



EUROPEAN COMMISSION

Brussels, 24.7.2020  
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**SENSITIVE\*** : *COMP Operations*

**Subject: State Aid SA.58050 (2020/N) – Bulgaria  
COVID-19: State aid for tour operators**

Excellency,

**1. PROCEDURE**

- (1) By electronic notification of 16 July 2020, Bulgaria notified aid in the form of direct grants (pursuant to Article 26 of the Act on the measures and actions during the state of emergency; “the measure” or “the scheme”) under the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak, as amended (“the Temporary Framework”).<sup>1</sup>
- (2) Bulgaria exceptionally agrees to waive its rights deriving from Article 342 of the Treaty on the Functioning of the European Union (“TFEU”), in conjunction with Article 3 of Regulation 1/1958<sup>2</sup> and to have this Decision adopted and notified in English.

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\* Handling instructions for SENSITIVE information are given at <https://europa.eu/db43PX>

<sup>1</sup> Communication from the Commission - Temporary framework for State aid measures to support the economy in the current COVID-19 outbreak, OJ C 91I, 20.3.2020, p. 1, as amended by Communication from the Commission C(2020) 2215 final of 3 April 2020 on the Amendment of the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak, OJ C 112I, 4.4.2020, p. 1, by Communication from the Commission C(2020) 3156 final of 8 May 2020 on the Amendment of the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak, OJ C 164, 13.5.2020, p. 3 and by Communication from the Commission C(2020) 4509 final of 29 June 2020 on the Third Amendment of the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak, OJ C 218, 2.7.2020, p. 3.

<sup>2</sup> Regulation No 1 determining the languages to be used by the European Economic Community, OJ 17, 6.10.1958, p. 385.

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## **2. DESCRIPTION OF THE MEASURE**

- (3) Bulgaria considers that the COVID-19 outbreak has started to affect the real economy. According to the Bulgarian authorities, Bulgaria's GDP is projected to decline by 3% in real terms this year, which will manifest in many ways: decreases in investment and exports as well as negative impacts on employment and inflation.
- (4) Due to the rapid spread of the COVID-19 pandemic, on 13 March 2020 the Bulgarian Government declared the state of emergency. Both inbound and domestic tourism were suspended. As a result, tour operators were required to cancel all flights to and within Bulgaria until 13 May 2020 included.
- (5) The Bulgarian authorities have explained that the Bulgarian economy is highly dependent on foreign markets, while there are ongoing travel constraints and economic disturbances in the economies of other countries. According to the Bulgarian authorities, tourism accounts for 10.8% of Bulgaria's GDP and it is particularly badly affected, with an estimated decline in charters and scheduled flights landing in Bulgaria of 42% over the 2020 summer season.
- (6) In this context and under the measure, tour operators are entitled to receive EUR 35 per passenger that takes a flight into Bulgaria through a package tour booked with that tour operator. The aid is disbursed in the form of a direct grant. By supporting the tour operators, the objective of the measure is to stimulate incoming tourism, with beneficial indirect effects in many areas such as hotels, restaurants, the food industry, transport, cultural and sports events.
- (7) The measure forms part of an overall package of measures and aims to ensure that sufficient liquidity remains available in the market, to counter the liquidity shortage faced by undertakings because of the outbreak, to ensure that the disruptions caused by the outbreak do not undermine the viability of the undertakings and thereby to preserve the continuity of economic activity during and after the outbreak.
- (8) Bulgaria confirmed that the aid under the measure is not conditioned on the relocation of a production activity or of another activity of the beneficiary from another country within the EEA to the territory of the Member State granting the aid. This is irrespective of the number of job losses actually occurred in the initial establishment of the beneficiary in the EEA.
- (9) The compatibility assessment of the measure is based on Article 107(3)(b) TFEU, in light of sections 2 and 3.1 of the Temporary Framework.

### **2.1. The nature and form of aid**

- (10) The measure provides aid in the form of direct grants.

### **2.2. Legal basis**

- (11) The legal basis for the measure is Article 26 of the *“Act on the measures and actions during the state of emergency declared with the decision of the national assembly of March 13<sup>th</sup>, 2020, and on overcoming the consequences”*.

### **2.3. Administration of the measure**

- (12) The Ministry of Tourism is responsible for administering the measure.

### **2.4. Budget and duration of the measure**

- (13) The budget of the measure is BGN 55 million (EUR 28.1 million<sup>3</sup>).
- (14) Aid may be granted under the measure as from its approval until no later than 31 December 2020, for flights carried out between 14 May 2020 and 31 December 2020. Tour operators have to apply for aid under the scheme by 24 December 2020 at the latest and the decision on the application has to be made by 31 December 2020 at the latest.

