EUROPEAN COMMISSION

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PUBLIC VERSION

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Subject: **State Aid SA.56804 – Republic of Estonia**
State Loan Guarantees and subsidised loan scheme under the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak

Excellency,

1. PROCEDURE

(1) By electronic notification of 27 March 2020, Estonia notified aid in the form of two schemes under the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak ("the Temporary Framework").[1] This concerns the Loan guarantee and subsidised loan scheme managed by Foundation KredEx ("Measure 1") and the Loan guarantee and subsidised loan scheme managed by the Rural Development Foundation ("Measure 2"), jointly referred to as "the measures".

(2) Estonia confirms that the notification does not contain confidential information.

(3) Estonia exceptionally agrees to waive its rights deriving from Article 342 TFEU, in conjunction with Article 3 of Regulation 1/1958,[2] and to have this Decision adopted and notified in English.

1 Communication from the Commission - Temporary framework for State aid measures to support the economy in the current COVID-19 outbreak, 19 March 2020, OJ C 91I, 20.3.2020, p. 1-9.

2 Regulation No 1 determining the languages to be used by the European Economic Community, OJ 17, 6.10.1958, p. 385.

Urmas Reinsalu
Minister of Foreign Affairs of Estonia
Islandi väljak 1, 15049 Tallinn

2. DESCRIPTION OF THE MEASURES

(4) Estonia considers that the COVID-19 outbreak has started to affect the real economy. The measures form part of an overall package of measures and aim to ensure that sufficient liquidity remains available in the market, to counter the damage inflicted upon undertakings impacted by the COVID-19 outbreak and to preserve the continuity of economic activity during and after the COVID-19 outbreak.

(5) The measures are designed to comply with Article 107(3)(b) of the Treaty on the Functioning of the European Union ("TFEU"), as interpreted by Section 2 of the Temporary Framework.

2.1. Measure 1

2.1.1. The nature and form of aid

(6) Measure 1 provides aid in the form of guarantees on loans and subsidised interest rates for loans in view of the disruption caused by the COVID-19 outbreak. The guarantees or loans relate to both investment and working capital needs.

2.1.2. Legal basis

(7) The legal basis for Measure 1 is the "Support of Enterprise and State Loan Guarantees Act" and the Government office decision of 19.03.2020 (including the amendments of 26.03.2020)[3].

2.1.3. Administration of Measure 1

(8) The public Foundation KredEx[4] is responsible for implementing and administering Measure 1.

2.1.4. Budget and duration of Measure 1

(9) The budget is estimated by the Estonian authorities at EUR 1.55 billion, attributed as follows to the different instruments:

- Guarantees: EUR 1 billion;
- KredEx' working capital loans: EUR 500 million;
- KredEx' investment loans: EUR 50 million.

3 https://www.riigiteataja.ee/akt/1055160?leiaKehtiv and https://www.riigiteataja.ee/en/eli/ee/528122017003/consolide/current

4 KredEx is a foundation set up by the Estonian Ministry of Economic Affairs and Communications in 2001 (https://www.kredex.ee/en/who-we-are/sa-kredex). It is 100% state owned and controlled in accordance with the "Support of Enterprise and State Loan Guarantees Act" (https://www.riigiteataja.ee/en/eli/528122017003/consolide) and the "State Assets Act" (https://www.riigiteataja.ee/en/eli/512072018001/consolide.

(10) Aid may be granted under Measure 1 as from its approval until 31 December 2020.

2.1.5. Beneficiaries

(11) The final beneficiaries of Measure 1 are undertakings registered with the commercial register in Estonia, irrespective of their size. Aid may be granted under the measure only to undertakings that were not in difficulty within the meaning of the General Block Exemption Regulation ("GBER")[5] on 31 December 2019, but that faced difficulties or entered into difficulty thereafter because of the COVID-19 outbreak. Aid is granted under the measure either directly or through credit institutions and other financial institutions as financial intermediaries.

2.1.6. Sectoral and regional scope of the measure

(12) Measure 1 is open to all sectors with the exception of companies active primarily in production of agricultural products, fishery and aquaculture, forest management and production, processing or marketing of tobacco (or related products)[6].

