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**Subject: State Aid SA.57014 (2020/N) – Republic of Estonia
Estonian aid schemes in the form of grants and payment advantages
under Section 3.1 of Temporary Framework for State aid measures
to support the economy in the current COVID-19 outbreak**

Excellency,

1. PROCEDURE

- (1) By electronic notification of 16 April 2020, Estonia notified eight aid schemes comprising direct grants and payment advantages (jointly referred to as “the measures”) under Section 3.1 of the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak (“the Temporary Framework”).¹
- (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; as amended by the Communication from the Commission – Amendment to the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak, 3 April 2020, OJ C 112I, 4.4.2020, 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 MEASURES

- (4) Estonia considers that the COVID-19 outbreak has started to affect the real economy. On 12 March 2020, Estonia declared the State of emergency³ as a result of the outbreak, leading to the restriction of movement⁴ and the prohibition of all public gatherings, exhibitions, film screenings, night clubs, concerts, sports events⁵. The COVID-19 outbreak has had an impact on undertakings across all sectors of the economy in Estonia. This impact has been particularly felt by undertakings active in the tourism, travel and transport sectors. The City of Tallinn, as the capital and largest local authority of Estonia with more than a third of its population, also considers that the situation within its areas of competence mirrors that of Estonia. Three of the eight notified aid schemes seek to support the contractual partners of the City of Tallinn.
- (5) The notified 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 outbreak and to preserve the continuity of economic activity during and after the outbreak. In particular, the notified measures seek to provide liquidity to undertakings affected by the COVID-19 outbreak by means of direct grants and payment advantages.
- (6) The measures are 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.
- (7) The notified measures are part of a wider package of measures to support the economy that Estonia envisages to take in line with Article 107(3)(b) TFEU, and under the Temporary Framework.
- (8) Other measures of the package include the measures approved on 30 March 2020 under SA.56804 (2020/N) ‘*Loan guarantee scheme of Estonia under the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak*’⁶.

2.1. Measure 1

2.1.1. *The nature and form of aid*

- (9) Measure 1 provides aid in the form of direct grants to support small companies affected by the COVID-19 outbreak that seek to transform their products, services, processes and business model in order to ensure their viability. The aid

³ Order No. 76 of the Government of the Republic of Estonia (13.3.2020).

⁴ Regulation No. 15 and Order No. 78 of the Government of the Republic of Estonia (15.3.2020) and Order No. 29 of the Prime Minister (14.3.2020).

⁵ Order No. 77 from the Government of the Republic of Estonia (12.3.2020).

⁶ Commission Decision C(2020) 2075 final of 30.3.2020, 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.

also intends to contribute additional cash flows to mitigate their current shortages of liquidity.

2.1.2. Legal basis

- (10) Measure 1 will be governed by the State Budget Act, the Enterprise Support and Loan Guarantee Act, the 2014-2020 Structural Assistance Act and by a Regulation of the Minister of Foreign Trade and Information Technology. The Estonian authorities have confirmed that the acts that will be adopted to enact Measure 1 will conform to the notified information.

2.1.3. Administration of Measure 1

- (11) Enterprise Estonia, a Foundation set up and managed by the Republic of Estonia, is responsible for administering Measure 1.

2.1.4. Budget and duration of Measure 1

- (12) The Estonian authorities confirm that no more than EUR 10 million in aid will be granted under Measure 1.
- (13) Aid may be granted under Measure 1 as from its approval until 31 December 2020.

2.1.5. Beneficiaries

- (14) The final beneficiaries of Measure 1 are small companies which fulfil the following conditions:
- (a) are affected by the COVID-19 outbreak;
 - (b) have up to 49 employees;
 - (c) had a turnover between EUR 40 000 and EUR 1 million in the financial year 2019;
 - (d) paid at least EUR 10 000 in labour taxes in 2019;
 - (e) have no unpaid debts for state taxes due by 1 January 2020;
 - (f) are not subject to compulsory winding-up, liquidation or bankruptcy proceedings;
 - (g) the shareholders having a controlling influence over the companies are not subject to compulsory winding-up, liquidation or bankruptcy proceedings;
 - (h) have paid back any aid that is due pursuant to a recovery order;
 - (i) have not received aid under Measure 3.

