



EUROPEAN COMMISSION

Brussels, 24.2.2009
C(2009) 1371

Subject: State aid N 78/2009 – Hungary
"Temporary aid scheme for granting aid in the form of loans with subsidised interest rate"

Madam,

1. PROCEDURE

- (1) By electronic notification of 12 February 2009, Hungary notified the Temporary aid scheme for granting aid in the form of loans with subsidised interest rate. By e-mail dated 20 February 2009, Hungary transmitted additional information.

2. DESCRIPTION

2.1. Objective of the aid scheme

- (2) Hungary considers that the financial crisis starts affecting the real economy. The notified measure aims at remedying a serious disturbance in the economy of Hungary by improving the access of firms to external finance. It is part of a package of measures.
- (3) The scheme is expressly based on Article 87(3)(b) ECT, as interpreted by Paragraph 4.4.2 of the Commission communication "Temporary framework for State aid measures to support access to finance in the current financial and economic crisis" (hereinafter referred to as the Temporary Framework)¹.

2.2. The nature and form of the aid

- (4) The aid will be provided in the form of subsidized public loans.

¹ OJ C 16, 22.1.2009, p.1.

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2.3. Legal basis

- (5) The legal basis for the scheme is Art. 23/B, Art. 23/C and Art. 23/D of the Government Decree 85/2004. (IV. 19.) on the *Procedure regarding State Aid defined by Article 87 (1) of the EC Treaty and on the Regional Aid Map*.

2.4. Administration of the scheme

- (6) The scheme is a national framework scheme, allowing aid to be granted at central, regional and local level, and is applied in a decentralised way by all relevant economic policy actors.

2.5. Budget and duration of the measure

- (7) The budget of the scheme has not yet been definitely adopted, but the Hungarian authorities expect the aid volume resulting from interest rate subsidisation under this scheme to amount to HUF [...] (EUR [...]).
- (8) The scheme applies to loan contracts concluded as from the date of Commission approval and before 31 December 2010. The reduced interest rates may be applied for interest payments due before 31 December 2012.

2.6. Sectoral and geographical scope

- (9) The scheme applies to the whole territory of Hungary, and is open to all sectors of the economy.

2.7. Beneficiaries

- (10) The potential beneficiaries of the scheme are SMEs and large enterprises.
- (11) The Hungarian authorities confirm that no loans will be granted to large firms which were, on 1 July 2008, firms in difficulty in the meaning of point 2.1 of the Community guidelines on State aid for rescuing and restructuring for firms in difficulty², nor to SMEs which were on that date firms in difficulty within the meaning of Art. 1 (7) of the General Block Exemption Regulation³. SMEs are defined in accordance with annex I to the General Block Exemption Regulation.
- (12) The Hungarian authorities estimate that the total number of beneficiaries will exceed 1000.

* Confidential information

² OJ C 244, 1 October 2004, pg. 2-17.

³ OJ L 214, 9 August 2008, pg. 3-47, Commission Regulation (EC) No 800/2008 of 6 August 2008 declaring certain categories of aid compatible with the common market in application of Articles 87 and 88 of the Treaty (General block exemption Regulation)

2.8. Basic elements of the scheme

2.8.1. Loan contract

(13) The interest rate reduction foreseen by the present scheme may be applied for interest payments due before 31 December 2012.

2.8.2. Calculation method of the reduced interest rate

(14) The Hungarian authorities confirm that the conditions laid down in section 4.4.2 of the Temporary Framework for granting aid in the form of a subsidized interest rate will be respected. In particular, the Hungarian authorities confirm

- that the difference between the average one year interbank rate and the average overnight interbank rate over the period 1/1/2007 to 30/06/2008 is 26 basis points;
- that the interest rate the loan beneficiaries have to pay will at no point in time be below the overnight interbank rate⁴ plus 26 basis points plus a risk premium established according to the loan margin grid provided by the Commission communication on the revision of the method for setting the reference and discount rates⁵ (Commission reference rate communication 2008), which reflects the rating of the beneficiary and the level of collateralisation of the loan. The rating will be established on the basis of the situation of the beneficiary at the point of time where the loan contract is concluded. For borrowers that do not have a credit history and/or a rating based on a balance sheet approach, such as certain special-purpose companies or start-ups companies, the loan margin will be at least 400 basis points, and the margin can never be lower than the one which would be applicable to the parent company.
- that subsidized interest rates will be applied only to interest rate payments due before 31 December 2012, and that for interest rate payments after 31 December 2012, interest rates defined in line with the applicable Commission reference rate communication shall be payable;
- that the relevant overnight rates for Hungary are available from the following website: http://www.mnb.hu/engine.aspx?page=mnbhu_statistikak.