2.1.7. Basic elements of Measure 1

2.1.7.1. Nature of the eligible instruments

(13) Measure 1 provides for the issuance of the following instruments: i) proportional guarantees for new loans and leases[7]; ii) proportional guarantees for existing loans and leases; iii) first-loss guarantees for existing loans and leases; iv) subsidised interest loans. The aim of covering also existing loans by KredEx' guarantees is to help the borrowers obtaining a longer than normal grace period (at least 6 months) and an extension of the maturity of the existing loan. This way Estonia expects to alleviate the temporary liquidity needs caused by the COVID-19 outbreak. The direct subsidised interest loans and loans subject to KredEx' guarantees may relate to both investment and working capital needs.

[5] As defined in Article 2(18) of the Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty, OJ L 187 of 26.6.2014, p. 1.

[6] Additionally, Estonia specified that the support under the notified measure will not be granted to facilitate financing in the following cases: acquisition of transport vehicles or equipment used for road freight transport: export-related activities directly connected to the current expenditures of exported quantities, the establishment or functioning of a distribution network, or other operating costs arising from export,; where the purpose of financing is the use of domestic products instead of imported products; fields related to pornography, gambling, illegal data downloads or the provision of illegal access to data networks; research and development in healthcare aiming to clone humans or develop genetically modified organisms for research or treatment purposes; where the direct or indirect owners of the applicant include entrepreneurs registered in low tax rate countries; where an entrepreneur operates in the field of gambling.

[7] Leases in this decision refers to finance lease agreements, not operating lease.

2.1.7.2. Maximum amount of the eligible instrument

(14) KredEx' loans and loans subject to KredEx' guarantees issued to any beneficiary are limited to:

i. the double of the annual wage bill of the beneficiary (including social charges as well as the cost of personnel working on the company site but formally in the payroll of subcontractors) for 2019 or for the last year available. In the case of undertakings created on or after 1 January 2019, the maximum loan must not exceed the estimated annual wage bill for the first two years in operation; or

ii. 25% of the total turnover of the beneficiary in 2019; or

iii. with appropriate justification and based on self-certification by the beneficiary of its liquidity needs, the amount of the loan may be increased to cover the liquidity needs from the moment of granting for the coming 18 months for SMEs and for the coming 12 months for large enterprises.

(15) For KredEx' loans and loans subject to KredEx' guarantees with a maturity until 31 December 2020, the amount of the loan principal may be higher with appropriate justification and provided that proportionality of the aid remains assured.

2.1.7.3. Maximum amount of the guarantee

(16) The proportional guarantee for existing loans and leases cannot exceed 50 percent and for new loans and leases it cannot exceed 90 percent[8] respectively of the amount of the underlying obligation, whereby the losses are sustained proportionally and under the same conditions by the credit institution and KredEx. The first-loss guarantee on existing loans and leases cannot exceed 35% of the amount of the underlying obligation[9], but no more than the sum of the payments of the principal amount of the loan or lease payable by the undertaking until 31.12.2021. When the size of the eligible instrument decreases over time, for instance because the loan starts to be reimbursed, the guaranteed amount decreases proportionally.

2.1.7.4. Maximum duration of the KredEx' guarantee or loan

(17) The maximum duration of the eligible instrument is 6 years.

2.1.7.5. Period for granting the eligible instruments

(18) The notified KredEx' guarantees and loans can be granted and modified until 31 December 2020.

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8 In case of an entrepreneur operating in the construction sector, a proportional guarantee for new loan or lease may cover up to 60% of the guaranteed loan or lease.

9 The extent of the guarantee to lease obligations shall be calculated from the amount without VAT.

2.1.7.6. Remuneration of the eligible instruments

(19) The guarantee fee for guarantees is established on a case-by-case basis depending on elements such as the risk level of the undertaking, the project, and the provided loan collateral, will be:

– for SMEs not less than 25 bps in the first year, 50 bps in the second and third year and 100 bps in the fourth to sixth year of the guarantee.

– - For large enterprises, not less than 50 bps in the first year, 100 bps in the second and third year and 200 bps in the fourth to sixth year of the guarantee.

