



EUROPEAN COMMISSION

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In the published version of this decision, some information has been omitted, pursuant to articles 24 and 25 of Council Regulation (EC) No 659/1999 of 22 March 1999 laying down detailed rules for the application of Article 93 of the EC Treaty, concerning non-disclosure of information covered by professional secrecy. The omissions are shown thus [...].

PUBLIC VERSION
WORKING LANGUAGE

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Subject: State aid – SA.34466 (2012/N) - Cyprus
State support to the Centre for Visual Arts and Research

Madam,

1. PROCEDURE

- 1) On 9 March 2012, the Cypriot authorities notified the above mentioned measure under Article 108 (3) TFEU.
- 2) The Commission requested additional information on 20 April 2012, which was provided by the Cypriot authorities on 11 May 2012.
- 3) On 13 June 2012, the Commission requested an extension of the deadline for adopting a decision until the end of September 2012, to which the Cypriot authorities agreed on the same date.
- 4) On 26 September 2012 the Commission requested an additional extension of the deadline for adopting a decision until 20 November 2012, to which the Cypriot authorities agreed on 27 September 2012.
- 5) Cyprus considers that the measure in question does not entail State aid within the meaning of the EU State aid rules as it does not affect trade between Member States, but has notified the measure for reasons of legal certainty.

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2. DESCRIPTION OF THE NOTIFIED MEASURES

Background, legal basis and objectives

- 6) The Cypriot authorities intend to support the establishment of the Centre for Visual Arts and Research ("CVAR") in Nicosia. The measures notified by the Cypriot authorities consist of: a Decision of the Council of Ministers of the Republic of Cyprus, adopted on 11 November 2011, which forms the legal basis for the Government grant financed by EEA (European Economic Area) funds; and support which is financed through the Four Year Plan for the Revitalization of the Nicosia Green Line (Nicosia Municipalities – Ayiou Dhometiou) 2009-2012, which is a scheme for the Enhancement of Entrepreneurship run under the De Minimis regulation.
- 7) The objective of the measure is to promote culture and heritage conservation. The strategic objectives of the project for which the support is provided (the construction of the CVAR) can be described as follows:
 - To make the history of Cyprus more comprehensible and approachable through art;
 - To contribute to the efforts undertaken for the reconciliation of the two communities in Cyprus and provide a platform for conflict resolution;
 - To put an additional tool in the hands of the educational system in Cyprus;
 - To enhance the cultural tourist product of Cyprus and of Nicosia in particular;
 - To offer other opportunities for research in the subject of art and travel in Cyprus and the Near East.
- 8) The mission of the CVAR is to provide a common platform for the exploration of the Island's cultural heritage through visual and creative arts and to increase the potential for peaceful coexistence in Cyprus. It will serve as a lasting legacy for the people of Cyprus, demonstrating their shared cultural heritage. The CVAR will display a permanent art collection and other periodical exhibitions, organize educational conferences, lectures, seminars and workshops, present concerts and films and host restaurants and reconciliation programmes. All project facilities will be managed by the CVAR, with the exception of the lounge bar that will be rented to a third party on a commercial basis at market terms.
- 9) The CVAR will be established in a disused flour mill which will be restored for this purpose. Construction work of the CVAR is expected to start in August 2012. The total costs for the construction of the CVAR are estimated at EUR 4.231.746¹.

¹ The exact project costs will only be available at the end of the construction phase.

Form of the financial support and granting authority

- 10) The support provided by the Cypriot authorities to this project can be subdivided as follows:
- (i) Direct grant of EUR 623.000 from the EEA financing mechanism through the general budget of the State. It will be granted in three tranches, on 15 April 2013, 15 August 2014 and 15 December 2015.
 - (ii) Direct Grant of EUR 200.000 financed through the Four Year Plan for the Revitalization of the Nicosia Green Line (Nicosia Municipalities – Ayiou Dhometiou) 2009-2012, which is a Scheme for the Enhancement of Entrepreneurship run under the De Minimis regulation.
- 11) All amounts will fund construction related expenses. The disbursements from the two sources of funding will be made on a pro rata basis and no operational expenses will be funded.
- 12) The project will also be co-funded (for the amount of approx. EUR [...]*) by funds of the United Nation Development Programme (UNDP), based on an agreement signed between the UNDP and the Foundation on 13 March 2012.
- 13) The remainder of the project's costs will be covered by a contribution from the Costas and Rita Severis Family.

Beneficiary and the Centre for Visual Arts and Research (CVAR):

- 14) The beneficiary is the Costas and Rita Severis Foundation, ('the Foundation'), founded in 1999 as a non-profit organization and responsible for the establishment of the CVAR. Its mission is to promote the culture and history of Cyprus both locally and abroad and to become a forum for research, discussion and events related to education and culture in the framework of reconciliation, peaceful coexistence and understanding amongst all the communities in Cyprus. Since its establishment, the Foundation has implemented many projects such as the production of books on the history and culture of Cyprus, opera performances and organized tours dedicated to make the history of various monuments known to the wider public etc. As per the Audited financial statements of the Foundation for 2010, the revenues of the Foundation amounted to about EUR [...] and its total assets were about EUR [...].
- 15) The Foundation is managed, at the strategic level, by the Board of Directors (chaired by Costas Severis) and every day operations of the Foundation are undertaken by Rita Severis (executive manager). Costas and Rita Severis are the owners of a unique art collection comprising paintings, antique costumes, porcelain, memorabilia, handicrafts, photographs, manuscripts and approximately 6.000 books on art, travel and history of Cyprus and the Near East (estimated worth about EUR [...]). This collection will be on permanent loan to the Costas and Rita Foundation and will be displayed in the CVAR.