- (15) Aid may be granted under Measure 1 only to undertakings that were not already in difficulty within the meaning of the General Block Exemption Regulation (“GBER”)⁷ on 31 December 2019.

2.1.6. Sector and regional scope of Measure 1

- (16) Measure 1 is open to all sectors, with the exception of:
- (a) agriculture, forestry and fishing (NACE Section A);
 - (b) the processing and preserving of fish, crustaceans and molluscs (NACE code C 10.2)
 - (c) accommodation and food service activities (NACE codes I 55.1, 55.2, 55.3, 56, Q 86.9.0.5);
 - (d) travel agency, tour operator and other reservation service and related activities (NACE code N 79).
- (17) It applies to the whole territory of Estonia.

2.1.7. Basic elements of Measure 1

- (18) Measure 1 provides aid in the form of direct grants between EUR 2 000 and EUR 10 000 per undertaking.
- (19) The eligible activities are:
- (a) transforming the business, changes of the business model;
 - (b) preparatory activities for launching development projects;
 - (c) conducting a pilot project;
 - (d) implementing a development project;
 - (e) transforming the production organization; and
 - (f) digitization of the company.
- (20) The eligible costs are:
- (g) labour costs;
 - (h) costs for outsourced services;
 - (i) costs of materials and supplies; and
 - (j) costs for equipment and software.

⁷ 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.

- (21) Projects under Measure 1 must start not earlier than 1 March 2020 and have to be completed by 31 August 2021.
- (22) The aid granted to undertakings active in the processing and marketing of agricultural products is conditional on not being partly or entirely passed on to primary producers and is not fixed on the basis of the price or quantity of products purchased from primary producers or put on the market by the undertakings concerned.

2.2. Measure 2

2.2.1. The nature and form of aid

- (23) Measure 2 provides aid in the form of direct grants to support companies affected by the COVID-19 outbreak that invest in development projects to ensure their viability. The aid also intends to contribute additional cash flows to mitigate their current shortages of liquidity.

2.2.2. Legal basis

- (24) Measure 2 will be governed by the State Budget Act, the Enterprise Support and Loan Guarantee Act, the 2014-2020 Structural Assistance Act and by a Regulation of the Minister of Foreign Trade and Information Technology. The Estonian authorities have confirmed that the acts that will be adopted to enact Measure 2 will conform to the notified information.

2.2.3. Administration of Measure 2

- (25) Enterprise Estonia, a Foundation set up and managed by the Republic of Estonia, is responsible for administering Measure 2.

2.2.4. Budget and duration of Measure 2

- (26) The Estonian authorities confirm that no more than EUR 14 million in aid will be granted under Measure 2. It will be co-financed with funds from the European Regional Development Fund.
- (27) Aid may be granted under Measure 2 as from its approval until 31 December 2020.

2.2.5. Beneficiaries

- (28) The final beneficiaries of Measure 2 are companies which fulfil the following conditions:
 - (a) are affected by the COVID-19 outbreak;
 - (b) their average annual sales revenue over the last two financial years is at least EUR 200 000;
 - (c) the average annual sales revenue of any undertaking related to it over the last two financial years is at least EUR 200 000;

- (d) meet the applicable conditions laid out in both the EU and national legislation on Structural Funds.
- (29) Aid may be granted under Measure 2 only to undertakings that were not already in difficulty within the meaning of the GBER on 31 December 2019.

2.2.6. Sector and regional scope of Measure 2

- (30) Measure 2 is open to all sectors, with the exception of:
- (a) agriculture, forestry and fishing (NACE Section A);
 - (b) the processing and preserving of fish, crustaceans and molluscs (NACE code C 10.2);
 - (c) manufacture of tobacco products (NACE code C 12.0);
 - (d) wholesale and retail trade (NACE Section G), excluding the repair of motor vehicles and motorcycles;
 - (e) real estate activities (NACE Section L);
 - (f) financial and insurance activities (NACE Section K);
 - (g) legal and accounting activities (NACE code M 69);
 - (h) activities of head offices, management consultancy activities (NACE code M 70);
 - (i) advertising and market research (NACE code M 73);
 - (j) gambling and betting activities (NACE Section R 92.0);
 - (k) rental and leasing activities (NACE code N 77);
 - (l) temporary employment agency activities (NACE code N 78.2).
- (31) It applies to the whole territory of Estonia.

