

This regional overview provides brief information regarding support measures brought by some of the Balkan countries in fighting negative impacts of Covid-19 pandemic on their economies

Support Measures in Fighting Negative Impacts of Covid-19 Pandemic

A regional perspective

Slovenia / Croatia / Serbia / Bosnia &
Herzegovina / North Macedonia / Montenegro /
Bulgaria

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JURISDICTIONS COVERED:

1. SLOVENIA
 2. CROATIA
 3. SERBIA
 4. BOSNIA & HERZEGOVINA
 5. NORTH MACEDONIA
 6. MONTENEGRO
 7. BULGARIA
-

SLOVENIA:



Banking and Finance

- The Republic of Slovenia provides suretyship for certain loans (approved after 12 March and until 30 June 2021 at the latest) to the banks and savings banks established in the Republic of Slovenia, whereby the total amount of the loan principal of an individual borrower for the fulfilment of which the Republic of Slovenia is responsible, is limited.

Agriculture

- The government has issued a decision approving financial aid to help holders of an agricultural holding and holders of supplementary activity on a farm. Beneficiary is granted a financial compensation for a loss of income due to the epidemic if the sector has suffered at least a 30% loss of income (eligible period for the measure is until 30 June 2021).

Commercial

The government has adopted several interim measures on cost reimbursement and deferral of payments, namely:

- partial reimbursement of uncovered fixed costs of legal or natural person performing economic activity, in the amount of 0,6 % or 1,2 % (depending on the decrease in sales revenue in the eligible period) of annual sales revenue;
- deferral of payment of tax or contributions for up to two years, and payment of tax or contributions in maximum of 24 monthly instalments over a period of 24 months (measures are valid until 31 December 2020 and may be extended for another six months);
- deferral of payment of obligations under a loan or other agreement for companies or cooperatives in difficulty (for a period of 12 months);
- exemption from rent (or part of the rent) payment from 19 October onwards for (i) tenants of business buildings or business premises owned by the Republic of Slovenia or self-governing local communities, and (ii) sports organizations using sports facilities and areas for outdoor sports owned by the Republic of Slovenia or self-governing local communities;
- VAT exemption for the supply of protective and medical equipment, i. e. goods intended for free distribution to persons affected by the epidemic or dealing with the outbreak (from 1 November 2020 to 30 April 2021);
- cost compensation for public transport operators (from 16 March 2020 to 11 May and from 1 October to 31 December 2020).

Labour and Employment

The government has also adopted numerous interim measures on reimbursement and allowances granted to employers and employees, namely:

- reimbursement of compensation paid to employees who are temporarily (until 31 January 2021 at the latest) laid off in the amount of 80 % or 100 % (if the total amount of public funds received did not exceed EUR 800,000 per individual company) of the wage compensation;
- wage compensation for an employee if the employee is unable to come to work due to (i) quarantine at home, (ii) childcare obligations (i.e. taking care of a child in quarantine at home or inability to attend kindergarten or school), (iii) cessation of public transport, or (iv) closure of borders with neighbouring countries (measure is valid until 31 December 2020);
- partial reimbursement of lost income for the self-employed, company members, shareholders, or farmers, in case of their inability (i) to work due to quarantine at home or childcare obligations, and (ii) to organize and perform activities at home (measure is valid until 31 December 2020);
- partial subsidy measure for the reduction of full time work (measure is valid until 30 June 2021);
- payment of basic monthly income to self-employed, company members, shareholders or farmers who cannot perform economic activities to a significantly reduced extent even after the end of the COVID-19 epidemic, in the amount of EUR 700 and up to EUR 1,100 per month (for October, November and December 2020);
- provision of the funds for the allowance for work in high-risk conditions in the public sector (from 19 October 2020 and for the duration of the epidemic);
- hazard and special burden allowance for members of the Civil Protection, citizens and volunteers involved or called up in performing protection, rescue or assistance tasks during an epidemic, rescue and assistance.

