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PUBLIC VERSION

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Subject: State Aid SA.56857(2020/N) – Greece
COVID-19: Capped business loans portfolio guarantees for new working capital loans in the current COVID-19 outbreak

Excellency,

1. PROCEDURE

(1) By electronic notification of 29 March 2020, Greece notified aid in the form of guarantees on loans (Capped business loans portfolio guarantees for new working capital loans in the current COVID-19 outbreak, "the measure") under the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak ("the Temporary Framework").[1]

(2) The Greek authorities confirm that the notification does not contain confidential information.

(3) Greece 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, C/2020/1863, 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.

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2. DESCRIPTION OF THE MEASURE

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

(5) In order to halt the spread of COVID-19, the Greek authorities have set strict restrictions on social and business activities. The compulsory closure of enterprises and the significant effect on both demand and supply by the restrictions took a severe toll on economic activity in March 2020. The first signs in employment, consumption and production are very disappointing, while uncertainty remains extremely high. The 2020 growth rate, initially projected in the 2020 Budget at 2.8% year-on-year, now seems to be unrealistic. New scenarios that take into account the COVID-19 outbreak suggest that the growth rate for 2020 may be around 0.0% year-on-year, while adverse scenarios point with high probability to an economic recession.

(6) The Greek authorities estimate that more than 600 000 private enterprises (with more than 1.2 million employees and monthly turnover of approximately EUR 8.3 billion) and more than 550 000 self-employed and freelancers, are forced to closure or ceasing of their activities or are significantly negatively affected by the imposed restrictions and the downturn of the economy. The size and the extent of the COVID-19 outbreak impact in the economy will depend on the type and the scope of the support measures and schemes that will be implemented.

(7) A series of measures has been adopted since late February, in order to prevent the COVID-19 outbreak and protect the economy from the risks that emerged at international and national level. On 25 February, the Greek authorities published a legislative act with urgent measures for the containment of the COVID-19 outbreak. According to the act, the competent ministers could decide - inter alia - the temporary closure of theatres, cinemas, sport venues, restaurants, private enterprises, public services etc., the suspension of operation of educational institutions and the suspension of various public events.

(8) On 26 February, the first COVID-19 case was recorded in Greece. As the virus spread to other regions of the country, Greece decided to close all educational institutions, and cease all athletic and art activities and other public activities at nationwide scale. Following this, the Greek authorities imposed the closure of all business operations that are considered of high risk of spreading the virus, namely all places related to high concentration of people. Only specific businesses continue to operate, in order for the population to have access to necessary goods and services (e.g. supermarkets, pharmacies), businesses related to the supply chain of the former and some businesses operating in the agriculture and industry sectors. Since 23 March, strict measures have been put in force for the restriction of all movements to the absolutely necessary.

(9) In order to mitigate the negative impact of the COVID-19 outbreak and the imposed restrictions to economic operations for its containment, Greece has announced a set of measures to support the economy.

(10) The measure is expressly based on 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. The nature and form of aid

(11) The measure provides aid in the form of guarantees on loans.

(12) The measure is aimed at supporting all undertakings active in Greece regardless of their size by providing guarantees on new working capital loans.

2.2. National legal basis

(13) The legal bases for the measure are the following:

- Legislative Act March 20th (Official Gazette A' 68)
- Joint Ministerial Decision 19024/17-3-2020 (Official Gazette B' 915)
- Law 4314/2014, as amended (Official Gazette A' 265/23-12-2014)
- Law 3912/2011 (Official Gazette A' 17/17-2-2011)
- Law 4608/2019 (Official Gazette A' 66/25-4-2019

2.3. Administration of the measure

(14) The granting authority is the Managing Authority of the Operational Program of Entrepreneurship, Competitiveness and Innovation ("EPANEK"). The competent authority responsible for managing the measure is Hellenic Development Bank ("HDB").

2.4. Budget and duration of the measure

(15) The Greek authorities confirm that no more than EUR 2 billion in aid will be granted under the measure. The maximum aid amount of EUR 2 billion reflects the total guaranteed amount by the measure. The Greek authorities expect this to result in up to EUR 8 billion of new working capital loans to the Greek economy provided by the financial intermediaries.

(16) Aid may be granted under the measure as from its approval until 31 December 2020.

2.5. Beneficiaries

(17) The final beneficiaries of the measure are all undertakings active in Greece with the exception of financial intermediaries (banks), undertakings active in aquaculture, undertakings active in agriculture and in sectors non-eligible by the European Regional Development Fund. Aid may be granted under the measure only to undertakings that are not in difficulty and/or to undertakings that were not in difficulty within the meaning of the General Block Exemption Regulation

(“GBER”)[3], on 31 December 2019. Aid is granted under the measure through credit institutions and other financial institutions as financial intermediaries.

