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SENSITIVE* : *COMP Operations*

**Subject: State Aid SA.56999 (2020/N) – Slovenia
Intervention measures to mitigate the effects of the SARS-CoV-2
(COVID-19) infectious disease epidemic on the economy**

Excellency,

1. PROCEDURE

- (1) By electronic notification of 9 April 2020, Slovenia notified aid in the form of direct grants, tax advantages, payment advantages and guarantees on loans (Intervention measures to mitigate the effects of the SARS-CoV-2 (COVID-19) infectious disease epidemic on the economy, “the scheme”) under the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak (“the Temporary Framework”).¹
- (2) The Slovenian authorities confirmed that the notification does not contain confidential information.
- (3) Slovenia 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.

2. DESCRIPTION OF THE SCHEME

- (4) Slovenia considers that the COVID-19 outbreak has started to affect the real economy. The scheme is a comprehensive package of sub-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. State intervention is

* Handling instructions for SENSITIVE information are given at <https://europa.eu/db43PX>

¹ Handling instructions for SENSITIVE information are given at <https://europa.eu/db43PX>

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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needed to mitigate the negative effects of the COVID-19 outbreak on the economy. The sub-measures are intended in particular to preserve jobs and keep businesses in operation, to provide emergency assistance to the self-employed and to improve the liquidity of businesses; some of them are specifically targeted on the agriculture and fishery sectors.

- (5) According to the Slovenian authorities, it is not possible now to give a clear and comprehensive overview of all the effects and consequences of the COVID-19 outbreak on the Slovenian economy. A study³ of the National Bank of Slovenia suggests that the toll on the Slovenian economy stemming from the COVID-19 outbreak may outweigh that of the financial crisis of 2007-2008, in particular for GDP, with an estimate range of -6.2% to -16.1% year-on-year growth rate for 2020, according to three scenarios, which vary in the number of lockdown weeks and speed of recovery following the lifting of the lockdown. The analysis indicates a significant deterioration of all relevant macroeconomic variables, such as production, employment and private consumption.
- (6) Slovenia confirmed the first case of COVID-19 on 4 March 2020. Similar to other countries, the Government of Slovenia has taken measures to contain the spread of the coronavirus. First, on 12 March 2020, Slovenia declared a state of epidemic due to an increase in the number of cases of coronavirus infections. A number of measures have been introduced from 16, 20 and 30 March on the closure of shops and other services, the halt of public transport, the ban of public gatherings etc.
- (7) The scheme 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

- (8) The scheme provides aid in the form of direct grants, tax advantages (including social security exemption), payment advantages and guarantees on loans.

2.2. National legal basis

- (9) The legal basis is the following:
 - (a) Act on intervention measures to mitigate the effects of the SARS-CoV-2 (COVID-19) infectious disease epidemic on citizens and the economy (*Zakon o interventnih ukrepih za zajezitev epidemije COVID-19 in omilitve njenih posledic za državljane in gospodarstvo (ZIUZEOP)*, adopted on 2 April 2020, hereinafter: ZIUZEOP);
 - (b) Proposal for a Regulation on the implementation of the provisions of Article 65 of the ZIUZEOP (*Uredba o izvajanju določb 65. člena Zakona o interventnih ukrepih za zajezitev epidemije COVID-19 in omilitve njenih posledic za državljane in gospodarstvo*);

³ <https://bankaslovenije.blob.core.windows.net/publication-files/prikazi-in-analize-marec-2020.pdf>

- (c) Act amending the ZIUZEOP (*Zakon o spremembah in dopolnitvah Zakona o interventnih ukrepih za zajezitev epidemije COVID-19 in omilitev njenih posledic za državljane in gospodarstvo*).