(20) The interest rate for KredEx' loans is established on a case-by-case basis depending on elements such as the risk level of the undertaking, the project, and the provided loan collateral, but it will never be less than the base rate (1 year IBOR or equivalent as published by the Commission)[10] applicable on 1 January 2020 plus:

– for SMEs at least 25 bps in the first year, 50 bps in the second and third year and 100 bps in the fourth to sixth year of the guarantee.

– for large enterprises, at least 50 bps in the first year, 100 bps in the second and third year and 200 bps in the fourth to sixth year of the guarantee.

2.1.7.7. Mobilisation of the guarantee

(21) The Estonian authorities confirmed that the mobilisation of the guarantee is contractually linked to specific conditions, which are agreed between the parties when the guarantee is initially granted.

2.2. Measure 2

2.2.1. The nature and form of aid

(22) Measure 2 provides aid in the form of guarantees on loans and subsidised interest rates for loans in view of the disruption caused by the COVID-19 outbreak. The guarantees or loans relate to both investment and working capital loans or needs.

2.2.2. National legal basis

(23) The legal basis for Measure 2 is the Rural Development and Agricultural Market Regulation Act (RT I 2008, 33, 202)[11], the Fisheries Market Organisation Act (RT I, 05.12.2014, 1)[12], the Government office decision 19.03.2020 and the

[10] As defined in Article 2 (18) of the Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty, OJ L 187 of 26.6.2014, p. 1.

[11] https://www.riigiteataja.ee/en/eli/529032019007/consolide

[12] https://www.riigiteataja.ee/en/eli/510012019011/consolide

Loan scheme and guarantee plan approved on 26.03.2030 by Decision of the Management Board of the Rural Development Foundation.

2.2.3. Administration of Measure 2

(24) The public Rural Development Foundation[13] is responsible for implementing and administering Measure 2.

2.2.4. Budget and duration of Measure 2

(25) The budget is estimated by the Estonian authorities at EUR 200 million.

(26) Aid may be granted under Measure 2 as from its approval until 31 December 2020.

2.2.5. Beneficiaries

(27) The final beneficiaries of Measure 2 are undertakings registered with the commercial register in Estonia, irrespective of their size. Aid may be granted under the Measure 2 only to undertakings that were not in difficulty on 31 December 2019 within the meaning of the General Block Exemption Regulation, the Agricultural Block Exemption Regulation[14] or the Fisheries Block Exemption Regulation[15] respectively, but that faced difficulties or entered into difficulty thereafter because of the COVID-19 outbreak. Aid is granted under the Measure 2 directly by Rural Development Foundation.

2.2.6. Sectoral and regional scope of Measure 2

(28) Measure 2 is open to all companies active in sectors of agriculture, fisheries, food processing and undertakings in rural areas[16].

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13 https://www.mes.ee/en

14 As defined in Article 2 (14) of the Commission Regulation (EU) No 702/2014 of 25 June 2014 declaring certain categories of aid in the agricultural and forestry sectors and in rural areas compatible with the internal market in application of Articles 107 and 108 of the Treaty, OJ L 193 of 1.7.2014, p.1.

15 As defined in Article 3 (5) of the Commission Regulation (EU) No 1388/2014 of 16 December 2014 declaring certain categories of aid to undertakings active in the production, processing and marketing of fishery and aquaculture products compatible with the internal market in application of Articles 107 and 108 of the Treaty, OJ L 369 of 24 December 2014, p. 37

16 Estonia specified that the support under the Measure 2 will not be granted to facilitate financing in the following cases: 1. undertakings active in the following economic sectors/activities: (a) illegal economic activities: any production, trade or other activity which is illegal under the laws or regulations of the country in which the production, trade or activity is carried out; (b) tobacco and distilled spirits (the production of and trade in tobacco and distilled alcoholic beverages and related products). (c) production of and trade in arms and ammunition (financing the production of and trade in weapons and ammunition of all kinds); (d) casinos (casinos and equivalent establishments); (e) IT sector restrictions (research, development or technical applications relating to electronic data programmes or solutions that (i) directly aim to support: (a) activities belonging to sectors subject to restrictions referred to in points (a) and (d), (b) online gambling and online casinos, or (c) pornography, or (ii) the purpose of which is to illegally enable: (a) enter electronic data networks; or (b) download electronic data; (f) restrictions in the life sciences sector (providing support to the