2.2.7. Basic elements of Measure 2

- (32) Measure 2 provides aid in the form of direct grants between EUR 20 000 and EUR 500 000 per undertaking.
- (33) The eligible costs are:
- (a) labour costs;
 - (b) costs related to the use of equipment and machinery;
 - (c) costs of materials; and
 - (d) costs for product development services.

- (34) The aid granted to undertakings active in the processing and marketing of agricultural products is conditional on not being partly or entirely passed on to primary producers and is not fixed on the basis of the price or quantity of products purchased from primary producers or put on the market by the undertakings concerned.
- (35) The aid has to be paid on the basis of actual costs in accordance with Article 67(1)(a) of Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 (“Regulation 1303/2013”)⁸. In accordance with this Regulation, advance payments are only possible in justified cases.

2.3. Measure 3

2.3.1. The nature and form of aid

- (36) Measure 3 provides aid in the form of direct grants to undertakings in the tourism sector affected by the COVID-19 outbreak that, to ensure their viability, seek to restructure their activities, to develop new products and/or services or to change their business model as a result of the outbreak. The aid also intends to contribute additional cash flows to mitigate their current shortages of liquidity.

2.3.2. Legal basis

- (37) Measure 3 will be governed by the State Budget Act, the Enterprise Support and Loan Guarantee Act, the 2014-2020 Structural Assistance Act and by a Regulation of the Minister of Foreign Trade and Information Technology. The Estonian authorities have confirmed that the acts that will be adopted to enact Measure 3 will conform to the notified information.

2.3.3. Administration of Measure 3

- (38) Enterprise Estonia, a Foundation set up and managed by the Republic of Estonia, is responsible for administering Measure 3.

2.3.4. Budget and duration of Measure 3

- (39) The Estonian authorities confirm that no more than EUR 5 million in aid will be granted under Measure 3. It will be co-financed with funds from the European Regional Development Fund.
- (40) Aid may be granted under Measure 3 as from its approval until 31 December 2020.

2.3.5. Beneficiaries

- (41) The final beneficiaries of Measure 3 are undertakings (including local government units, state agencies and legal entities registered in the Estonian Commercial Register) which fulfil the following conditions:
- (a) are affected by the COVID-19 outbreak;

⁸ OJ L 347, 20.12.2013, p. 320–469.

- (b) are registered in Estonia's Commercial Register and have been operated for at least 24 months;
 - (c) meet the applicable conditions laid out in both the EU and national legislation on Structural Funds.
- (42) Aid may be granted under Measure 3 only to undertakings that were not already in difficulty within the meaning of the GBER on 31 December 2019.

2.3.6. Sector and regional scope of Measure 3

- (43) Measure 3 is open to undertakings in the tourism sector whose business model focuses on the development of additional services or solutions of interest for tourists.
- (44) It applies to the whole territory of Estonia.

2.3.7. Basic elements of Measure 3

- (45) Measure 3 provides aid in the form of direct grants between EUR 5 000 and EUR 20 000 per undertaking.
- (46) The eligible activities, related to the development and implementation of an updated or new business model, are the following:
- (a) the development of services for new customer segments;
 - (b) the development of personnel, marketing, production and service quality; and
 - (c) the development and implementation of a unique technological solution.
- (47) The eligible costs are:
- (a) costs of the project team personnel, except project management fees;
 - (b) costs of acquisition of tangible and intangible assets and licenses and financial leasing necessary for the development of the service or a product;
 - (c) costs for the development, testing and implementation of a product or a service;
 - (d) costs of developing and implementing a unique technological solution;
 - (e) costs of validation and protection of patents and other intangible assets;
 - (f) costs for outsourced services;
 - (g) costs of materials and supplies;
 - (h) costs related to marketing activities and materials.