### **2.5. Beneficiaries**

- (15) The scheme is open to all tour operators who have the right to carry out activities on the territory of Bulgaria, regardless of size, and who have concluded a contract with an air carrier for the carriage of passengers into Bulgaria. The Bulgarian authorities expect that there will be around 55 beneficiaries in total.
- (16) Aid may not be granted under the measure to undertakings that were already in difficulty within the meaning of the General Block Exemption Regulation (“GBER”)<sup>4</sup> on 31 December 2019.

### **2.6. Sectoral and regional scope of the measure**

- (17) Aid under the scheme is granted to the travel operator sector and the scheme applies to the whole territory of Bulgaria.

### **2.7. Basic elements of the measure**

- (18) Under the measure, tour operators are entitled to receive EUR 35 per passenger on flights that are part of a package tour booked with them and with a final point of arrival on the territory of Bulgaria. The total aid amount per travel operator may not exceed EUR 800 000. To be eligible for support, tour operators must have used air carriers with a valid operating license to operate charter flights to Bulgaria. EUR 35 may be granted per passenger up to the maximum capacity of the aircraft, for flights carried out between 14 May 2020 and 31 December 2020, and only for aircraft with a capacity of at least 100 seats. Aid may be granted to any tour operator meeting the above conditions, regardless of their country of incorporation.
- (19) To benefit from aid under the scheme, tour operators must submit an application form to the Ministry of Tourism by 24 December 2020 at the latest. Applications are assessed within 7 days by a commission of officials appointed by the Minister of Tourism.

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<sup>3</sup> Exchange rate: BGN 1 = EUR 0.5113, taken in July 2020 from: [https://ec.europa.eu/info/funding-tenders/how-eu-funding-works/information-contractors-and-beneficiaries/exchange-rate-infoeuro\\_en](https://ec.europa.eu/info/funding-tenders/how-eu-funding-works/information-contractors-and-beneficiaries/exchange-rate-infoeuro_en).

<sup>4</sup> As defined in Article 2(18) of Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty, OJ L 187, 26.6.2014, p. 1.

## **2.8. Cumulation**

- (20) The Bulgarian authorities confirm that aid granted under the measure may be cumulated with aid under de minimis Regulations<sup>5</sup> or the General Block Exemption Regulation<sup>6</sup> provided the provisions and cumulation rules of those Regulations are respected.
- (21) The Bulgarian authorities confirm that aid granted under the measure may be cumulated with aid granted under other measures approved by the Commission under other sections of the Temporary Framework provided the provisions in those specific sections are respected.
- (22) The Bulgarian authorities confirm that if the beneficiary receives aid on several occasions or in several forms under the measure or aid under other measures approved by the Commission under section 3.1 of the Temporary Framework, the overall maximum cap per undertaking, as set out in point 22(a) of that framework, will be respected. In this respect, tour operators will have to declare the amount of funds received, the period to which they relate and the scheme under which the aid was received.

## **2.9. Monitoring and reporting**

- (23) The Bulgarian authorities confirm that they will respect the monitoring and reporting obligations laid down in section 4 of the Temporary Framework (including the obligation to publish relevant information on each individual aid above EUR 100 000 granted under the measure on the comprehensive national State aid website or Commission's IT tool within 12 months from the moment of granting<sup>7</sup>).

## **3. ASSESSMENT**

### **3.1. Lawfulness of the measure**

- (24) By notifying the measure before putting it into effect, the Bulgarian authorities have respected their obligations under Article 108(3) TFEU.

### **3.2. Existence of State aid**

- (25) For a measure to be categorised as aid within the meaning of Article 107(1) TFEU, all the conditions set out in that provision must be fulfilled. First, the

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<sup>5</sup> Commission Regulation (EU) No 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid (OJ L 352, 24.12.2013, p. 1) and Commission Regulation (EU) No 360/2012 of 25 April 2012 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid granted to undertakings providing services of general economic interest (OJ L 114, 26.4.2012, p. 8).

<sup>6</sup> Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty, OJ L 187 of 26.6.2014, p. 1.

<sup>7</sup> Referring to information required in Annex III to Commission Regulation (EU) No 651/2014 and Annex III to Commission Regulation (EU) No 702/2014 and Annex III of the Commission Regulation (EU) No 1388/2014.

measure must be imputable to the State and financed through State resources. Second, it must confer an advantage on its recipients. Third, that advantage must be selective in nature. Fourth, the measure must distort or threaten to distort competition and affect trade between Member States.

- (26) The measure is imputable to the State, since it is administered by the Ministry of Tourism and it is based on the Act on the measures and actions during the state of emergency declared with the decision of the national assembly of March 13<sup>th</sup>, 2020, and on overcoming the consequences. It is financed through State resources, since it is financed by public funds.
- (27) The measure confers an advantage on its beneficiaries in the form of direct grants. The measure thus relieves those beneficiaries of costs which they would have had to bear under normal market conditions.
- (28) The advantage granted by the measure is selective, since it is awarded only to certain undertakings, i.e. tour operators.
- (29) The measure is liable to distort competition, since it strengthens the competitive position of its beneficiaries. It also affects trade between Member States, since those beneficiaries are active in sectors in which intra-Union trade exists.
- (30) In view of the above, the Commission concludes that the measure constitutes aid within the meaning of Article 107(1) TFEU. The Bulgarian authorities do not contest that conclusion.

