] to introduce a measure that provides support for the temporary reduction of working time in the period between June and December 2020 to businesses employing 10 or more employees operating in any sector, on condition that the employment relationship is not terminated. Up to HRK 2 000 per month per employee can be financed by the measure.

(6) 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 and planned public expenditure has increased by EUR 1 381 780 800 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 of the almost immediate and unprecedented increase in the number of workers covered by those measures and the magnitude of the related expenditures in Croatia. Croatia intends to finance EUR 210 000 000 of the increased amount of expenditure through Union funds and EUR 151 180 800 through its own financing.

(7) The Commission has consulted Croatia 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 6 August 2020, in accordance with Article 6 of Regulation (EU) 2020/672.

(8) 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.

(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 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.

(10) 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.

(11) The decision to provide financial assistance has been reached taking into account 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

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

***Changes to legislation:** There are currently no known outstanding effects for the Council Implementing Decision (EU) 2020/1348. (See end of Document for details)*

Article 2

1 The Union shall make available to Croatia a loan amounting to a maximum of EUR 1 020 600 000. The loan shall have a maximum average maturity of 15 years.

2 The availability period for financial assistance granted by this Decision shall be 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 Croatia 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 Croatia 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

Croatia may finance the following measures:

(a) the job preservation subsidies in sectors affected by COVID–19, as provided for in the Croatian ‘Employment Service decision of 20 March 2020’ and subsequent amendments thereof, pursuant to Articles 35 and 36 of the ‘Labour Market Act’; and

(b) the aid for reduced working hours, as provided for in the Croatian ‘Employment Service decision of 29 June 2020’ and subsequent amendments thereof, pursuant to Articles 35 and 36 of the ‘Labour Market Act’.

Article 4

Croatia 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.

Article 5

This Decision is addressed to the Republic of Croatia.

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

Article 6

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