2.3. Administration of the scheme

- (10) The aid granting authorities responsible for administering the scheme will be the following:
 - (a) Ministry of Labour, Family, Social Affairs and Equal Opportunities (Sections 2.7.1, 2.7.2, 2.7.3 – for beneficiaries other than farmers, 2.7.14, 2.7.15);
 - (b) Ministry of Agriculture, Forestry and Food (Sections 2.7.3 – for farmers only, 2.7.7, 2.7.8);
 - (c) Financial Administration (Section 2.7.4);
 - (d) Ministry of Finance (Section 2.7.5, 2.7.6). Slovenia authorised SID Bank to administer the scheme. SID Bank (*SID – Slovenska izvozna in razvojna banka, d.d., Ljubljana*) is a promotional development and export bank 100% owned by Slovenia. SID Bank will carry out on behalf of Slovenia all transactions related to the liquidation of guarantees, monitoring and implementation of all necessary measures for enforcement of recourse receivables, and to verify after the payment of the guarantee that the conditions under law on the basis of which the bank approved the deferral of the loan are respected.
 - (e) Agency for Agricultural Markets and Rural Development (Section 2.7.9);
 - (f) Ministry of Economic Affairs Development and Technology (Section 2.7.10);
 - (g) The Slovene Enterprise Fund (*Javni Sklad Republike Slovenije za podjetništvo*) and the Slovenian Regional Development Fund (*Slovenski regionalno razvojni sklad*), hereinafter “Public Funds” (Section 2.7.11);
 - (h) Ministry of the Environment and the Eco Fund – Slovenian Environmental Public Fund (*Eko Sklad – Slovenski okoljski javni sklad*) (Sections 2.7.12, 2.7.13).

2.4. Budget and duration of the scheme

- (11) According to the Slovenian authorities, it is currently not possible to exactly determine the budget, because the COVID-19 outbreak has an impact on the economy on a daily and weekly basis. However, they estimate that the budget will be approximately EUR 2 000 million. Its source will be the State budget.
- (12) In the case of the sub-measures described in Sections 2.7.1 to 2.7.3, 2.7.14 and 2.7.15, aid may be granted until 31 May 2020, with a possible extension by 30 days if the state of epidemic is not revoked until 15 May 2020; for the sub-measures described in Sections 2.7.4, to 2.7.13, aid may be granted until 31 December 2020.

- (13) The Slovenian authorities confirmed that in accordance with 108(3) TFEU, aid will be granted and paid out only after the European Commission's approval.

2.5. Beneficiaries

- (14) The final beneficiaries of the scheme are undertakings of any size in Slovenia in all sectors of the economy, but most sub-measures are limited to certain beneficiaries as detailed in recital (15). Their number will be more than 1 000. Aid may be granted under the scheme only to undertakings that were not already in difficulty within the meaning of the Agricultural Block Exemption Regulation ("ABER"), the Fisheries Block Exemption Regulation ("FIBER") and the General Block Exemption Regulation ("GBER")⁴ on 31 December 2019.
- (15) The beneficiaries of the various sub-measures described in detail in Section 2.7 below are the following:
- (a) Section 2.7.1: Employers in Slovenia fulfilling the following conditions:
- all employers, with the exception of publicly financed enterprises with a higher than 70% share of public funding⁵, and with the exception of employers providing financial or insurance activities with more than 10 employees (group K of the standard classification of activities); and
 - facing a decrease in revenues of more than 10% (own estimate) in 2020 in comparison to 2019. Employers not operating the whole year of 2019 or 2020 are eligible if their average monthly revenue in 2020 decreased by more than 10% compared to their average monthly revenue in 2019. Employers not operating in year 2019 are eligible if their average monthly revenue in 2020 decrease by more than 10% compared to their average monthly revenue up to 12 March 2020. If the above conditions are not fulfilled at the date of submission of the annual reports for 2020, the beneficiary shall subsequently repay the whole amount of aid; and
 - employers who do not meet the condition from the above indent but have the status of a humanitarian organisation under the Humanitarian Organisations Act or the status of a disabled persons organisation under the Disabled Persons Organisations Act;

⁴ 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, 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, and 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.

⁵ For example: public kindergartens, public education and research organizations, (mostly) financed by the State or by municipalities.