2.2.7. *Basic elements of Measure 2*

2.2.7.1. Nature of the eligible instruments

(29) Measure 2 provides for the issuance of the following instruments: i) proportional guarantees for new and existing loans; ii) first-loss guarantees for new and existing loans[17]; iii) subsidised interest loans. The measure aims to ensure that sufficient liquidity remains available in the markets, to counter the damage inflicted on impacted undertakings and to preserve the continuity of economic activity during and after the COVID-19 outbreak. The direct subsidised interest loans and loans subject to Rural Development Foundation' guarantees may relate to both investment and working capital needs.

2.2.7.2. Maximum amount of the eligible instrument

(30) The Rural Development Foundation's loans and guarantees to any beneficiary are limited to:

(a) the double of the annual wage bill of the beneficiary (including social charges as well as the cost of personnel working on the company site but formally in the payroll of subcontractors) for 2019 or for the last year available. In the case of undertakings created on or after 1 January 2019, the maximum loan must not exceed the estimated annual wage bill for the first two years in operation; or

(b) 25% of the total turnover of the beneficiary in 2019; or

(c) with appropriate justification and based on self-certification by the beneficiary's of its liquidity needs, the amount of the loan may be increased to cover the liquidity needs from the moment of granting for the coming 18 months for SMEs and for the coming 12 months for large enterprises;

but not more than EUR 5 million per borrower.

(31) For loans with a maturity until 31 December 2020, the amount of the loan principal may be higher than under recital (30) (a) to (c) above provided that the liquidity means are appropriately justified and that the proportionality of the aid remains assured.

2.2.7.3. Maximum amount of the guarantee

(32) The proportionate guarantee cannot exceed 90 percent of the amount of the underlying obligation and the losses are sustained proportionally and under the same conditions by the credit institution and Rural Development Foundation. The first-loss guarantee on new and existing loans cannot exceed 35% of the loan. When the size of the eligible instrument decreases over time, for instance

financing of the research, development or technical applications relating to: (i) human cloning for research or therapeutic purposes; or (ii) Genetically Modified Organisms (GMOs)).

[17] Existing owner loans cannot be covered by the guarantees under the Measure 2.

because the loan starts to be reimbursed, the guaranteed amount decreases proportionally.

2.2.7.4. Maximum duration of the eligible instrument

(33) The maximum duration of the eligible instrument is 6 years.

2.2.7.5. Period for granting the eligible instrument

(34) The notified Rural Development Foundation's guarantees and loans can be granted and modified until 31 December 2020.

2.2.7.6. Remuneration of the eligible instruments

(35) The guarantee fee for guarantees will be::

- for SMEs not be less than 25 bps in the first year, 50 bps in the second and third year and 100 bps in the fourth to sixth year of the guarantee .
- for large enterprises, not be less than 50 bps in the first year, 100 bps in the second and third year and 200 bps in the fourth to sixth year of the guarantee.

(36) The interest rate for loans granted by the Rural Development Foundation will not be less than the base rate (1 year IBOR or equivalent as published by the Commission)[18] applicable on 1 January 2020 plus:

- for SMEs at least 25 bps in the first year, 50 bps in the second and third year and 100 bps in the fourth to sixth year of the guarantee.
- for large enterprises, at least 50 bps in the first year, 100 bps in the second and third year and 200 bps in the fourth to sixth year of the guarantee.

2.2.7.7. Mobilisation of the guarantee

(37) The Estonian authorities confirmed that the mobilisation of the guarantee is contractually linked to specific conditions, which are agreed between the parties when the guarantee is initially granted.

2.3. Cumulation

(38) The aid ceilings and cumulation maxima fixed under the measures shall apply regardless of whether the support for the aided project is financed entirely from State resources or partly financed by the Union.

(39) Estonia commits that aid granted under any of the guarantee schemes will not be cumulated with other aid granted under section 3.3 of the Temporary Framework, and vice versa.

[18] As defined in Article 2 (18) of the Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty, OJ L 187 of 26.6.2014, p. 1.