- (48) The aid has to be paid on the basis of actual costs in accordance with Article 67(1)(a) of Regulation 1303/2013. In accordance with this Regulation, advance payments are only possible in justified cases.
- (49) Projects under Measure 3 must start not earlier than 1 April 2020 and have to be completed within nine months.

2.4. Measure 4

2.4.1. The nature and form of aid

- (50) Measure 4 provides aid in the form of direct grants to undertakings in the tourism sector in order to mitigate the damage to this industry resulting from the COVID-19 outbreak by providing them with additional liquidity.

2.4.2. Legal basis

- (51) Measure 4 will be governed by the State Budget Act, the Enterprise Support and Loan Guarantee Act, the 2014-2020 Structural Assistance Act and by a Regulation of the Minister of Foreign Trade and Information Technology. The Estonian authorities have confirmed that the acts that will be adopted to enact Measure 4 will conform to the notified information.

2.4.3. Administration of Measure 4

- (52) Enterprise Estonia, a Foundation set up and managed by the Republic of Estonia, is responsible for administering Measure 4.

2.4.4. Budget and duration of Measure 4

- (53) The Estonian authorities confirm that no more than EUR 25 million in aid will be granted under Measure 4.
- (54) Aid may be granted under Measure 4 as from its approval until 31 December 2020.

2.4.5. Beneficiaries

- (55) The final beneficiaries of Measure 4 are undertakings affected by the COVID-19 outbreak which fulfil the following conditions:
 - (a) for accommodation undertakings and tourist attractions, a decrease in turnover of at least 40% in March 2020 compared to March 2019;
 - (b) for catering undertakings, at least EUR 10 000 in labour taxes in 2019 and a decrease in turnover of at least 40% in March 2020 compared to March 2019;
 - (c) for tourism service providers, a turnover between EUR 12 000 and EUR 40 000 in the financial year of 2019 and ongoing activities for at least 12 months;
 - (d) have not received aid under Measure 1.

- (56) Aid may be granted under Measure 4 only to undertakings that were not already in difficulty within the meaning of the GBER on 31 December 2019.

2.4.6. *Sector and regional scope of Measure 4*

- (57) Measure 4 is open to the following undertakings active in the tourism sector:
- (a) accommodation undertakings, which are companies registered in Estonia's Commercial Register under NACE codes I 55.1, 55.2 and 55.3 and which provide services at a VAT rate of 9%;
 - (b) catering undertakings, which are companies registered in Estonia's Commercial Register under NACE code I 55.6;
 - (c) travel undertakings, which are companies registered in Estonia's Commercial Register under NACE code N 79 and whose main activity is the provision or intermediation of travel services;⁹
 - (d) tourist attractions, which are undertakings (including local government agencies, foundations and non-profit associations) that operate as a visitor centre or a museum based on admission and are open to visitors all year round;
 - (e) tourism service providers, which are undertakings that offer visitors experience services in culture or nature tourism or active holiday services and which are listed in Estonia's tourism services database¹⁰.
- (58) It applies to the whole territory of Estonia.

2.4.7. *Basic elements of Measure 4*

- (59) Measure 4 provides aid in the form of direct grants. The grant amount per undertaking and the basis for calculating these amounts are as follows:
- (a) For accommodation undertakings, between EUR 2 000 and EUR 60 000 per undertaking. The amount of the grant is equal to 40% of their turnover in March, April, May and June 2019. If an accommodation undertaking has been operating for less than a year, the amount of the grant is equal to 40% of the average turnover of 4 months of operation.
 - (b) For catering undertakings, between EUR 2 000 and EUR 30 000 per undertaking. The amount of the grant is equal to 40% of their turnover in March, April, May and June 2019. If a catering undertaking has been operating for less than a year, the amount of the grant is equal to 40% of the average turnover of 4 months of operation.

⁹ Undertakings providing passenger transport services are not considered to be travel undertakings for the purposes of Measure 4.

¹⁰ Accessible at www.puhkaestis.ee.