- (b) Section 2.7.2: employers, with the exception of publicly financed enterprises and financial and insurance activities belonging to group K of the standard classification of activities with more than 10 employees;
- (c) Section 2.7.3: (i) self-employed persons including (sole) partners who are involved in the management of their company, which on the day of entry into force of the ZIUZEOP pursued an economic activity and are included in mandatory insurance based on that activity in Slovenia; or (ii) farmers having a pension and disability insurance in Slovenia. Persons who do not pay compulsory contributions and do not fulfil other monetary non-tax liabilities (unpaid due liabilities on the day the legal base enters into force) are not eligible;
- (d) Section 2.7.4: farmers and beekeepers;
- (e) Section 2.7.5 and 2.7.6: all companies, except for undertakings that were already in difficulty within the meaning of the GBER on 31 December 2019. Aid under these Sections is granted through banks as financial intermediaries. The Slovenian authorities confirmed that due to the nature of the scheme, banks and other financial institutions will not apply for a deferral of payment and for a state guarantee linked to deferrals under this scheme.
- (f) Section 2.7.7: farmers unable to work due to confirmed COVID-19 infection, with the exception of persons whose agricultural holding has been taken over (for management purposes) by a temporary manager of the holding;
- (g) Section 2.7.8: holders of fishing licenses for fishing vessels used for commercial fishing;
- (h) Section 2.7.9: holders of agricultural holdings, supplementary farm operators, natural persons owning forests and holders of fishing licenses who, due to the COVID-19 outbreak, are unable to carry out their activities or have a substantially reduced activity or a loss of income, resulting from inability to sell stocks, reduction in the scope of production, processing or sales;
- (i) Section 2.7.10 and 2.7.11: borrowers, who have a credit or other agreement with the Ministry of Economic Affairs Development and Technology or with a public fund of Slovenia, respectively, and are unable to pay loan instalments on a regular basis due to the COVID-19 outbreak;
- (j) Section 2.7.12: holders of water rights for the specific use of water for bathing purposes, if mineral, thermal or thermal-mineral water is used; and holders of water rights for the use of water in swimming pools;
- (k) Section 2.7.13: holders of water rights for the specific use of water for the cultivation of freshwater and marine organisms which, due to the consequences of the COVID-19 outbreak, have reduced ability to exercise that water right and thus having reduced chances in obtaining a revenue;

- (l) Section 2.7.14: employers, with the exception of publicly financed enterprises and financial and insurance activities belonging to group K of the standard classification of activities with more than 10 employees;
- (m) Section 2.7.15: undertakings employing workers with disabilities and sheltered workshops.

2.6. Sectoral and regional scope of the scheme

- (16) The scheme is open to all sectors, but some sub-measures are limited to certain sectors (see recital (15) and Sections 2.7.1 to 2.7.15). It applies to the whole territory of Slovenia.

2.7. Basic elements of the scheme

Description of the individual sub-measures

- (17) The Slovenian authorities consider that all sub-measures meet the conditions of Section 3.1 (“Aid in form of direct grants, repayable advances or tax advantages”) of the Temporary Framework, except for the sub-measure described in Section 2.7.5 below, which has been designed to comply with Section 3.2 (“Aid in the form of guarantees on loans”) and the sub-measure described in Section 2.7.1, which may be partly granted subject to the conditions laid down in Section 3.10 (“Aid in form of wage subsidies for employees to avoid lay-offs during the COVID-19 outbreak”) of the Temporary Framework.

2.7.1. Wage subsidies and exemption from the payment of all social security contributions (pension and disability insurance contributions, health insurance, unemployment insurance, parental contribution and contribution to injuries at work).