2.4. Monitoring and reporting

(40) The Estonian authorities confirm that they will respect the monitoring and reporting obligations laid down in Section 4 of the Temporary Framework (*e.g.*, by 31 December 2020, a list of measures put in place on the basis of schemes approved under the Temporary Framework must be provided to the Commission; detailed records regarding the granting of aid must be maintained for 10 years upon granting of the aid,

3. ASSESSMENT

3.1. Legality of the measures

(41) By notifying the measures before putting it into effect, the Estonian authorities have respected their obligations under Article 108(3) TFEU.

3.2. Existence of State aid

(42) For a measure to be categorised as aid within the meaning of Article 107(1) TFEU, all the conditions set out in that provision must be fulfilled. First, the measure must be imputable to the State and financed through State resources. Second, it must confer an advantage on its recipients. Third, that advantage must be selective in nature. Fourth, the measure must distort or threaten to distort competition and affect trade between Member States.

(43) The measures are imputable to the State, since they are administered by Foundation KredEx based on the "Support of Enterprise and State Loan Guarantees Act" and Government office decision 19.03.2020 (amendments 26.03) as regards Measure 1, and by the Rural Development Foundation based on the "Rural Development and Agricultural Market Regulation Act", the "Fisheries Market Organisation Act" and the Government office decision 19.03.2020 as regards Measure 2. They are financed through State resources, since they are financed by public funds.

(44) The measures confer an advantage on their beneficiaries in the form of non-market conform guarantees on loans and subsidised interest rates. The measures thus relieve those beneficiaries of costs, which they would have had to bear under normal market conditions.

(45) The advantage granted by the measures is selective since it is awarded only to certain undertakings that are registered in the commercial register of the Republic of Estonia and that fulfil the conditions detailed in recitals (11), (12), (28) and (29).

(46) The measures are liable to distort competition, since they strengthen the competitive position of their beneficiaries. They also affect trade between Member States, since those beneficiaries are active in sectors in which intra-Union trade exists.

(47) In view of the above, the Commission concludes that the measures constitute aid within the meaning of Article 107(1) TFEU. The Estonian authorities do not contest that conclusion.

3.3. Compatibility

(48) Since the measures involve aid within the meaning of Article 107(1) TFEU, it is necessary to consider whether those measures are compatible with the internal market.

(49) Pursuant to Article 107(3)(b) TFEU the Commission may declare compatible with the internal market aid "*to remedy a serious disturbance in the economy of a Member State*".

(50) By adopting the Temporary Framework on 19 March 2020, the Commission acknowledged (Section 2) that "*the COVID-19 outbreak affects all Member States and that the containment measures taken by Member States impact undertakings*". The Commission concluded that "*State aid is justified and can be declared compatible with the internal market on the basis of Article 107(3)(b) TFEU, for a limited period, to remedy the liquidity shortage faced by undertakings and ensure that the disruptions caused by the COVID-19 outbreak do not undermine their viability, especially of SMEs*".

(51) The measures aim at facilitating the access of firms to external finance at a time when the normal functioning of credit markets is severely disturbed by the COVID-19 outbreak and that outbreak is affecting the wider economy and leading to severe disturbances of the real economy of Member States.

(52) The measures are part of a series of measures conceived at national level by the Estonian authorities to remedy a serious disturbance in their economy. The importance of the measures to stimulate lending by private banks to enterprises and/or to encourage banks to grant or extend grace periods as regards existing loans during the COVID-19 outbreak is widely accepted by economic commentators and the measures are of a scale which can be reasonably anticipated to produce effects across the entire Estonian economy. Furthermore, the measures have been designed to meet the requirements of a specific category of aid: "*Aid in the form of guarantees on loans*" and "*Aid in the form of subsidised interest rates for loans*" described in Sections 3.2 and 3.3 of the Temporary Framework.

(53) The Commission accordingly considers that the measures are necessary, appropriate and proportionate to remedy a serious disturbance in the economy of a Member State and meet all the conditions of the Temporary Framework.