2.9. Cumulation

(15) Aid subject to the present notification will not be cumulated with *de minimis* aid⁶ for the same eligible costs.

(16) The amount of *de minimis* aid already received, insofar as it was granted after 1st of January 2008 for the same purpose, will be deducted from the amount of compatible aid to be granted under the notified measure.

⁴ The weighted average of interest rates of overnight deposits in the interbank market, calculated by the National Bank of Hungary

⁵ OJ C 14, 19 January 2008, p.6.

⁶ OJ L 214, 28.12.2006, p. 3.

- (17) Aid subject to the present notification may be cumulated with other compatible aid, or with other forms of Community financing provided that the maximum aid intensities indicated in the relevant Guidelines or Block exemptions Regulations are respected.

2.10. Monitoring and reporting, language of decision, business secrets

- (18) The Hungarian authorities confirm that the monitoring and reporting obligations laid down in Section 6 of the Temporary Framework will be respected (e.g.: by 31 July 2009, a list of schemes put in place on the basis of the Temporary Framework must be provided to the Commission; detailed records regarding the granting of aid must be maintained for 10 years; by 31 October 2009 a report on the measures put in place should be provided).
- (19) The Hungarian authorities confirm that the notification does not contain business secrets, except for the budget of the measure.
- (20) The Hungarian authorities confirm their acceptance that the Commission decision is adopted in the English language due to exceptional circumstances.

3. ASSESSMENT

3.1. Legality of the measure

- (21) By notifying the aid measure before putting it into effect, the Hungarian authorities respected their obligations under Article 88 (3) of the EC Treaty.

3.2. Existence of state aid

- (22) State resources are involved in the notified scheme since the subsidized loans are made available from State resources.
- (23) The measure is selective since it will be granted only to a limited number of firms located in Hungary.
- (24) The measure confers an advantage by relieving the beneficiaries of costs which they would have to bear under normal market conditions since, without the intervention by the State, the borrowers would obtain loans only at higher costs, if at all.
- (25) The measure affects trade between Member States since the scheme is not limited to beneficiaries which are active in sectors where no intra-community trade exists.
- (26) In view of the above, the Commission considers that the notified measure constitutes State aid within the meaning of Article 87 (1) of the EC Treaty. The Hungarian authorities do not contest that conclusion.

3.3. Compatibility of the measure

- (27) Having established that the measure involves state aid within the meaning of Article 87 (1) of the EC Treaty, it is necessary to consider whether the above mentioned measure can be found compatible with the common market.

- (28) The measures aims at facilitating the access of firms to external finance in a period of time where the normal functioning of credit markets is severely disturbed through the financial crisis, and where the financial crisis ("credit crunch") is affecting the wider economy and is leading to severe disturbances of the economy of Member States.
- (29) By adopting the Temporary Framework on 17 December 2008, the Commission indeed acknowledged (section 4.1) the "seriousness of the current financial crisis and its impact on the overall economy of the Member States". The Commission concluded "that certain categories of State aid are justified, for a limited period, to remedy these difficulties and that they may be declared compatible with the common market on the basis of Article 87(3)(b)."
- (30) The notified measure is conceived to remedy a serious disturbance in the economy of a Member State and is designed to meet the requirements of the additional category of aid ("Aid in the form of subsidised interest rate") described in section 4.4.2 of the Temporary Framework.
- (31) The Commission considers that the notified measure meets all the conditions of the Temporary Framework. In particular:
- The reduced interest rate subsidies do not go below the interest rate threshold defined (overnight rate plus 26 basis points plus risk premium established according to the loan margin grid provided by the Commission reference rate Communication 2008)
 - The cumulation rules with de minimis aid and aid for other purposes are respected.
 - Firms in difficulty (situation as of 1.7.2008) are excluded from benefiting from the scheme.
 - The benefit of reduced interest rates is limited to loan contracts concluded before 31 December 2010, and to interest rate payments due before 31 December 2012.
 - The monitoring and reporting rules laid down in the Temporary Framework will be respected by the Hungarian authorities.

3.4. Conclusion

- (32) For these reasons, the Commission considers that the notified measure is in conformity with the Temporary Framework and considers it to be compatible with the Treaty on the basis of Article 87(3)(b) EC. The Commission notes that the notification does not contain business secrets (except for the budget of the measure), and that Hungary accepts that the decision be adopted in the English language.

4. DECISION

- (33) The Commission has accordingly decided
- to consider the notified aid scheme as compatible with the EC Treaty.

Yours faithfully,

For the Commission

Neelie KROES
Member of the Commission