- (18) This sub-measure provides wage subsidies for employees (temporary lay-off, i.e. waiting for work and absence from work due to the COVID-19 outbreak) as well as an exemption from the payment of social security contributions. The support cannot be granted to self-employed persons.
- (19) The aid granting conditions depend on whether this sub-measure is implemented by the Slovenian authorities under the national legal basis in line with the provisions of Section 3.1 of the Temporary Framework or alternatively of Section 3.10 of the Temporary Framework. The Slovenian authorities have explained that the sub-measure will be implemented in line with the conditions covered by Section 3.10 of the Temporary Framework when the support cannot be granted in line with the conditions covered by Section 3.1 of the Temporary Framework because the overall cap of EUR 800 000 per undertaking would be exceeded (as established by point 22(a) of the Temporary Framework).
- (20) The purpose of the sub-measure is preserving jobs, avoiding lay-offs during the COVID-19 outbreak by paying wage subsidies for employees who would otherwise be fired due to the lack of work (resulting from closure or drastic reduction of business activities). This includes employees who cannot work due to force majeure (resulting from the need to care for children due to the closure of kindergartens and schools or the inability to come to work due to the interruption of public transport or the closure of borders with neighbouring countries). The

employers will have to make a self-declaration in the aid application that without the support granted under the sub-measure the employees would have been laid off. The employees in turn will retain all rights and obligations deriving from the employment contract for the whole duration of the sub-measure.

- (21) The wage subsidies provided for by this sub-measure will be paid out on a monthly basis and can be paid retroactively from 13 March 2020 (following the date when the state of the epidemic was declared in Slovenia on 12 March 2020). The wage support can be paid out until 31 May 2020, with a possible extension for an additional 30 days if the state of epidemic is not revoked until 15 May 2020.
- (22) The employer in its application identifies the employees to be covered by the wage support, including the corresponding remuneration. The employer can exercise the right to reimbursement of paid salary benefits by applying electronically to the Employment Service of Slovenia.
- (23) The Slovenian authorities have explained that employers need to justify the fulfilment of the eligibility conditions by a self-declaration confirming decrease in revenues of more than 10% in 2020 in comparison to 2019 (see recital (15)(a) of the decision), as well as documents demonstrating that employees were sent on temporary unemployment due to reduced business activities and/or documents proving the employees' justified absence due to force majeure.
- (24) The employer will be obliged to maintain the benefiting personnel in continuous employment for the period for which the aid is granted. Any breach of this condition will be established by the Employment Service of Slovenia, which is responsible for monitoring and control of the implementation of this measure.

2.7.1.1. Conditions applicable in line with Section 3.1 of the Temporary Framework

- (25) The employers shall be entitled to receive compensation for wage costs from the Slovenian authorities equalling 80% of the net monthly wage of the employee; however, the compensation shall not be lower than the minimum wage in Slovenia and shall not be higher than the average net monthly wage in 2019 in Slovenia.
- (26) In addition, employers are exempted from paying all social security contributions related to the wage compensations in the period 13 March to 31 May 2020. All social security contributions will be fully paid by Slovenia.

2.7.1.2. Conditions applicable in line with Section 3.10 of the Temporary Framework

- (27) The aid is intended only for wage costs incurred by employers with regards to employees who would otherwise be laid off (as referred to in recital (21)) as a result of the interruption or reduction of operations resulting from the COVID-19 outbreak.
- (28) Employees shall be entitled to a wage compensation equalling 80% of the gross monthly wage (i.e. also including social security contributions).

2.7.2. Exemption from the payment of pension and disability insurance contributions, and exemptions related to the crisis allowance

- (29) The purpose of this sub-measure is preserving jobs and avoiding lay-offs during the COVID-19 outbreak by exempting employers from paying pension and disability insurance contributions for employees who continue working during the COVID-19 outbreak, and by exempting employers from paying taxes and contributions related to the crisis allowance.
- (30) The crisis allowance is a monthly allowance of EUR 200 net that employers are obliged to pay to employees who work during the COVID-19 outbreak and whose last monthly salary is not more than three times the minimum wage. This amount roughly corresponds to the contributions the employers are exempted from under Section 2.7.2.
- (31) Pensions and disability insurance contributions will be fully paid by Slovenia.
- (32) The crisis allowance is exempt from all taxes and contributions.