(54) In particular as regards **Measure 1**:

- For guarantees granted, the guarantee fee is established on a case-by-case basis depending on elements such as the risk level of the undertaking, the project, and the provided loan collateral, but will not be less than stipulated in point 25(a) of the Temporary Framework (recital (19). It therefore complies with point 25(a) of the Temporary Framework.

- For subsidised loans, the interest rate is established on a case-by-case basis depending on elements such as the risk level of the undertaking, the project, and the provided loan collateral, but it will not be less than stipulated in point 27(a) of the Temporary Framework (recital (20)). The measure therefore complies with point 27(a) of the Temporary Framework.

- Guarantees and loans can be granted or amended until 31 December 2020 (recital (18)). The measure therefore complies with points 25(c) and 27(c) of the Temporary Framework.

- The maximum loan amount per beneficiary covered by guarantees and loans granted under the measure is limited in line with point 25(d) and (e) respectively point 27(d) and (e) of the Temporary Framework (recitals (14) and (15)).

- The measure limits the duration of the guarantees and loans to maximum 6 years. Furthermore,

    – Proportional guarantees on new loans cover maximum 90% of the loan principal but maximum 60% of the loan principal for undertakings operating in the construction sector (Section F of EMTAK), whereby losses stemming from the loans are sustained proportionally and under the same conditions by the credit institutions.

    – Proportional guarantees on existing loans cover maximum 50% of the loan principal and losses stemming from the loans are sustained proportionally and under the same conditions by the credit institutions and KredEx.

    – First loss guarantees on existing loans cover maximum 35% of the loan principal, but no more than the sum of the payments of the principal amount of the loan payable by the undertaking until 31.12.2021, whereby losses stemming from the loans are first attributed to the State and only then to the credit institutions.

  When the size of the loan decreases over time, the guaranteed amount decreases proportionally (recitals (16) and (17)). The measure therefore complies with point 25(f) of the Temporary Framework.

- Guarantees and loans granted under the measure relate to loans or needs for certain investments and working capital loans (recital (6)). The measure therefore complies with points 25(g) and 27(f) of the Temporary Framework.

- Firms in difficulty (situation as of 31 December 2019) within the meaning of the GBER are excluded from benefitting from the measure (recital (11)). The measure therefore complies with point 25(h) and 27(g) of the Temporary Framework.

- The measure introduces safeguards in relation to the possible indirect aid in favour of the credit institutions or other financial institutions to limit undue distortions to competition. For proportional guarantees on existing loans, the guarantee is limited to 50%, so that the financial institution continues to bear a significant part of the risk itself. Also, the proposed grace period is at least 6 months (recital (13)). Such safeguards ensure that these institutions, to the largest extent possible, pass on the advantages of the KredEx guarantees to the final beneficiaries. The measure therefore complies with points 21 to 31 of the Temporary Framework.

- The Estonian authorities have confirmed that they will respect the monitoring and reporting rules laid down in Section 4 of the Temporary Framework (recital (40)).

- The cumulation rules regarding aid for other purposes are respected (recitals (38) and (39)). The measure also complies with point 26 of the Temporary Framework: for the same underlying loan principal, aid granted under section 3.2 and section 3.3 of the Temporary Framework cannot be cumulated.

- Lastly, the mobilisation of the guarantees is contractually linked to specific conditions which have to be agreed between the parties when the guarantee is initially granted (recital (21)).

(55) In particular as regards **Measure 2**:

- For guarantees granted, the guarantee fee is established on a case-by-case basis, but will never be less than stipulated in point 25(a) of the Temporary Framework (recital (35)). It therefore complies with the guidance in point 25(a) of the Temporary Framework.

- For subsidised loans, the interest rate is established on a case-by-case basis, but it will never be less than stipulated in point 27(a) of the Temporary Framework (recital (36)). The measure therefore complies with point 27(a) of the Temporary Framework.

- Guarantees and loans can be granted or amended until 31 December 2020 (recital (34)). The measure therefore complies with points 25(c) and 27(c) of the Temporary Framework.

- The maximum loan amount per beneficiary covered by guarantees and loans granted under the measure is limited in line with point 25(d) and (e) respectively point 27(d) and (e) of the Temporary Framework (recitals (30) and (31)).