Other

- deferral of payment of obligations under a loan agreement by the banks (for the period by 31 January 2021 at the latest);

- exemption from payment for kindergartens for parents whose children do not attend kindergarten from 26 October 2020 due to the measure on temporary ban on people-gathering or due to the closure of individual departments or units;
- coverage of the loss of income to kindergartens due to fall-out of the parents' payments;
- single payment solidarity allowance in the amount of EUR 513,64 gross for retirees whose pension amounts to EUR 700 or less;
- tourist voucher in the amount of EUR 200 issued to every adult or a person who will reach the age of eighteen in 2020; the voucher can be redeemed until 31 December 2021 for accommodation or accommodation with breakfast in Slovenia;
- free hot meal for certain pupils and students for the days when distance education takes place;
- exemption from payment for student dormitories that do not provide services during the epidemic (all operating costs are covered from the budget of the Republic of Slovenia);
- co-financing of personal protective equipment and means for disinfection of premises (for certain sport organizations, athletes, pupils and students), as well as of certain medical equipment.

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CROATIA:



Banking and Finance

- The measures implemented by the Croatian Bank for Reconstruction and Development (*Hrvatska Banka za obnovu i razvoj*) allowing the entrepreneurs to use a moratorium on loan repayment and reschedule their existing loan obligations including offering new liquidity loans at favourable terms and conditions in cooperation with commercial banks or directly are prolonged.
- The Croatian Agency for Small Business, Innovation and Investment (HAMAG-BICRO) in cooperation with the Croatian Government and the Ministry of Economy and Sustainable Development continues to implement measures to help micro, small and medium enterprises whose business is endangered by the coronavirus epidemic by securing additional HRK 1.3 billion in loans for working capital. Eligible to apply for loans are those micro, small and medium enterprises who: (i) were closed by the Decision of the Civil Protection Headquarters of the Republic of Croatia of 27 November 2020; or (ii) in 2020, they achieved a drop in revenues of 60% and more compared to 2019. The maximum amount of a single loan amounts HRK 380,000 against an interest rate of 0.25%.

Labour and Employment

- Aid for shortening of working hours (and exemption from paying contributions) up to HRK 2,800 net per employee whose working hours have been temporarily reduced by up to 70% of contracted

monthly working hours, for the period from June to December 2020 to be provided to the employers employing more than 10 employees and whose business has been temporarily reduced due to extraordinary circumstances caused by COVID-19. Eligible are employers facing decrease of at least 10% in total monthly working hours with respect to full-time employed employees along with decrease of revenues of at least 20% compared to the same month in 2019 caused due to justified reasons attached to pandemic such as decrease in orders, inability to deliver finished products *etc.*

- Aid for job preservation for employers affected by COVID-19 who experienced a decrease in monthly revenues of at least 40% compared to the same period in 2019 (October-December) and all the employers prohibited from performing their business activities by the Decisions of the Civil Protection Headquarters (regardless of the sector and drop of revenues) amounting from HRK 2,000 to HRK 4,000 monthly per employee including an exemption from paying social contributions (pension).

Tax

- The costs of COVID-19 testing paid by employer is considered as a non-taxable income for the employee.
- Until 31 December 2020 vaccination costs for infectious diseases paid by employer for its employees are considered as a non-taxable remuneration.

Other

- Entrepreneurs with a decrease in income/receipts from 60% to 90% are entitled to reimbursement of the amount of paid fixed operating costs in proportion to the decrease in income/receipts, and those with a decrease in income / receipts above 90% reimbursement of paid fixed operating expenses in full.

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SERBIA:



Banking and Finance

- The Government issued a decision approving a loan agreement between the Republic of Serbia and the International Bank for Reconstruction and Development (IBRD) in the amount of EUR 92 million, in order to remedy the consequences caused by the COVID-19 pandemic.
- National Bank of Serbia passed two decisions aimed at mitigating negative consequences of COVID-19 pandemic, as follows:
 - decision prescribing temporary measures (which will apply until 31 December 2021) for the purpose of allowing commercial banks to provide financing to their clients under easier conditions. The respective decision provides certain reliefs for calculating of capital adequacy of commercial banks, allowing them to provide loans to those clients, who in the ordinary course of business could not qualify for obtaining such loans; and
 - decision allowing reliefs to banks' debtors in repayment of their obligations towards commercial banks. Upon request of a debtor, a bank is obliged to provide such debtor a relief in repayment of its obligations towards a bank. Reliefs may be provided in a form refinancing of loan (granting of a new loan to a debtor for settling all obligations that the debtor has to the bank on the basis of existing loan(s), by allowing the debtor a grace period of six months,

and that the new agreed loan repayment period is defined in such a way that the amount of annuity, i.e. monthly obligations of the debtor after the grace period, and until the end of the new loan repayment period is not higher than that amount in the period before application of this relief) or restructuring of loan (change in the terms of the loan, in a way that allows a debtor a grace period in the repayment of all its obligations to the bank under the loan for a period of six months, and the repayment period is extended by the amount of annuity after the expiration of the grace period, and until the end of the new loan repayment period will not be higher than that amount in the period before the application of benefits).