2.7.3. Monthly basic income and exemption from the payment of social security contributions for self-employed persons and farmers

- (33) The purpose of the aid is to assist self-employed persons and farmers who, due to the COVID-19 outbreak, are unable to carry out their activities or have a substantially reduced activity. This enables the survival of these micro-units and gives them a possibility to resume to their normal activities once the outbreak is over.
- (34) Eligible are those self-employed persons and farmers whose pension insurance is based exclusively on agricultural activity, whose revenue will decrease by more than 10% in 2020 compared to 2019. Self-employed persons not operating the whole year of 2019 or 2020 are eligible if their average monthly revenue in 2020 decreases by more than 10% compared to their average monthly revenue in 2019. Self-employed persons not operating in year 2019 are eligible if their average monthly revenue in 2020 decreases by more than 10% compared to average monthly revenue up to 12 March 2020. If the conditions of this paragraph are not fulfilled, the beneficiary shall repay whole amount of aid.
- (35) As regards the basic income, the aid amount is EUR 350 for March 2020 and EUR 700 per month for the months of April and May 2020. As regards social security contributions, the beneficiaries are exempt from paying their contributions for the period of validity of the measures. The basic income is exempted from all taxes and contributions.

2.7.4. Reduction of the tax base for agricultural production

- (36) The purpose of this sub-measure is to support farmers and beekeepers who, due to the COVID-19 outbreak, are or will be facing a reduced income from their activities.
- (37) The tax for farmers is based on the cadastral income. The cadastral income is a flat-rate estimate of market income from the activities of agriculture and forestry, which could be achieved by the average level of production of agricultural and

forestry products on agricultural and forest land in Slovenia according to the production capacity. It is determined by the classes of productive capacity of agricultural land based on credit scores, i.e. on how good a land is. It is determined as the estimate of income per hectare of land of each type of actual use. It is attributed to each individual agricultural and forest land parcel.

- (38) The tax for beekeepers is based on the flat-rate estimate of income on beehives, i.e. the market income from beekeeping activities, which could be achieved by an average level of beekeeping in Slovenia.
- (39) In line with the income tax law,
 - (a) the tax base on potential market income of the production on land is the cadastral income;
 - (b) the tax base on potential market income for beekeepers is 70% of the flat-rate estimate of income per hive.
- (40) Aid intensity:
 - (a) the tax base on potential market income of the production on land is reduced to 50% of the cadastral income (i.e. 50% reduction of the tax base);
 - (b) the tax base on potential market income for beekeepers is reduced to 35% of the flat-rate estimate of income per hive (i.e. 50% reduction of tax base).
 - (c) It is estimated that the amount per beneficiary will not exceed EUR 25 000.

2.7.5. *Guarantee for deferred payment obligations arising from loan agreements (Section 3.2 of the Temporary Framework)*

2.7.5.1. Nature of eligible guarantees

- (41) The sub-measure provides for the issuance of guarantees on new and existing investment loans and new and existing working capital loans. The guarantee covers a deferral of loan contract obligations for a period of 12 months of new loans or existing loans.
- (42) Banks and other financial institutions are legally obliged to grant borrowers a deferral of loan contract obligations for a period of 12 months on new or existing loans. As a guarantor, Slovenia is responsible to the bank for the fulfilment of the obligations of the borrowers in the amount of 25% (50% in case of government or municipal prohibition on pursuing an economic activity) of the amount of deferred instalments of loan contract obligations for a period of 12 months that would mature in the period for which the deferral was agreed.