* Business secret.

- 16) Costas and Rita Severis Estates, which is the owner of the building hosting the CVAR, will rent the building for a symbolic amount of EUR 1 to the Foundation and committed that the use of the building will be made exclusive to the CVAR for a minimum of 20 years.
- 17) The proposed project is not expected to be making a profit. It is furthermore projected that the CVAR will operate losses which the Foundation will be funding from private resources.

3. ASSESSMENT OF THE MEASURE

3.1 Existence of aid within the meaning of Article 107 (1) of the TFEU

- 18) According to Article 107 (1) of the TFEU, “any aid granted by a Member State or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods shall, in so far as it affects trade between Member States, be incompatible with the internal market”.
- 19) This means that in order for a measure to be qualified as State aid, the following cumulative conditions have to be met: (i) the measure has to be granted out of State resources, (ii) it has to confer an economic advantage to undertakings, (iii) the advantage has to be selective and distort or threaten to distort competition, and (iv) the measure has to affect intra-EU trade.
- 20) Since the Cypriot authorities have argued that the measure does not affect trade between Member States, this issue is examined in more detail first.

Effect on intra-Union trade

- 21) Trade between Member States is only affected if the measure is at least potentially liable to affect such trade. The Commission takes the view that the current measure would not have such potential, even if the other criteria of the State aid definition were met.
- 22) In this respect, as regards the specific nature of the subsidized activity, it should first of all be noted that the activities of the CVAR focus on the cultural history of Cyprus and the permanent exhibition of the Centre consists exclusively of artefacts concerning this history. Contrary to more tradable commodities, the potential to affect intra-EU trade of a museum concerning the history of Cyprus is very low.
- 23) The Commission considers that the notified measure can be distinguished from aid measures which promote the development of big national museums and attractions which are able to attract an international audience, are widely promoted outside of the region in which they are located and are therefore clearly

of a different scale and nature than the local project supported by the present measure. This difference is also underscored by the small scale of the project and the limited amount (EUR 823.000) of notified funding.

- 24) In this context, the Commission also notes that CVAR is targeted at a very local constituency - its main objective being to encourage young island inhabitants to learn about the religious and cultural history of Cyprus and to involve the various communities in Cyprus to understand and respect common cultural heritage. Although the facilities of the CVAR will be open to both local and foreign visitors, the small size of the centre and the nature of its exhibitions and activities (focussed on Cypriot life and culture) do not render it capable (unlike for example certain big national museums) of inducing the deviation of tourist flows from other Member States specifically to visit the CVAR. In all likelihood, any visitors to the CVAR from other Member States will have made a decision to travel to Cyprus irrespective of existence of the CVAR.²
- 25) Moreover, as a matter of fact, the project is unlikely to encourage the transfer of tourist flows from other European Member States because of the geographical position of Cyprus.³ The local character and geographical position of the project together with the nature of the CVAR's activity should ensure that any effect on trade can for all practical purposes be excluded.⁴

3.2 Conclusion on the existence of aid

- 26) Accordingly, on account of the specificities of the case, it can therefore be concluded that the notified measure will not have an effect on trade between Member States.
- 27) As the measure is not liable to affect trade between Member States, there is no need to examine the other cumulative conditions for the existence of State aid within the meaning of Article 107(1) of the Treaty.

² This is reflected in the estimates of foreign visitors to the project as shown in the business plan.

³ See also Commission Decision on State support to the Cyprus Cultural Centre of 8 November 2011 (Case SA.33241 (2011/N), OJ C 377, 23.12.2011, p. 11, in particular paragraph 26).

⁴ Compare Commission Decisions of 21 December 2000 on Leisure Pool Dorsten - Germany (Case N258/2000, OJ C 172, 16.6.2001) of 21 January 2003 on measures concerning l'Ecomusée d'Alsace – France (Case NN 136/A/2001, OJ C 97, 24.4.2003, p. 10) of 27 June 2007 on Subsidies for theatre productions in the Basque country – Spain (Case N257/2007, OJ C 173, 26.7.2007, p. 2) and of 28 November 2007 on Support to Bataviawerf - Netherlands (Case N 377/2007, OJ C 35 of 08.02.2008, p. 3).

4. CONCLUSION

The Commission has accordingly decided that the measure does not constitute aid within the meaning of Article 107(1) of the Treaty.

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Your request should be sent by registered letter or fax to:

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Yours faithfully,
For the Commission

Joaquín ALMUNIA
Vice-President