2.6. Sectoral and regional scope of the measure

(18) The measure is open to all sectors with exception of the ones mentioned in recital (17). It applies to the whole territory of Greece.

2.7. Basic elements of the measure

(19) The measure will be implemented through the issuance of guarantees by HDB to financial intermediaries. The measure will partially guarantee eligible loans originated by financial intermediaries.

(20) The reference portfolio on the balance sheet of the financial intermediary consists of eligible loans. HDB will predefine the maximum amount of the reference portfolio for each intermediary.

(21) The measure concerns a State guarantee that covers 80% of the losses incurred on the individual working capital loans to eligible companies with an additional cap of 40% on the losses incurred in the reference portfolio. The reference portfolio cap is an additional restriction limiting the pay-outs under the measure to maximum 40% of the loans principal in the reference portfolio. In practice, the measure will cover up to 80% of the losses on an eligible individual working capital loan originated by a financial intermediary as long as the losses on the total reference portfolio of eligible loans issued by that financial intermediary do not exceed 40% of the total underlying loan principals of that reference portfolio.

(22) The measure will be granting guarantees to amortising and balloon working capital loans. Guarantees can only be granted on new loans.

(23) Only loans with a maturity from 1 to 5 years are eligible under the measure.

(24) Under the measure the amount of the loan principal does not exceed:

(a) twice the annual wage bill of the beneficiary (including social charges as well as the cost of personnel working on the undertakings 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 total turnover of the beneficiary in 2019; or

(c) based on a 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. In this case a business plan will be used.

[3] 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.

(25) The guarantee will cover the full maturity of the underlying loan and will hence have a duration from 1 to 5 years.

(26) The level of guarantee premiums are in line with the ones defined under point 25(a) of the Temporary Framework:

Type of recipient	Credit risk margin for the 1st -year maturity loan	Credit risk margin for the 2nd and 3rd years maturity loan	Credit risk margin for the 4th to 6th years maturity loan
SMEs	25bps	50bps	100bps
Large enterprises	50bps	100bps	200bps

(27) Losses are attributed to HDB and the financial intermediary at the same time. HDB and the financial intermediaries will contractually agree that both parties will be treated equally with regards to losses on a specific loan. They both share the risk of non-repayment by the final beneficiary proportionally to their risk coverage (80% of the risk assumed by HDB and 20% by the financial intermediary) as long as the reference portfolio cap is not reached. This implies that for every EUR 1 of loss on the underlying loan, 80% of the loss will be absorbed by HDB and 20% by the financial intermediary as long as the reference portfolio cap is not reached. Once the reference portfolio cap is reached, the 100% of the losses will be absorbed by the financial intermediary.

(28) In addition, the Greek authorities confirm that when the size of the loan decreases over time, the guaranteed amount decreases proportionally.

(29) Greece also confirms that the mobilisation of the guarantee is contractually linked to specific conditions which have to be agreed between the parties when the guarantee is initially granted.

(30) HDB and the financial intermediaries will contractually agree that the advantages of the public guarantee will be passed on to the final beneficiaries to the largest extent possible. Each financial intermediary shall be able to demonstrate that it operates a mechanism that ensures that the advantages are passed on to the largest extent possible to the final beneficiaries in the form of higher volumes of financing, riskier portfolios, lower collateral requirements, lower guarantee premiums or lower interest rates. The pass on mechanism will foresee mostly reduced collaterals, lower than the usual in the market and if needed lower interest rates. After ten years of limitation in their financing, undertakings have a preference for reduced collateral requirements. In addition, the Greek authorities confirm that the measure is open to all banks active in Greece. All banks active in Greece will be able to benefit from the measure when originating eligible loans to final beneficiaries. This ensures that final beneficiaries can compare offers of competing banks assuring that aid is passed on to the largest extent.

2.8. Cumulation

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

(32) The Greek authorities confirmed that aid granted under section 3.2 of the Temporary Framework will be not to cumulated with other aid granted for the same underlying loan principal under section 3.3 of the Temporary Framework, and vice versa.

2.9. Monitoring and reporting

(33) The Greek 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, etc.).

3. ASSESSMENT

3.1. Lawfulness of the measure

(34) By notifying the measure before putting it into effect, the Greek authorities have respected their obligations under Article 108(3) TFEU.

3.2. Existence of State aid

(35) 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.

(36) The measure is imputable to the State, since it is administered by EPANEK and it is based on the legislative acts listed in recital (13). It is financed through State resources, since it is financed by public funds (recitals (11) and (14)).

