



EUROPEAN COMMISSION

Brussels, 03.06.2009
C(2009)4443

**Subject: State aid No. N 224/2009 – Finland
"Finland framework Small amounts of aid"**

Sir,

1. PROCEDURE

- (1) By electronic notification of 9 April 2009, Finland notified a temporary aid scheme for granting limited amounts of compatible aid. Additional information was required by the Commission services on 22 April 2009 (D/51698). The Finnish authorities submitted additional information by electronic mail dated 19 April (A/9144) and 27 May 2009.

2. DESCRIPTION

2.1. Objective of the aid scheme

- (2) Finland considers that the financial and economic crisis is affecting its whole economy. According to the Finnish National Statistical Office, Finland entered into recession in the fourth quarter of 2008 when GDP contracted by nearly 2 % year-on-year. According to latest forecasts by the Bank of Finland, Finland's GDP is estimated to decrease by 5% in 2009 and by 1-1.5% in 2010. The total value of Finland's export was 35% lower in January 2009 than in January 2008. The fall in exports was followed by cuts in industrial output, which lead to much higher unemployment throughout all industry sectors. The bulk of the labour market adjustment is forecast to take place in 2009, when unemployment is forecast to jump to nearly 9% of the labour force from a rate of slightly above 6% recorded in the previous year.

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- (3) Due to the credit crunch, business credit markets have remained tight and the demand for corporate loans from domestic financial institutions has increased significantly. According to the Finnish authorities, bankruptcies have increased by 20% in the period from October 2008 to January 2009. According to estimates of the Finnish Ministry of Finance, private investments in 2009 are expected to be 10-15% lower than in 2008.
- (4) The notified measure is part of a wider package of measures, which are aimed at remedying a serious disturbance in the economy of Finland. To this end, the Finnish authorities are putting into place other measures (guarantee scheme) under the Temporary Framework that are covered by other notifications to the Commission.¹ The aim of the notified scheme is to grant temporary aid to undertakings that have been affected by a sudden shortage or unavailability of credit as a result of the global financial and economic crisis. It will help to maintain current employment and possibly will help to stimulate the creation of new jobs. The scheme provides for the provision of limited amounts of compatible aid to undertakings until the end of 2010.
- (5) The scheme is explicitly based on Article 87(3)(b) EC Treaty, and relies on section 4.2.2 of the Commission communication "Temporary Community framework for State aid measures to support access to finance in the current financial and economic crisis"² (hereinafter referred to as "Temporary Framework").

2.2. The nature and form of the aid

- (6) The aid will be provided in the form of transparent forms of aid, as defined by the General Block Exemption Regulation³, and in particular, in the form of direct grants, loans and interest rate subsidies⁴, guarantees⁵. Aid will be granted in the form of risk capital and capital injections⁶.

¹ The Finnish authorities notified also temporary aid in form of guarantees registered at the Commission under N 82b/2009 on 13 February 2009. This case is still under assessment by the Commission..

² OJ C 16, 22.1.2009, p.1.

³ 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), OJ L 214, 9.8.2008, p. 3.

⁴ Where the gross grant equivalent has been calculated on the basis of the Commission communication on the revision of the method for setting the reference and discount rates (2008/C 14/02).

⁵ Where the aid element is calculated either on the basis of the safe-harbour premiums set forth in the Annex of the Amended Temporary Framework or another method which might in future be accepted by the Commission in view of its application in the Block Exemption Regulation (800/2008) or the *de minimis* Regulation (1998/2006), allowing to render public guarantees into a transparent form of aid.

⁶ Where the aid is granted in the form of risk capital or a capital injection, it is the total amount of the equity participation and not the grant equivalent of this participation which is to be taken as aid element. The total amount of the risk capital or capital injection will not exceed EUR 500,000. Capital injections or risk capital are directly paid by state authorities to the beneficiaries (undertakings).

2.3. Legal basis

- (7) The Finnish authorities indicate that aid may be granted under any applicable legal basis including but not limited to following acts:
- Valtionavustuslaki 688/2001 (Act on Discretionary Government Transfers)
 - Laki valtion erityisrahoitusyhtiön luotto- ja takaustoiminnasta 445/1998 (Act on Credits and Guarantees Provided by the State-Owned Specialist Financing Company)
 - Laki Tekes — teknologian ja innovaatioiden kehittämiskeskuksesta 717/2008
 - Laki valtionavustuksesta yritystoiminnan kehittämiseksi 1336/2006
 - Laki julkisesta työvoimapalvelusta 1295/2002 (Act on the Public Employment Service)
 - Kuntalaki 365/1995, Section 2 (Act on municipalities) as well as budgetary rules applicable at local level.