- (c) For travel undertakings, between EUR 2 000 and EUR 60 000 per undertaking. The amount of the grant is equal to 20% of their labour costs in March, April, May and June 2019.
- (d) For tourist attractions, between EUR 2 000 and EUR 50 000 per undertaking. The amount of the grant is equal to 50% of their turnover in March, April, May and June 2019.
- (e) For tourism service providers, the aid amount is EUR 3 000.

2.5. Measure 5

2.5.1. The nature and form of aid

- (60) Measure 5 provides aid in the form of direct grants to companies and organisations active in the culture and sports sectors affected by the COVID-19 outbreak. As a result of the outbreak and the subsequent declaration of the State of emergency in 12 March 2020, all public and private cultural and sports events are prohibited. Measure 5 seeks to address the immediate liquidity needs of these undertakings.

2.5.2. Legal basis

- (61) Measure 5 will be governed by the State Budget Act and by a Regulation of the Minister of Culture. The Estonian authorities have confirmed that the acts that will be adopted to enact Measure 5 will conform to the notified information.

2.5.3. Administration of Measure 5

- (62) The Estonian Ministry of Culture is responsible for administering Measure 5.

2.5.4. Budget and duration of Measure 5

- (63) The Estonian authorities confirm that no more than EUR 20 million in aid will be granted under Measure 5.
- (64) Aid may be granted under Measure 5 as from its approval until 31 December 2020.

2.5.5. Beneficiaries

- (65) The final beneficiaries of Measure 5 are companies and organisations organising culture and sports events that have been affected by the COVID-19 outbreak.
- (66) Aid may be granted under Measure 5 only to undertakings that were not already in difficulty within the meaning of the GBER on 31 December 2019.

2.5.6. Sector and regional scope of Measure 5

- (67) Measure 5 is only open to undertakings in the culture and sports sectors.
- (68) It applies to the whole territory of Estonia.

2.5.7. Basic elements of Measure 5

- (69) Measure 5 provides aid in the form of direct grants up to an amount of EUR 800 000 per undertaking. The amount of the grant will be determined on the basis of the number of applications received: the greater the number of applications, the smaller the amount of the grant per applicant.
- (70) The eligible costs are unavoidable fixed costs during the COVID-19 outbreak that are indispensable to ensure the future continuation of operations. This includes costs for upcoming and cancelled events due to the outbreak and the subsequent declaration of the State of emergency.

2.6. Measure 6

2.6.1. The nature and form of aid

- (71) Measure 6 provides aid in the form of payment advantages to undertakings supplying products or services to the City of Tallinn affected by the COVID-19 outbreak. The City of Tallinn will, upon provision of the corresponding products or services, pay within 10 calendar days instead of the customary 21 or 30 calendar days.

2.6.2. Legal basis

- (72) The legal basis for Measure 6 is Decision no. 3 of 1 April 2020 of the Municipal Administration of the City of Tallinn.

2.6.3. Administration of Measure 6

- (73) The City of Tallinn is responsible for administering Measure 6.

2.6.4. Budget and duration of Measure 6

- (74) The Estonian authorities confirm that no more than EUR 250 000 in aid will be granted under Measure 6.
- (75) Aid may be granted under Measure 6 as from its approval until 31 December 2020.

2.6.5. Beneficiaries

- (76) The final beneficiaries of Measure 6 are undertakings supplying products or services to the City of Tallinn that have been affected by the COVID-19 outbreak.
- (77) Aid may be granted under Measure 6 only to undertakings that were not already in difficulty within the meaning of the GBER, the Agricultural Block Exemption

Regulation (“ABER”)¹¹, and the Fisheries Block Exemption Regulation (“FIBER”)¹² on 31 December 2019.

2.6.6. Sector and regional scope of Measure 6

- (78) Measure 6 is open to all sectors.
- (79) Its regional scope is limited to the field of action of the City of Tallinn. The City of Tallinn is, however, the capital and largest local authority of Estonia with more than a third of its population.