2.7.5.2. Maximum amount of eligible instruments

- (43) The maximum amount of the loan principal (i.e. deferred instalments of loan contract obligations for a period of 12 months) will not exceed the highest of the following amounts:

- (a) 25% of the total turnover of the beneficiary in 2019; or
 - (b) in the case of a borrower established before 1 January 2019, twice the amount of the annual wage bill (including social security contributions and costs for employees working on the premises of a company but officially employed by subcontractors) for 2019 or for the last available year; or
 - (c) in the case of a borrower established after 1 January 2019, the total amount of the estimated annual wage bill (including social security contributions and costs for employees working on the premises of a company but officially employed by subcontractors) in the first two years of operation.
 - (d) The amount of deferred loan contract obligations for a period of 12 months could be higher in case of adequate projection and self-certification of the borrower's liquidity needs: for a period of 12 months from the date of application for deferral in the case of a borrower classified as large company in accordance with Annex I of the GBER or for a period of 18 months from the date of application for deferral in the case of a borrower classified under micro, small or medium-sized companies in accordance with Annex I of the GBER.
- (44) For loans with a maturity until 31 December 2020, the same conditions (maximum amount of the loan principal) apply as for loans with a maturity beyond 31 December 2020.

2.7.5.3. Maximum amount of the guarantee

- (45) The maximum guarantee coverage (as % of loan principal) is 25% of the amount of deferred instalments of credit for a period of 12 months or 50% of the amount of deferred instalments of credit for a period of 12 months in the case of borrowers engaged in a business, which has been temporarily prohibited by government or municipal ordinance due to the COVID-19 outbreak.
- (46) The Slovenian authorities confirmed that the Proposal for a Regulation on the implementation of the provisions of Article 65 of the ZIUZEOP states that when the size of the loan decreases over time the guaranteed amount decreases proportionally.
- (47) Losses are attributed proportionally and under the same conditions, by the credit institution and the State.

2.7.5.4. Maximum duration of the guarantee

- (48) The duration of the guarantee is 12 months.

2.7.5.5. Remuneration of the guarantee

- (49) For new and existing loans for SMEs the sub-measure sets the minimum level for the guarantee premium at 15bps. For new and existing loans for large undertakings the guarantee premium is set at 30bps.

2.7.5.6. Mobilisation of the guarantee

- (50) The Slovenian authorities confirm that the mobilisation of the guarantee is linked to legal requirement written in the ZIUZEOP.

2.7.5.7. Additional provisions

- (51) The Slovenian authorities confirm that aid is channelled through credit institutions or other financial institutions but that the advantages are passed on to the final beneficiaries to the largest extent possible. The provided guarantees are limited to 25% or 50% of existing and new loans, so that the financial institution continues to bear a significant part of the risk itself. The legal obligation for the grace period is 12 months. In line with the Commission's decision in State aid SA.56804 (recital 54)⁶ view in the case SA.56804 (paragraph 54) such safeguards ensure that these institutions, to the largest extent possible, pass on the advantages of the guarantees to the final beneficiaries.

2.7.6. *Direct grants related to the guarantees (Section 3.1 of the Temporary Framework)*

2.7.6.1. Form of aid

- (52) This sub-measure provides for the conversion of the guarantee fee applicable on new and existing loans for SMEs and large undertakings under sub-measure 2.7.5 into a direct grant.

2.7.6.2. Maximum amount of aid

- (53) The overall aid under the sub-measure 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 or EUR 800 000 for all other undertakings. If the aid amount exceeds the above thresholds, taking into account all aid received under Section 3.1 of the Temporary Framework, the undertaking concerned will pay the guarantee premium for the part of the amounts above those limits.

2.7.7. *Financial assistance to farmers and fishermen due to incapacity to work*

- (54) The purpose of the aid is preserving jobs, avoiding lay-offs during the COVID-19 outbreak by paying wage subsidies for farmers and fishermen who would otherwise face a lack of income, due to their incapacity to work resulting from a confirmed COVID-19 infection.
- (55) The aid amount shall be equal to the actual costs of replacing farm work, but not more than 80% of 1 monthly minimum wage for full-time work, regardless of the actual length of the incapacity to work.

2.7.8. *Compensation for the payment of berths for fishermen*

- (56) The purpose of the aid is to support fishermen, who, due to the COVID-19 epidemic, are unable to carry out their activities or have a substantially reduced

⁶ Published on: https://ec.europa.eu/competition/state_aid/cases1/202014/285300_2143706_71_2.pdf

activity or have a loss of income, resulting from the inability to sell stocks, a reduction in the scope of production, processing or sale.