A debtor will be entitled to one of the said reliefs under the following conditions: (i) debtor is unable or may have difficulties in settling its obligations to the bank as a consequence of COVID-19 pandemic; (ii) on 29 February 2020, as well as in the period of 12 months before that day, debtor was not in the status of default in that bank; (iii) on 29 February 2020, as well as in the period of 12 months before that day, no bank's receivables against that debtor were classified as problematic loan at that bank.

- National Assembly of Serbia adopted the Law on Establishing Guarantee Scheme as an Economic Support Measure for Mitigating Consequences of the COVID-19 Pandemic (the "**Law**"), prescribing legal framework for providing guarantees by the State in favour of entrepreneurs, micro, small and medium enterprises up to the maximum amount of EUR 3 million per individual user, as a security for repayment of bank loans (taken for liquidity or for working capital) taken by those enterprises.

Agriculture

- The government has adopted measures to help farmers who is dealing with fattening cattle affected by the COVID-19 pandemic. Financial support for an agricultural producer is determined in the amount of RSD 20,000 (approx. EUR 150) per head for fattening cattle that were sold to a person who performs activities in a facility for slaughtering animals.

Commercial

- The government has decided to extend duration of the Decree on Conditions for the State Aid to Economy. Under this Decree state aid for liquidity may be provided in the following forms:
 - subsidies, debt write-offs, tax reliefs (where the nominal amount of individual aid per market participant does not exceed EUR 800,000 in Serbian dinar equivalent at the official median exchange rate of the National Bank of Serbia on the day state aid is granted. This aid is expressed in gross amount, and may be awarded until 30 June 2021);
 - subsidized interest rates for loans (loan agreement or other legal basis for granting state aid on this basis must be signed no later than 30 June 2021 and limited to a maximum of six years);
 - loan guarantees on more favourable conditions than market terms (may be provided until 30 June 2021);
 - deferred payment of taxes and/or social security contributions (refers to the payment of deferred tax liabilities in instalments, granting deferral without interest, suspension of tax debt collection, enabling faster tax refund or otherwise, the final date for application of deferral is 30 June 2021);
 - subsidies for salaries of employees in order to avoid dismissal during the COVID-19 pandemic (monthly subsidy for salaries does not exceed 80% of the monthly gross salary of employees

whose salary is subsidized, salaries are subsidized for up to 12 months after applying for state aid);

- short-term export insurance (available until 30 June 2021);
- for covering part of the fixed costs (state aid is granted no later than 30 June 2021 and covers part of the fixed costs incurred between 01 March 2020 and June 30, 2021).

Tourism and hospitality

- The Government has adopted measures determining the Program of scheduling and using subsidies to support the work of the catering and tourism industry due to business difficulties caused by the epidemic of COVID-19 disease.
- Funds for assistance to this branch of the economy are paid non-refundable, the fee is paid by the competent ministry. The funds are allocated in the amount of 30,367.00 RSD per each employee for whom the business entity paid the salary for the month of October 2020 and submitted the appropriate tax return.

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BOSNIA & HERZEGOVINA:



Banking and Finance

Federation of B&H

- The Government of Federation of B&H decided to help all exporters that made more than 30 percent of their revenue throughout exports. Total amount of help is BAM 30 million.
- The Government of Federation of B&H adopted decision aimed at helping companies from public transportation sector with total BAM 10 million.
- Also, the Government of Federation of B&H decided to provide BAM 30 million help to companies from the sector of tourism and hospitality.

Republic of Srpska

- The Government of Republic of Srpska adopted Decree on Manners for Providing Funds to Companies as a Support of Their Investment Projects. By this Decree maximum amount of supporting funds is up to 50% of reasonable costs of project but in any case, not higher than BAM 100,000.