### **3.3. Compatibility**

- (31) Since the measure involves aid within the meaning of Article 107(1) TFEU, it is necessary to consider whether that measure is compatible with the internal market.
- (32) Pursuant to Article 107(3)(b) TFEU the Commission may declare compatible with the internal market aid *“to remedy a serious disturbance in the economy of a Member State”*.
- (33) By adopting the Temporary Framework on 19 March 2020, the Commission acknowledged (in section 2) that *“the COVID-19 outbreak affects all Member States and that the containment measures taken by Member States impact undertakings”*. The Commission concluded that *“State aid is justified and can be declared compatible with the internal market on the basis of Article 107(3)(b) TFEU, for a limited period, to remedy the liquidity shortage faced by undertakings and ensure that the disruptions caused by the COVID-19 outbreak do not undermine their viability, especially of SMEs”*.
- (34) The measure aims at stimulating incoming tourism by supporting tour operators that bring travellers to Bulgaria, at a time when the normal functioning of credit markets is severely disturbed by the COVID-19 outbreak and that outbreak is affecting the wider economy and leading to severe disturbances of the real economy of Member States.
- (35) The measure is one of a series of measures conceived at national level by the Bulgarian authorities to remedy a serious disturbance in their economy. The

tourism sector and associated areas such as hotels, restaurants and cultural events are particularly badly affected by the COVID-19 outbreak. According to the Bulgarian authorities, there are ongoing travel constraints and economic disturbances in the economies of other countries, while tourism accounts for 10.8% of Bulgaria's GDP. The measure can therefore be reasonably anticipated to produce effects across the entire Bulgarian economy.

- (36) The measure is open to travel operators regardless of their country of incorporation or the country of incorporation of the airline operating the flights and relates to travellers regardless of nationality. The aircraft must have a capacity of at least 100 seats. While the only means of transport supported is air transport, it is to be noted that most tourists to Bulgaria are from distant countries such as Germany, Poland, Great Britain and Russia, and the majority arrives by air transport.
- (37) Furthermore, the measure has been designed to meet the requirements of a specific category of aid (Aid in the form of direct grants) described in section 3.1 of the Temporary Framework.
- (38) The Commission accordingly considers that the measure is necessary, appropriate and proportionate to remedy a serious disturbance in the economy of a Member State and meets all the conditions of the Temporary Framework. In particular:
- The aid takes the form of direct grants (recital (10)). The overall nominal value of the grants shall not exceed EUR 800 000 per undertaking gross, that is, before any deduction of tax or other charges. The measure therefore complies with point 22(a) of the Temporary Framework;
  - Aid is granted under the measure on the basis of a scheme with a precise budget as indicated in recital (13). The measure therefore complies with point 22(b) of the Temporary Framework;
  - Aid may not be granted under the measure to undertakings that were already in difficulty on 31 December 2019 (see recital (16)). The measure therefore complies with point 22(c) of the Temporary Framework.
  - Aid will be granted under the measure no later than 31 December 2020 (recital (14)). The measure therefore complies with point 22(d) of the Temporary Framework;
  - No aid is granted to undertakings active in the processing and marketing of agricultural products. The measure therefore complies with point 22(e) of the Temporary Framework.
- (39) The Bulgarian authorities confirm that the monitoring and reporting rules laid down in section 4 of the Temporary Framework will be respected (recital (23)). The Bulgarian authorities further confirm that the aid under the measure may only be cumulated with other aid, provided the specific provisions in the sections of the Temporary Framework are respected and the cumulation rules of the relevant Regulations are respected (recitals (20) - (22)).
- (40) The Commission therefore considers that the measure is necessary, appropriate and proportionate to remedy a serious disturbance in the economy of a Member

State pursuant to Article 107(3)(b) TFEU since it meets all the relevant conditions of the Temporary Framework.

#### **4. CONCLUSION**

The Commission has accordingly decided not to raise objections to the aid on the grounds that it is compatible with the internal market pursuant to Article 107(3)(b) of the Treaty on the Functioning of the European Union.

The decision is based on non-confidential information and is therefore published in full on the Internet site: <http://ec.europa.eu/competition/elojade/isef/index.cfm>.

Yours faithfully,

For the Commission

Margrethe VESTAGER  
Executive Vice-President

**CERTIFIED COPY**  
For the Secretary-General,

**Jordi AYET PUIGARNAU**  
Director of the Registry  
**EUROPEAN COMMISSION**