2.4. Administration of the scheme

- (8) The notified scheme is a national framework scheme allowing aid to be granted by all relevant economic policy actors at national, regional and local level. The administration of the scheme is coordinated by the Ministry of Employment and the Economy.

2.5. Budget and duration of the measure

- (9) The aid volume available under this scheme is estimated by the Finnish authorities to be EUR 200-300 million. The aid scheme will be financed through the national budget.
- (10) Aid under this scheme can be granted in 2009 and 2010.
- (11) The Finnish authorities confirm that no aid will be granted prior to Commission approval of the scheme.

2.6. Beneficiaries

- (12) The scheme applies to small and medium-sized enterprises ("SMEs") and large firms. Its geographic scope is not limited.
- (13) The Finnish authorities confirm that no aid under this scheme will be granted to large firms which were, on 1 July 2008, firms in difficulties in the meaning of point 2.1 of the Community guidelines on State aid for rescuing and restructuring for firms in difficulty⁷, nor to SMEs which were on that date firms in difficulties in the meaning of Article 1(7) of the General Block Exemption Regulation. SMEs are defined in line with Annex I to the General Block Exemption Regulation.

⁷ OJ C 244, 1.10.2004, p. 2.

- (14) The scheme may be applied to firms that were not in difficulty on 1 July 2008, but entered into difficulty thereafter as a result of the global financial and economic crisis.
- (15) The Finnish authorities estimate that the number of beneficiaries will be over 1000 firms.

2.7. Sectoral scope, exclusion of export aid and aid favouring domestic over imported products

- (16) The scheme applies in all sectors, with the sectoral exclusions of undertakings active in the fisheries sector (section 4.2.2.d) and undertakings active in the primary production of agricultural products⁸ (section 4.2.2.h). It may apply to undertakings active in the processing and marketing of agricultural products (as defined in Article 2.3 and 2.4 of Regulation (EC) 1857/2006) unless the amount of the aid is fixed on the basis of the price or quantity of such products purchased from primary producers or put on the market by the undertakings concerned, or the aid is conditional on being partly or entirely passed on to primary producers.
- (17) Export aid and aid favouring domestic over imported goods and services are excluded (section 4.2.2 (e) of the Temporary framework).

2.8. Basic elements of the scheme

- (18) The Finnish authorities confirm that the conditions laid down in section 4.2.2 for granting limited amounts of compatible aid will be fully met. In particular:
- the aid shall not exceed EUR 500,000 per undertaking, as laid down in section 4.2.2(a) of the Temporary framework. All figures used shall be gross, that is, before any deduction of tax or other charges. Where the aid is granted in the form of a capital injection or risk capital, it is the total amount of the equity participation and not the grant equivalent of this participation which is to be taken as aid element. Where aid is awarded in a form other than a grant, an capital injection or risk capital, the aid amount shall be gross grant equivalent of the aid;
 - before granting the aid, the aid granting authorities shall obtain from the undertakings concerned a declaration about any *de minimis* aid (as defined in the Commission Regulation on *de minimis* aid⁹) or aid granted under this measure received during the current fiscal year (section 4.2.2 (g), first sentence);
 - the Finnish authorities confirm that aid may not be cumulated with *de minimis* support in respect of the same eligible costs. The total amount of *de minimis* aid and aid granted under this measure per undertaking in the period 1.1.2008 to 31.12.2010 may not exceed EUR 500,000 (section 4.2.2 (g), second sentence);

⁸ As defined in Article 2(2) of Commission Regulation (EC) No 1857/2006 on the application of Articles 87 and 88 of the Treaty to State aid to small and medium-sized enterprises active in the production of agricultural products and amending Regulation (EC) No 70/2001.

⁹ Commission Regulation (EC) No 1998/2006 of 15 December 2006 on the application of Articles 87 and 88 of the Treaty to *de minimis* aid, OJ L 379, 28.12.2006, p. 5.