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NORTH MACEDONIA:



Banking and Finance

- The Development Bank of North Macedonia shall offer credit line without interest of up to 31 million euro to support young population, women and digitalization in the business;
- The government shall extend the grace period for an additional 3 months for the users of the COVID-1 credit lines provided by the Development Bank of North Macedonia. Furthermore, the Development Bank of North Macedonia is currently preparing the COVID-3 credit line in a total amount of 100 million euros, that is intended for direct support of micro and small companies. This credit line shall not calculate interest and has a repayment term of 3 years, with an included 6 months' grace period.
- The government shall issue a state credit guarantee in a total amount of 10 million euros, for a credit package of 65 million euros for support of the companies.

Tax

- The government postponed the payment of the advanced income tax until March 2021 for companies that show a decrease in income of more than 40%.

- Companies are given the option to defer the VAT up to 7 days after submission of the VAT application.
- Reduction or abolition of para-fiscal duties such as fees, licenses; reallocation of various funds.
- COVID-19 tests shall be recognized as an expense for the purposes of taxation.

Labor and Employment

- Subsidized payment of salaries to 250.000 employees that include employees in companies as well as freelance workers. The subsidies are based on the income for the period between April and August as opposed to the income in the same period in 2019. The total value of the subsidies is at the amount of 70 million euros and is conditioned upon keeping of the same number of employees for two months following the months in which the subsidies are used.

Agriculture

- The government shall issue a grant in amount of 50% of the consumption of "green" oil.
- The government shall issue grants for modernization of agriculture equipment on the basis of loan provided by the World Bank at the amount of 50 million euro.

Tourism and Hospitality

- The government shall issue grants to restaurants at the amount from 3000 to 10000 euro per restaurant.
- The government exceeded the period of validity of licenses for night clubs, for additional year.

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MONTENEGRO:



Banking and Finance

- Central Bank of Montenegro has decided to extend application period of the Decision on Temporary Measures for Mitigating Negative Impacts of COVID-19 Pandemic on the Financial System (the "**Decision**"), which applies to commercial banks and micro-credit financial institutions. By this Decision, inter alia, beneficiaries of bank (and MFI) loans from the tourism sector and from the agriculture, forestry and fisheries sectors, are entitled to a moratorium on loan repayment in the period from 01 September 2020 to 31 August 2021, under condition that on 31 December 2019 they were not in default with repayment of the loan for more than 90 days.
- Investment-Development Fund of Montenegro ("**IDF**") has designed a new credit line in order to improve the liquidity of entrepreneurs, micro, small, medium and large enterprises to a maximum of 3 million euros per user. The IDF will approve loans according to a simplified procedure, at an interest rate of 1.5%

Labour and Employment

- It is recommended to all authorities, administration authorities, local self-government authorities and local administration authorities, companies, public institutions and other legal entities, entrepreneurs, as well as individuals who perform a certain activity to establish the remote work for all workplaces for which the work process allows this kind of work, i.e. to introduce flexible working hours or to reduce communication between employees in other ways.

Other

- The Minister of Health imposed other bans such as work of companies and entrepreneurs engaged in food trade products organized in the period from 07:00 to 20:00, bans for exit from facility housing from 22:00 to 05:00, etc.

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BULGARIA:



The declared state of emergency on March 13 in Bulgaria was suspended as of May 13, 2020, and was replaced by an "emergency epidemic situation", which the Government is subsequently extending, and which currently is in force until January, 31 2021. During this situation, certain restrictions, as well as economic measures are in force.

Banking and Finance

- **Measures for overcoming the consequences of COVID-19 introduced by the Bulgarian Development Bank:**
 - The Council of Ministers adopted a decision for increasing the capital of the Bulgarian Development Bank with 700 million BGN. The said serves for the issuance of guarantees to commercial banks for lending funds to persons, affected by the pandemic. The provision of loans is based on portfolio guarantees from the Bulgarian Development Bank to commercial banks in order to provide liquidity for overcoming the negative economic consequences of the outbreak of COVID-19. The commercial banks thus provide low-interest loans to micro, small, medium and large enterprises. The maximum loan amount for SME is up to 1 million BGN, whereas for large enterprises it is be 2 million BGN. This program is open to all sectors and applies to the entire territory of Bulgaria, whereas eligible are companies suffering from the negative economic effects of COVID-19.
 - Individuals may apply for bank loans without interest for up to BGN 4,500.
- **Measures for overcoming the consequences of COVID-19 introduced by the Fund of Funds:**
 - Self-employed persons and small enterprises with very short or almost no business history (currently the requirement is for businesses to have up to three completed annual financial

statements), including those created by vulnerable groups (people with disabilities; people up to 29 years; unemployed for more than six months) may apply for low-interest credits up to BGN 50 000.