- (57) Fishermen shall be eligible for a compensation of the payment of the berth at fishing ports equalling 40% of the total amount for the year 2020.

2.7.9. Compensation for loss of income in agriculture and forestry

- (58) The purpose of the aid is to support holders of agricultural holdings, supplementary farm operators, natural persons owning forests and holders of fishing licenses who, due to the COVID-19 epidemic, are unable to carry out their activities, or have a substantially reduced activity or have a loss of income, resulting from the inability to sell stocks, a reduction in the scope of production, processing or sale.
- (59) Holders of agricultural holdings, supplementary farm operators, natural persons owning forests and holders of fishing licenses shall be eligible for financial compensation for loss of income only if the respective sector has suffered an income loss of at least 20%.
- (60) The compensation shall be granted in the form of a lump sum. It shall be based on the hectares of land or the number of livestock, using the average of the last three years. For supplementary farm activities, it shall be based on the average income in the last year and for natural persons. For fishermen, it shall be based on the average amount of catches recorded in logbooks over the last three years. The implementing rules will contain further eligibility conditions the beneficiaries shall fulfil. It is estimated that the amount per beneficiary will not exceed EUR 30 000.

2.7.10. Deferred payment of credits or other obligations arising from the Law governing aid for rescuing and restructuring companies and cooperatives in difficulty

- (61) This sub-measure consists of the deferral of the payment of credit or other obligations arising from the Law governing aid for rescuing and restructuring companies and cooperatives in difficulty for up to 12 months. The borrower and the granting authority may also agree otherwise. A deferral of up to 24 months is possible taking into account the severity the COVID-19 outbreak has on a borrower's liquidity and solvency.
- (62) The application shall be submitted no later than 3 months after the revocation of the state of epidemic, presenting reasons and/or supporting documents showing the inability of the borrowers to pay their obligations under the agreement due to the COVID-19 outbreak.
- (63) Borrowers subject to credits or other obligations arising from contracts concluded under the Law governing rescue and restructuring aid for companies and cooperatives in difficulty shall not fulfil the conditions of Article 2(18) GBER on 31 December 2019. The beneficiaries will have to provide a statement of eligibility, which the granting authority will verify prior to granting.

2.7.11. Deferral of credit contract obligations of the Public Funds of Slovenia

- (64) This sub-measure consists of the deferral of credit contract obligations of the Public Funds of Slovenia for up to 12 months. The borrower and the granting authority may also agree otherwise.
- (65) The application shall be submitted no later than 6 months after the revocation of the state of epidemic, presenting reasons and/or supporting documents showing the inability of the borrowers to pay their obligations under the agreement due to the COVID-19 outbreak.

2.7.12. Exemption from the payment of water compensation and the payment for water rights

- (66) Due to the reduced possibility of exercising the water rights in question and the resulting reduced possibility of earning revenue, the holders of water rights, defined in recital (15)(j) are fully exempted from paying water compensation and payment for water rights for the duration of the sub-measure.

2.7.13. Reduction of the water fee for the breeding of aquatic organisms

- (67) The purpose of the aid is to help holders of water rights facing a reduced possibility of exercising those rights, resulting in a reduced possibility of earning revenue due to the COVID-19 outbreak.
- (68) The beneficiaries are fully exempt from water fees for the duration of the sub-measure.

2.7.14. Exemption from the payment of professional insurance contributions

- (69) The purpose of the aid is preserving jobs, avoiding lay-offs during the COVID-19 outbreak by exempting employers from paying professional/occupational insurance contributions for employees either temporarily and justifiably absent from work (waiting for work, absence from work due to the COVID-19 outbreak or in work and for whom the employer therefore has to pay a crisis allowance). The measure covers companies who employ workers in jobs for which occupational insurance is compulsory, e.g. jobs that are dangerous and harmful to health or cannot be executed by workers beyond a certain age.
- (70) The aid intensity is 100%. All contributions will be paid by Slovenia.

