



EUROPEAN COMMISSION

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PUBLIC VERSION

WORKING LANGUAGE

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**Subject: State aid 32030 (2010) – Germany
Prolongation of the Federal Framework for low interest loans
("Bundesrahmenregelung Niedrigverzinsliche Darlehen") (N38/2009)**

Sir,

1. PROCEDURE

- (1) By electronic notification of 3 December 2010 Germany notified the prolongation of the existing scheme¹ "Federal Framework for low interest loans" ("the existing scheme" hereinafter). By letters and electronic communications of 10 December 2010 the German authorities submitted further clarifications and confirmations to the Commission.

2. DESCRIPTION OF THE NOTIFICATION

2.1. Description of the notified prolongation

- (2) The existing scheme was approved by the Commission on the basis of the previous Communication from the Commission – Temporary Community framework for State aid measures to support access to finance in the current financial and

¹ See the Commission decision of 19 February 2009 on state aid measure N 38/2009, OJ C 56, 10 March 2009, p.2.

Seiner Exzellenz Herrn Dr. Guido Westerwelle
Bundesminister des Auswärtigen
Werderscher Markt 1
D-11017 Berlin

economic crisis ("Temporary Community Framework" hereinafter)². Now the German authorities notify the prolongation of the existing aid scheme accompanied by the introduction of stricter conditions on the basis of the Commission Communication on the Temporary Union framework for State aid measures to support access to finance in the current financial and economic crisis³ ("Temporary Union Framework" hereinafter):

- Low interest loans can be granted until 31 December 2011 at the latest.
 - The reduced interest rates may be applied for interest payments until 31 December 2013 at the latest. The German authorities confirmed that an interest rate at least equal to the minimum rate defined in the Commission Communication on the revision of the method for setting the reference and discount rates⁴ will apply after that date.
 - Firms in difficulties as defined in point 2.1. of Community Guidelines on State aid for rescuing and restructuring firms in difficulties⁵ are excluded from the scope of the prolonged scheme.
 - For small and medium-sized enterprises, the reduced interest rate may relate to both investment and working capital loans; for large companies, it relates to investment loans only.
- (3) The German authorities estimate that the number of beneficiaries will be between 500 and 1000.
- (4) The aid volume available during the prolonged period has been estimated not to exceed EUR 2 500 million.
- (5) The scheme will enter into force on 1 January 2011 and expire on 31 December 2011.
- (6) All other elements of the existing scheme remain unchanged.

2.2. *Monitoring & reporting, business secrets and language waiver*

- (7) The German authorities have committed to respect the monitoring and reporting obligations laid down in particular in Section 4 of the Temporary Union framework.
- (8) The German authorities committed to respect the applicable rules in case of co-financing with the EU Structural Funds and other EU financing instruments.

² OJ C 83, 7 April 2009, p.1, as amended OJ C 261, 31 October 2009, p.2 as amended OJ C 303, 15 December 2009, p.6.

³ (not yet published in the OJ); http://ec.europa.eu/competition/state_aid/legislation/temporary_framework_en.pdf

⁴ Commission Communication on the revision of the method for setting the reference and discount rates, OJ C 14 of 19.1.2008, p. 6.

⁵ Communication from the Commission - Community guidelines on State aid for rescuing and restructuring firms in difficulty (OJ C 244, 1.10.2004, p.2).

- (9) The German authorities confirmed that the notification does not contain business secrets and that, in view of the urgency of the measure, they exceptionally accept that the Commission decision is adopted in the English language.

3. ASSESSMENT

- (10) In its decision of 19 February 2009 the Commission concluded that the existing scheme constitutes State aid within the meaning of Article 107(1) of the Treaty on the Functioning of the European Union ("TFEU"). It found that the measures were compatible with the internal market under Article 107(3)(b) of the TFEU, because they were apt to remedy a serious distortion of the German economy. To this end, the Commission had assessed the appropriateness, necessity and proportionality of the measure.
- (11) In view of the continued volatility of financial markets and the uncertainty about the economic outlook, the Commission decided that a prolongation until end 2011 of the Temporary Community Framework measures targeted to facilitate companies' access to finance was justified in order to assure a gradual return to normal state aid rules while limiting their impact on competition.
- (12) The Commission observes that the prolongation of the scheme is a response to the continuing difficulties that enterprises in Germany experience in obtaining funding by the banks. Even though in broad terms the health of the banking sector has improved compared with the situation one year ago, the recovery is still fragile as the future evolution of financing remains uncertain. Thus the risk persists that the banking system may not be ready to sustain the recovery when credit demands picks up.
- (13) Against this background and taking into account the residual fragility of the recovery process and the possibility of setbacks in that process, the continuation of the existing scheme can be deemed necessary to facilitate companies' access to finance. The Commission considers that an abrupt withdrawal of the scheme might put further stress on the recovery process. The Commission therefore considers that the prolongation of the existing scheme until the end of 2011 is appropriate, necessary and proportional to remedy a serious disturbance of the German economy.
- (14) On the basis of the above, the notified prolongation of the existing scheme does not alter the Commission's previous assessment in the decision of 19 February 2009.
- (15) On the basis of these considerations, the prerequisites for the compatibility of schemes with Article 107(3)(b) of the TFEU that have been established by the Temporary Community Framework continue to apply. Furthermore, the Commission considers that the notified prolongation of the existing scheme accompanied by stricter conditions until 31 December 2011 (as described above under section 2) complies with the requirements set out in Section 2.4. of the Temporary Union Framework and is therefore compatible with the internal market.
- (16) The Commission notes that the notification does not contain business secrets, and that Germany has exceptionally agreed that the decision be adopted in English as its authentic language.

4. DECISION

(17) The Commission has accordingly decided

- to consider the notified prolongation of the aid scheme as compatible with Article 107(3)(b) of the TFEU.

Yours faithfully,
For the Commission

Joaquin ALMUNIA
Vice President of the Commission