- The measure limits the duration of the guarantees and loans to maximum 6 years. Furthermore, proportional guarantees cover maximum 90% of the loan principal and first loss guarantees on existing loans cover maximum 35% of the loan principal. When the size of the loan decreases over time, the guaranteed amount decreases proportionally (recital (32) and (33)). The measure therefore complies with point 25(f) of the Temporary Framework.

- Guarantees and loans granted under the measure relate to loans or needs for certain investments and working capital loans (recital (22). The measure therefore complies with points 25(g) and 27(f) of the Temporary Framework.

- Firms in difficulty (situation as of 31 December 2019) within the meaning of the GBER, the ABER or the Fisheries Block Exemption Regulation are excluded from benefitting from the measure (recital (27)). The measure therefore complies with point 25(h) and 27(g) of the Temporary Framework.

- Since the measure is implemented and administered directly by the Rural Development Foundation without interference of any financial institution, no safeguards in relation to the possible indirect aid in favour of the credit institutions are needed.

- The Estonian authorities have confirmed that they will respect the monitoring and reporting rules laid down in Section 4 of the Temporary Framework (recital (40)).

- The cumulation rules regarding combination with aid for other purposes are respected (recitals (38) and (39)). The measure also complies with point 26 of the Temporary Framework: for the same underlying loan principal, aid granted under section 3.2 and section 3.3 of the Temporary Framework cannot be cumulated.

- Lastly, the mobilisation of the guarantees is contractually linked to specific conditions which have to be agreed between the parties when the guarantee is initially granted (recital (37)).

4. COMPLIACE WITH INTRINSICALLY LINKED PROVISIONS OF DIRECTIVE 2014/59/EU AND REGULATION (EU) 806/2014

(56) Without prejudice to the possible application of Directive 2014/59/EU on bank recovery and resolution (**"BRRD"**)[19] and of Regulation (EU) 806/2014 on the Single Resolution Mechanism (**"SRMR"**),[20] in the event that an institution benefiting from the measures meets the conditions for the application of that Directive or of that Regulation, the Commission notes that the notified measures do not appear to violate intrinsically linked provisions of BRRD and of SRMR.

(57) In particular, aid granted by Member States to non-financial undertakings as final beneficiaries under Article 107(3)(b) TFEU in line with the Temporary Framework, which is channeled through credit institutions or other financial institutions as financial intermediaries, may also constitute an indirect advantage to those institutions.[21] Nevertheless, any such indirect aid granted under the measures does not have the objective of preserving or restoring the viability, liquidity or solvency of those institutions. The objective of the measures is to remedy the liquidity shortage faced by undertakings that are not financial institutions and to ensure that the disruptions caused by the COVID-19 outbreak do not undermine the viability of such undertakings, especially of SMEs. As a result, aid granted under the measures does not qualify as extraordinary public financial support under Art. 2(1) No 28 BRRD and Art. 3(1) No 29 SRMR.

[19] OJ L 173, 12.6.2014, p. 190-348.

[20] OJ L 225, 30.7.2014, p. 1-90.

[21] Points 6 and 29 of the Temporary Framework.

(58) Moreover, as indicated in recitals (54) and (55) above, the measures introduce safeguards in relation to any possible indirect aid in favour of the credit institutions or other financial institutions to limit undue distortions to competition. Such safeguards ensure that those institutions, to the largest extent possible, pass on the advantages provided by the measures to the final beneficiaries.

(59) The Commission therefore concludes that the measures do not violate any intrinsically linked provisions of the BRRD and of SRMR.

5. CONCLUSION

The Commission has accordingly decided not to raise objections to the aid on the grounds that it is compatible with the internal market pursuant to Article 107(3)(b) of the Treaty on the Functioning of the European Union.

As your authorities have confirmed that the notification does not contain confidential information, and as the decision only contains information from the notification, you are deemed to have agree to the disclosure to third parties and to the publication of the full text of the letter in the authentic language on the Internet site: http://ec.europa.eu/competition/elojade/isef/index.cfm

Yours faithfully,

For the Commission

Margrethe VESTAGER
Executive Vice-President

CERTIFIED COPY
For the Secretary-General,

Jordi AYET PUIGARNAU
Director of the Registry
EUROPEAN COMMISSION