- Start-up and fast-growing companies active in key areas such as innovation, digitalization, bio- and nanotechnology, mechatronics, robotics, clean and information technology, pharmacy, fintech, and others, may apply for financing in the form of share and quasi-share investments, provided by four existing venture capital funds.
- Municipalities, PPPs, and private enterprises, including those affected by the crisis, such as companies operating in the tourism and transport sectors, etc., could apply for financial support for projects related to urban development. The total budget of this measure amounts to BGN 418 million.
- Micro, small and medium enterprises, exercising activity in the different sectors affected by the COVID-19 outbreak, may apply for low-interest credits. The measure includes providing working capital and investment loans, including restructuring in case of the difficult financial situation of enterprises due to the crisis.

- **State Aid Grants:**

- Micro and small enterprises - In addition, the State introduced financial aid for the micro and small enterprises, starting from BGN 3000 and up to BGN 10,000.
- The state provided grants from BGN 30 000 to BGN 150 000 to medium-sized enterprises, which meet certain criteria (among else, having losses due to the COVID-19 outbreak). The deadline for this program was August, 2020.
- Agriculture sector - Introduced by the State are different types of measures for farmers and animal breeders (temporary aid for the private storage of certain cheese types; *de minimis* for sale of cherries, harvest 2020; state aid for animal breeders; state aid for beekeepers; state aid for farmers, growing fruits and vegetables, vineyards and oil roses).
- Moreover, agricultural producers, affected by COVID-19, processing agricultural products listed in Annex I to the TFEU or cotton, with the exception of fishery products, may apply for state aid up to 50 000 BGN.
- Bus transport companies could receive state aid in the amount of up to 8% of their turnover for 2019, whereas the state aid could not be lower than 3 000 BGN and higher than 450 000 BGN. The total budget of this program is 30 million BGN.

Labour and Employment

- Employers are entitled unilaterally to introduce work from home for their employees or to require the employees to use their paid annual leave. They may also introduce part-time working hours.
- The Government through the "Unemployment Fund" pays 60% of the remuneration to the employees of some categories of employers. The deadline for applying for this measure was 30th September 2020. Pursuant to this scheme (the so-called "60/40 scheme"), an entitled employer may receive support from the State in the amount of 60 % of the gross remuneration of his employee(s) if as a result of the state of emergency the employer has terminated the operation of the entire undertaking, or parts thereof, or only with regard to certain workers and employees, or has introduced part-time work. In the latter case the support shall be proportional to the idle time, but for no more than four hours.
- Employers from all economic sectors, with the exception of agriculture, are able to hire the unemployed under the program, which is financed by the Human Resources Development

Operational Programme. The measure is primarily aimed at companies in the hotels and restaurants sector and the travel agency and operator activities, as well as other travel and reservation activities.

Tourism

- The state introduced a new program for tourist operators, who may receive State aid in the amount of up to 10% of their turnover for 2019. The total budget of this program is 10 million BGN.
- The Government is also subsidizing the tour operators of charter flights, providing EUR 35 for every seat on the flight, provided that the seat is occupied by a person visiting Bulgaria for the purposes of tourism.
- Certain categories of persons, generally healthcare workers (doctors, nurses, etc.), are provided with lump-sum one-time payments for the use of tourist services.

Tax

- In conjunction with Decision No 2020/491 of April 3, 2020, of the European Commission, the state is exempting from VAT medicinal products, medical devices and personal protective equipment, needed to combat the effects of the COVID-19 outbreak.
- The VAT rate for services provided by restaurants, sports halls (fitness centers), tour operators, as well as for goods such as books, beer and wine, is reduced from 20 % to 9%.

Other

- The State has obliged the big chain supermarkets to designate special places for goods produced by Bulgarian regional producers (registered farm producers, etc.).
- Bulgaria has banned the export of goods, needed to combat the COVID-19 epidemic, such as medicinal products, personal protective equipment, etc. The Minister of Health may impose measures and bans, such as export bans, the closing of districts or city areas, etc.
- Bulgaria has launched the COVID-19 informational portal, providing relevant information about the pandemic, including detailed information for all government support measures, which is updated regularly.

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