(37) The measure confers an advantage on its beneficiaries in the form of guarantees on loans (recital (11)). The measure thus relieves those beneficiaries of costs, which they would have had to bear under normal market conditions.

(38) The advantage granted by the measure is selective, since it is awarded only to certain undertakings, active in Greece and undertakings of certain sectors indicated in recital (17) are excluded (as explained in recital (17)).

(39) The measure is liable to distort competition, since it strengthens the competitive position of its beneficiaries. It also affects trade between Member States, since those beneficiaries are active in sectors in which intra-Union trade exists.

(40) In view of the above, the Commission concludes that the measure constitutes aid within the meaning of Article 107(1) TFEU. The Greek authorities do not contest that conclusion.

3.3. Compatibility

(41) Since the measure involves aid within the meaning of Article 107(1) TFEU, it is necessary to consider whether that measure is compatible with the internal market.

(42) 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*".

(43) 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*".

(44) The measure aims 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.

(45) The measure is one of a series of measures conceived at national level by the Greek authorities to remedy a serious disturbance in their economy. The importance of the measure to stimulate lending by financial intermediaries to enterprises during the COVID-19 outbreak is widely accepted by economic commentators and the measure is of a scale which can be reasonably anticipated to produce effects across the entire Greek economy. Furthermore, the measure has been designed to meet the requirements of a specific category of aid ("Aid in the form of guarantees on loans") described in Section 3.2 of the Temporary Framework and the requirements for aid in the form of guarantees channelled through credit institutions or other financial institutions described in Section 3.4 of the Temporary Framework.

(46) The Commission accordingly considers that the 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 Temporary Framework. In particular:

- The measure sets minimum levels for guarantee premiums, applied progressively from 25 to 100 bps for SMEs and from 50 to 200 bps for large enterprises on loans with a maturity of up to 5 years (recitals (25) to (26)). It therefore complies with the guidance in point 25(a) of the Temporary Framework.

- Guarantees can be granted under the measure by 31 December 2020 at the latest (recital (16)). The measure therefore complies with point 25(c) of the Temporary Framework.

- For all loans, the maximum loan amount per beneficiary covered by guarantees granted under the measure is limited in line with point 25(d) of the Temporary Framework (recital (24)).

- The measure limits the duration of the guarantees to maximum 5 years (recital (25)). Those guarantees cover only 80% of the loan principal and there is an additional restriction at the level of the financial intermediary limiting the overall coverage to maximum 40% of the reference portfolio (recitals (19) to (21)). Losses stemming from the loans are sustained proportionally and under the same conditions by the credit institutions and the State (recital (27)). Furthermore, when the size of the loan decreases over time, the guaranteed amount decreases proportionally (recital (28)). The measure therefore complies with point 25(f) of the Temporary Framework.

- Guarantees granted under the measure relate to working capital loans (recital (22)). The measure therefore complies with point 25(g) of the Temporary Framework.

- Aid may be granted under the measure only to undertakings that are not in difficulty and/or to undertakings that were not in difficulty within the meaning of the GBER on 31 December 2019 (recital (17)). The measure therefore complies with point 25(h) 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. Such safeguards ensure that these institutions, to the largest extent possible, pass on the advantages of the measure to the final beneficiaries (recital (30)). The measure therefore complies with points 21 to 31 of the Temporary Framework

- The Greek authorities have confirmed that they will respect the monitoring and reporting rules laid down in Section 4 of the Temporary Framework (recital (33)).

- The applicable cumulation rules are respected (recitals (31) to (32)).

- 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 (29)).

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

(47) Without prejudice to the possible application of Directive 2014/59/EU on bank recovery and resolution (**“BRRD”**)[4] and of Regulation (EU) 806/2014 on the Single Resolution Mechanism (**“SRMR”**),[5] in the event that an institution benefiting from the measures meets the conditions for the application of that

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

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

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.

(48) 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.[6] Nevertheless, any such indirect aid granted under the measure does not have the objective of preserving or restoring the viability, liquidity or solvency of those institutions. The objective of the measure 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 measure does not qualify as extraordinary public financial support under Art. 2(1) No 28 BRRD and Art. 3(1) No 29 SRMR.

(49) Moreover, as indicated in recital (30) above, the measure introduces 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 measure to the final beneficiaries.

(50) The Commission therefore concludes that the measure does 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.

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

Yours faithfully,

For the Commission

Margrethe VESTAGER
Executive Vice-President

CERTIFIED COPY
For the Secretary-General,

Jordi AYET PUIGARNAU
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