- where the aid granted under this measure is to be combined with other compatible aid, the maximum aid intensities indicated in the relevant Guidelines or Block exemption regulations will be respected (section 4.7, last paragraph);
- the aid ceilings fixed under this scheme will be applied regardless of whether the support for the aided project is financed entirely from State resources or partly financed by the Community;
- where this measure applies to undertakings active in the processing and marketing of agricultural products (as defined in Article 2.3 and 2.4 of Regulation (EC) 1857/2006), the amount of the aid is not fixed on the basis of the price or quantity of such products purchased from primary producers or put on the market by the undertakings concerned, or the aid is not conditional on being partly or entirely passed on to primary producers (section 4.2.2 (h), second sentence).

2.9. Monitoring and reporting, business secrets, language of the decision

- (19) The Finnish 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). In particular, information will be obtained demonstrating that the beneficiary was not a company in difficulty on 1 July 2008.
- (20) The Commission notes that the Finnish authorities confirm that the notification does not contain confidential business secrets.
- (21) The Finnish authorities confirm their acceptance that the Commission decision is adopted in the English language due to the exceptional circumstances.

3. ASSESSMENT

3.1. Legality of the measure

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

3.2. Existence of state aid

- (23) State resources are involved in the notified scheme since the aid is granted from national state resources and is coordinated by the Finnish Ministry of Employment and the Economy.
- (24) The measure is selective since it will be granted only to certain firms.
- (25) The measure conveys an advantage by making available limited amounts of aid which would not be available to the beneficiaries without the measure.
- (26) 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.

- (27) The measure distorts or threatens to distort competition.
- (28) 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 Finnish authorities do not contest that conclusion.

3.3. Compatibility of the measure

- (29) 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.
- (30) As described above under paragraphs 2 and 3, the recent developments in the Finnish economy point to an overall economic downturn when compared to previous periods. Finland entered into recession in the fourth quarter of 2008 when GDP contracted by nearly 2 % year-on-year. According to latest forecasts by the Bank of Finland, Finland's GDP is estimated to decrease by 5% in 2009 and by 1-1.5% in 2010. The total value of Finland's export was 35% lower in January 2009 than in January 2008. The fall in exports was followed by cuts in industrial output, which lead to much higher unemployment throughout all industry sectors. The bulk of the labour market adjustment is forecast to take place in 2009, when unemployment is forecast to jump to nearly 9% of the labour force from a rate of slightly above 6% recorded in the previous year.
- (31) By granting limited compatible amounts of aid (EUR 500,000 per undertaking during 2009 and 2010) the Finnish authorities aim at supporting those undertakings that have been affected by a sudden shortage or unavailability of credit as a result of the credit crunch and therefore, anticipate producing effects across its entire economy that is relatively dependant on external demand. Thus, the measure aims at remedying a severe disturbance in the economy of Finland.
- (32) By adopting the Temporary Framework, 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)".
- (33) The Commission accordingly considers that the notified 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 additional category of aid ("Compatible limited amount of aid") described in section 4.2.2 of the Temporary Framework, in particular:
- The maximum aid amount will not exceed the cash equivalent of EUR 500,000 in line with point 4.2.2 (a).
 - The measure is granted through an aid scheme in line with point 4.2.2 (b).
 - The cumulation rules with *de minimis* aid and aid for other purposes are respected (in particular point 4.2.2 (g) and point 4.7).

- Firms in difficulty (situation of 1 July 2008) are excluded from eligibility under the scheme in compliance with point 4.2.2 (c).
- Firms active in the fisheries sector are excluded from the scope of this measure (in line with point 4.2.2 (d)).
- Undertakings active in the primary production of agricultural products are excluded from the scope of this measure. Aid to the processing and marketing of agricultural products is subject to the relevant conditions (in line with point 4.2.2 (h)).
- Export aid and aid favouring domestic over imported goods and services are excluded (in line with point 4.2.2 (e)).
- In line with point 4.2.2 (f), aid may be granted until 31.12.2010.
- The monitoring and reporting rules laid down in point 6 of the Temporary Framework will be respected.

3.4. Conclusion

- (34) 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 EC Treaty on the basis of Article 87(3)(b). The Commission notes that the notification does not contain business secrets and that Finland accepts the decision to be adopted in the English language.

4. DECISION

- (35) The Commission has accordingly decided
- to consider the notified aid scheme as compatible with the EC Treaty under Article 87(3)(b).

Yours faithfully
For the Commission

Neelie KROES
Member of the Commission