2.6.7. Basic elements of Measure 6

- (80) Measure 6 provides aid in the form of payment advantages to undertakings. The City of Tallinn will pay for the goods and services received within 10 calendar days instead of the customary 21 or 30 calendar days.
- (81) The aid granted to undertakings active in the processing and marketing of agricultural products is conditional on not being partly or entirely passed on to primary producers and is not fixed on the basis of the price or quantity of products purchased from primary producers or put on the market by the undertakings concerned.

2.7. Measure 7

2.7.1. The nature and form of aid

- (82) Measure 7 provides aid in the form of a waiver, for a limited period of time, of penalties to undertakings affected by the COVID-19 outbreak that failed to fulfil in due time and an appropriate manner orders from the City of Tallinn. These includes contractual penalties and default interests. The City of Tallinn also grants a reasonable additional term for the fulfilments of the orders at issue.

2.7.2. Legal basis

- (83) The legal basis for Measure 7 is Decision no. 3 of 1 April 2020 of the Municipal Administration of the City of Tallinn.

2.7.3. Administration of Measure 7

- (84) The City of Tallinn is responsible for administering Measure 7.

¹¹ 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.

¹² 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.

2.7.4. Budget and duration of Measure 7

- (85) The Estonian authorities confirm that no more than EUR 250 000 in aid will be granted under Measure 7.
- (86) Aid may be granted under Measure 7 as from its approval until 31 December 2020.

2.7.5. Beneficiaries

- (87) The final beneficiaries of Measure 7 are undertakings affected by the COVID-19 outbreak that failed to fulfil in due time and an appropriate manner orders from the City of Tallinn.
- (88) Aid may be granted under Measure 7 only to undertakings that were not already in difficulty within the meaning of the GBER, the ABER, or the FIBER on 31 December 2019.

2.7.6. Sector and regional scope of Measure 7

- (89) Measure 7 is open to all sectors.
- (90) Its regional scope is limited to the field of action of the City of Tallinn. The City of Tallinn is, however, the capital and largest local authority of Estonia with more than a third of its population.

2.7.7. Basic elements of Measure 7

- (91) Measure 7 provides aid in the form of a waiver of penalties. These include contractual penalties and default interests.
- (92) Aid beneficiaries have to explain in their applications the obstacles they found to fulfil the corresponding orders of the City of Tallinn and must submit proposals for suitable solutions.
- (93) The aid granted to undertakings active in the processing and marketing of agricultural products is conditional on not being partly or entirely passed on to primary producers and is not fixed on the basis of the price or quantity of products purchased from primary producers or put on the market by the undertakings concerned.

2.8. Measure 8

2.8.1. The nature and form of aid

- (94) Measure 8 provides aid in the form of reduced rent leases and usage fees to undertakings affected by the COVID-19 outbreak that lease property of the City of Tallinn.

2.8.2. Legal basis

- (95) The legal basis for Measure 8 is Decision no. 3 of 1 April 2020 of the Municipal Administration of the City of Tallinn.

2.8.3. *Administration of Measure 8*

- (96) The City of Tallinn is responsible for administering Measure 8.

2.8.4. *Budget and duration of Measure 8*

- (97) The Estonian authorities confirm that no more than EUR 1 million in aid will be granted under Measure 8.
- (98) Aid may be granted under Measure 8 as from its approval until 31 December 2020.

2.8.5. *Beneficiaries*

- (99) The final beneficiaries of Measure 8 are undertakings that lease or use property of the City of Tallinn and have been affected by the COVID-19 outbreak.
- (100) Aid may be granted under the measure only to undertakings that were not already in difficulty within the meaning of the GBER on 31 December 2019.

2.8.6. *Sector and regional scope of Measure 8*

- (101) Measure 8 is open to all sectors.
- (102) Its regional scope is limited to the field of action of the City of Tallinn. The City of Tallinn is, however, the capital and largest local authority of Estonia with more than a third of its population. Most Estonian undertakings have their offices in the City of Tallinn and many of them are located in premises owned by the City.

