



EUROPEAN COMMISSION

Brussels,
C (2013)

Subject: State aid/ Latvia
Aid No SA.37694 (2013/N)
Partial interest rate subsidy

Sir,

The European Commission (hereinafter the Commission) wishes to inform Latvia that, having examined the information supplied by your authorities on the prolongation of the State aid measure referred to above, it has decided not to raise any objections to the relevant measure as it is compatible with the Treaty on the Functioning of the European Union (hereinafter: the TFEU).

In taking this decision the Commission has relied on the following considerations:

1. PROCEDURE

- (1) In accordance with Article 108(3) of the TFEU, by letter of 11 November 2013, registered by the European Commission on the same date, the Latvian Permanent Representation to the European Union notified the Commission on a simplified notification form the planned prolongation of the existing aid scheme *SA.28601 (N 301/2009) – Partial interest rate subsidy*. This aid scheme was approved by Commission Decision C(2009) 6562 of 21 August 2009.

2. DESCRIPTION OF THE EXISTING AID SCHEME

- (2) The aid scheme SA.28601 (N 301/2009) approved until 31 December 2013, is designed to compensate the part of the credit interest paid for credits taken from the credit institutions for the implementation of investment projects designated for the execution of primary production of agricultural products. The aid covers part of the interest actually paid on the loan or leasing arrangement (except operational leasing).

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The amount of aid is the amount which does not exceed 10% of the annual credit rate, or the actual rate, if the credit rate is less than 10%. The maximum amount of aid granted to a single enterprise must not exceed LVL 3 514 000 (around EUR 5 000 000), or LVL 7 028 000 (around EUR 10 000 000) in case of cooperatives.

- (3) The partial interest rate subsidy is granted when the credit has been granted for one or more of the following purposes: to reduce production costs, to improve and re-deploy production, to increase product quality, and to promote the diversification of farm activities.
- (4) The overall budget is LVL 60 000 000 (approximately EUR 85 373 000). The beneficiaries are over 1000 agricultural undertakings.
- (5) The eligible expenditure for investment projects would be: construction, purchase of real estate or improvement of the conditions thereof, purchase of agricultural technology and hardware as well as software, purchase of perennial plants and the compensation for services of planting the perennial plants and general expenditure related to the previous items. The purchase of land can be part of the eligible expenses provided it is given towards land other than land for construction purposes, and will not cover more than 10% of the total eligible expenses of the investment.
- (6) The aid intensity for investment support under the measure cannot exceed the level of 60% of eligible costs.

3. DESCRIPTION OF THE MODIFICATION

- (7) The authorities of Latvia propose to extend the existing aid scheme N 301/2009 until 31 December 2019.
- (8) The Latvian authorities have confirmed that, with the exception of prolonging the duration of the N 301/2009 aid scheme, all other elements of the original approval decision of the European Commission remain unchanged.
- (9) The authorities of Latvia undertook to adapt the present scheme to the new rules applicable to State aids in agriculture and forestry after 2013.
- (10) Furthermore the authorities of Latvia assured that firms in difficulty within the meaning of Community guidelines on State aid for rescuing and restructuring firms in difficulty¹ will not be eligible for aid under the notified measure.
- (11) Additionally, the Latvian authorities committed to suspend the payment of the aid if the beneficiary still has at its disposal an earlier unlawful aid that was declared incompatible by a Commission Decision (either concerning an individual aid or an aid scheme), until that beneficiary has reimbursed or paid into a blocked account the total amount of the unlawful and incompatible aid including the corresponding recovery interest.

4. ASSESSMENT OF THE AID SCHEME

- (12) Article 4(2)(b) of Commission Regulation (EC) No 794/2004 of 21 April 2004 implementing Council Regulation (EC) No 659/1999 laying down detailed rules for

¹ OJ C 244 of 1.10.2004, p. 2.

the application of Article 93 of the EC Treaty² states that a simplified notification form can be used when the proposed alteration to an existing aid concerns prolongation by up to six years, with or without an increase in the budget. In the case at hand, the modification concerns the prolongation of the scheme (see recital (7) above). Therefore the simplified procedure can apply.

- (13) In its decision N 301/2009 the Commission has established that the measure constitutes State aid and has assessed the aid under the conditions laid out in the Chapter IV.A. of the Guidelines on State aid in the agriculture and forestry sector 2007-2013³ (hereinafter: "Guidelines") and considered it compatible with the internal market under Article 107(3)(c) of the TFEU.
- (14) In the light of the assurances made by the Latvian authorities that the aid decision N 301/2009 will remain the same with the exception of extending its duration until 31 December 2019, the Commission considers that the aid scheme continues to respect the conditions set out in the Chapter IV.A. of the Guidelines.
- (15) The Commission takes note that according to settled case law⁴, the Latvian authorities commit to suspend the payment of the notified aid if the beneficiary still has at its disposal an earlier unlawful aid that was declared incompatible by a Commission Decision (either concerning an individual aid or an aid scheme), until that beneficiary has reimbursed or paid into a blocked account the total amount of unlawful and incompatible aid including the corresponding recovery interest (see recital (10)).

5. CONCLUSION

- (16) In view of the foregoing, the Commission has accordingly decided to consider the modified aid scheme to continue to be compatible with the internal market under Article 107(3)(c) of the TFEU.
- (17) If this letter contains confidential information which should not be published, please inform the Commission within fifteen working days of the date of receipt. If the Commission does not receive a reasoned request by that deadline, you will be deemed to agree to publication of the full text of this letter in the authentic language on the Internet site:

<http://ec.europa.eu/competition/elojade/isef/index.cfm>.

² OJ L 140, 30.4.2004, p. 1.

³ OJ C 319, 27.12.2006, p. 1.

⁴ See Judgment of the General Court of 13 September 1995, joined cases T-244/93 and T-486/93, *Textilwerke Deggendorf GmbH v Commission*, p. II-2288, paras 51 and 56 et seq.; confirmed by the judgment of the Court of Justice of 15 May 1997, case C-355/95 P, p. I-2575, paras 22 and 26 et seq.

Your request specifying the relevant information should be sent by registered letter or fax to:

European Commission
Directorate-General for Agriculture and Rural Development
Directorate for Agricultural Legislation
Rue de la Loi 200
B-1049 Brussels

Fax No: 0032 2 29 67672

Yours faithfully,

For the Commission

Neven MIMICA

Member of the Commission