2.8.7. *Basic elements of Measure 8*

- (103) Measure 8 provides aid in the form of reduced rent leases and usage fees. The amount of support is as follows:
- (a) A reduction on the rent lease of
- (1) 100% for (i) lessees that use the premises in activities in the catering, trade, service, education, sports, hobbies, youth work, art and culture sectors; (ii) lessees that that use municipal property to provide outdoor advertising activities; and (iii) non-profit associations that lease the premises at a discounted rate;
 - (2) 50% for (i) lessees whose lease contract's term exceeds 10 years and (ii) lessees or The City of Tallinn's public groceries markets (Nõmme Market); and
 - (3) 20% for (i) lessees of premises that are used as business space and (ii) lessees of municipal land for parking services.
- (b) A reduction of 100% on payments for personal rights of use from persons who use the immovable property on which the personal right of use is established for activities in the catering, trade, service, hobbies and culture sectors.

The reductions referred to in points (a) and (b) above do not apply to

- (1) dwellings, pharmacies, liquor stores, gas stations, storages, pawnshops, ATMs, postal services, crematories and mobile communication devices;
 - (2) persons whose outstanding debts exceeds two months of rent lease or other payments as of the date of entry into force of Measure 8;
 - (3) legal persons who are, through ownership, related to the City of Tallinn;
 - (4) where the lease or personal right of use is concluded as a concession contract.
- (c) A reduction of 50% on payments for right of superficies, excluding those payments that concern (i) land intended for dwellings; (ii) persons in breach of the right of superficies agreement; and (iii) where the right of superficies agreement is concluded as a concession contract.
- (104) The aid granted to undertakings active in the processing and marketing of agricultural products is conditional on not being partly or entirely passed on to primary producers and is not fixed on the basis of the price or quantity of products purchased from primary producers or put on the market by the undertakings concerned.

2.9. Cumulation

- (105) 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.
- (106) The Estonian authorities will ensure that cumulation conditions are respected across all Estonian measures¹³ under the Temporary Framework and across all granting authorities. Notably, in so far as one and the same beneficiary may benefit from multiple measures under the Temporary Framework, the Estonian authorities confirm that the maximum thresholds concerning overall amount of loans per beneficiary as specified in points 25(d) and 27(d) of the Temporary Framework are respected. Finally, the Estonian authorities confirmed that different forms of aid under Section 3.1 of the Temporary Framework can be cumulated as long as they do not exceed a total of EUR 800 000.
- (107) Where applicable, the Estonian authorities confirmed that the overall aid will be limited to EUR 120 000 per undertaking active in the fishery and aquaculture sector or EUR 100 000 per undertaking active in the primary production of agricultural products. The Estonian authorities also confirmed that aid to undertakings active in the primary production of agricultural products will not be fixed on the basis of the price or quantity of products put on the market and that aid to undertakings active in the fishery and aquaculture does not concern any of the categories of aid referred to in Article 1, point (1) (a) to (k), of Commission

¹³ See recital (8) above.

Regulation (EU) No 717/2014¹⁴. Where an undertaking is active in several sectors to which different maximum amounts apply in accordance with points 22(a) and 23(a) of the Temporary Framework, the Estonian authorities will ensure by appropriate means that for each of these activities the relevant ceiling is respected and that the highest possible amount is not exceeded in total.

2.10. Monitoring and reporting

- (108) The Estonian authorities confirm that they will respect the monitoring and reporting obligations laid down in Section 4 of the Temporary Framework. These include, among others, the obligation to provide the Commission with a list of measures put in place on the basis of the schemes approved under the Temporary Framework by 31 December 2020 and the obligation to maintain detailed records regarding the granting of aid for 10 years upon granting of the aid.

3. ASSESSMENT

3.1. Legality of the measures

- (109) By notifying the measures before putting it into effect, Estonia has respected their obligations under Article 108(3) TFEU.

3.2. Existence of State aid

- (110) 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.
- (111) The measures are imputable to the State, since they are administered by Enterprise Estonia, a Foundation of the Republic of Estonia, as regards Measures 1, 2, 3 and 4; by the Ministry of Culture as regards Measure 5; and by the City of Tallinn as regards Measures 6, 7, and 8. The measures are based on the national legal basis referred to in Sections 2.1 to 2.8 above. It is financed through State resources, since it is financed by public funds.
- (112) The measures confer an advantage on their beneficiaries in the form of direct grants and payment advantages. The measure thus relieves those beneficiaries of costs which they would have had to bear under normal market conditions.
- (113) The advantage granted by the measures is selective, since they are awarded only to certain undertakings. Measure 1 is reserved to small undertakings. Measure 2 is awarded only to undertakings that fulfil the conditions detailed in recitals (28) and (30). Measures 3 and 4 are reserved to undertakings in the tourism sector. Measure 5 is awarded only to undertakings active in the culture and sports sector. Measures 6 and 7 are reserved to suppliers of the City of Tallinn. Measure 8 is

¹⁴ Commission Regulation (EU) No 717/2014 of 27 June 2014 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid in the fishery and aquaculture sector (OJ L 190, 28.6.2014, p. 45).

awarded only to undertakings that lease or use municipal property of the City of Tallinn.

- (114) 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.
- (115) In view of the above, the Commission concludes that the measure constitutes aid within the meaning of Article 107(1) TFEU. The Estonian authorities do not contest that conclusion.

3.3. Compatibility

- (116) 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.
- (117) 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*”.
- (118) 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*”.
- (119) The measure aims at supporting availability of liquidity for undertakings in order to ensure their viability 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.
- (120) 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 ensure liquidity to the undertakings most affected by 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 Estonian economy. Furthermore, the measures have been designed to meet the requirements of a specific category of aid (“*Aid in form of direct grants, repayable advances or tax advantages*”) described in Section 3.1 of the Temporary Framework.
- (121) The measures notified by Estonia meet all the conditions provided for in points 22 and 23 of Section 3.1 of the Temporary Framework. In particular:
- i. The aid will be granted in the form of direct grants and payment advantages as laid down in point 22(a) of the Temporary Framework;

- ii. The maximum aid amount per undertaking under the measures will not exceed the cash equivalent of EUR 800 000 as laid down in point 22(a) of the Temporary Framework (recital (106));
- iii. The estimated budget of the measures (EUR 75.5 million) is provided by Estonia as laid down in point 22(b) of the Temporary Framework;
- iv. The aid will not be granted to undertakings which were already in difficulty on 31 December 2019 as laid down in point 22(c) of the Temporary Framework;
- v. The aid will be granted no later than 31 December 2020 as laid down in point 22(d) of the Temporary Framework;
- vi. Where applicable, the aid granted to undertakings active in the processing and marketing of agricultural products is conditional on not being partly or totally passed on to primary producers, fixed on the basis of the price or quantity of products purchased from primary producers or put on market by such producers (recitals (22), (34), (81), (93) and (104)); hence the condition set out in point 22(e) of the Temporary Framework is met;
- vii. The maximum aid amount per undertaking does not exceed EUR 120 000 per undertaking active in the fishery and aquaculture sector or EUR 100 000 per undertaking active in the primary production of agricultural products (recital (107)), as laid down in point 23(a) of the Temporary Framework;
- viii. Aid to undertakings active in the primary production of agricultural products will not be fixed on the basis of the price or quantity of products put on the market (recital (107)), as laid down in point 23(b) of the Temporary Framework;
- ix. Aid to undertakings active in the fishery and aquaculture does not concern any of the categories of aid referred to in Article 1, point (1) (a) to (k), of Commission Regulation (EU) No 717/2014 (recital (107)), as laid down in point 23(c) of the Temporary Framework; and
- x. Where an undertaking is active in several sectors to which different maximum amounts apply in accordance with points 22(a) and 23(a) of the Temporary Framework, the granting authorities, by appropriate means such as separation of accounts, ensure that for each of these activities the relevant ceiling is respected and that the highest possible amount is not exceeded in total (recital (107)), as laid down in point 23(d) of the Temporary Framework.

(122) The Estonian authorities have committed to comply with all the monitoring and reporting provisions laid down in section 4 of the Temporary Framework. The Commission may request additional information regarding the aid granted, to verify whether the conditions laid down in the Commission decision approving the measure have been met.

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

4. 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) TFEU.

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