2.7.15. Payment of the crisis allowance in companies employing workers with disabilities and sheltered workshops for all employees with disabilities

- (71) The purpose the sub-measure is to reward employers employing people with disabilities during the COVID-19 outbreak. Undertakings employing disabled workers and sheltered workshops are already exempted from pension contributions by the current laws, but obliged to pay the crisis allowance described in recital (30). As a result, without this sub-measure, such undertakings would be at a disadvantage compared to other undertakings.

- (72) The amount of the aid is EUR 200 per month, and is exempt from all taxes and contributions.

2.7.16. Description of conditions common to all sub-measures falling under Section 3.1 of the Temporary Framework

- (73) The maximum nominal aid amount(s) per undertaking (gross, i.e. before deduction of any tax or other charge) for sub-measures implemented in line with Section 3.1 of the Temporary Framework (see recital (17)) will not exceed EUR 100 000 per undertaking active in the primary production of agricultural products, EUR 120 000 per undertaking active in the fishery and aquaculture sector or EUR 800 000 per undertaking in other sectors.
- (74) If a beneficiary receives several direct grants or aid in different forms under the notified aid scheme in line with Section 3.1 or under another existing scheme approved by the Commission under Section 3.1, the overall cap per undertaking as set out in point 22(a) and 23(a) of the Temporary Framework will be respected.
- (75) The Slovenian authorities confirmed that:
- (a) aid for beneficiaries that are active in the processing and marketing of agricultural products will not be 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;
 - (b) aid to undertakings active in the primary production of agricultural products is not fixed on the basis of the price or quantity of products put on the market;
 - (c) aid to undertakings active in the fishery and aquaculture sector does not concern any of the categories of aid referred to in Article 1, paragraph (1)(a) to (k) of Commission Regulation (EU) No 717/2014⁷; and that
 - (d) where an undertaking is active in several sectors to which different maximum amounts (see recital (73)) apply, for each of these activities the relevant ceiling will be respected by appropriate means such as separation of accounts and that the highest possible amount will not be exceeded in total.

2.7.17. Description of conditions common to all sub-measures falling under Section 3.10 of the Temporary Framework

- (76) Support under sub-measure 2.7.1 may also be granted in line with Section 3.10 of the Temporary Framework, provided that the following conditions, laid down in the national legal basis are fulfilled:

⁷ 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.

- (a) the aid is intended only for employees who would otherwise be laid off as a result of the interruption or reduction of operations resulting from the COVID-19 outbreak;
- (b) the aid is granted in the form of a scheme to undertakings which are particularly affected by the COVID-19 outbreak as covered by recital (15)(a);
- (c) The wage subsidy is granted over a period of not more than twelve months after the application for aid, and the assisted employees shall be in permanent employment for the entire period for which the aid is granted.
- (d) the monthly wage subsidy (including employer's social security contributions) does not exceed 80% of the monthly gross wage of the employee;
- (e) the wage subsidy may be combined with other generally available or selective employment support measures, provided the combined support does not lead to overcompensation of the wage costs of the personnel concerned.

2.8. Cumulation

- (77) Aid under this scheme may be cumulated with other compatible aid and *de minimis* aid, provided the cumulation rules under the different *de minimis* Regulations are respected, or with other forms of Union financing provided that the maximum aid intensities indicated in the relevant Guidelines or Regulations are respected.
- (78) The Slovenian authorities confirmed that the aid ceilings and cumulation maxima fixed under the scheme will apply regardless of whether the support for the aided project is financed entirely from State resources or partly financed by the Union.
- (79) The Slovenian authorities confirmed that aid in the form of subsidized interest rates on loans will not be granted. Furthermore, the Slovenian authorities confirmed that:
 - (a) eligible undertakings may use only one Slovenian guarantee scheme approved under the Temporary Framework for a given loss;
 - (b) the notified loan guarantee scheme will comply with the maximum loan amounts as specified in the present notification (recital (43)); and
 - (c) the Slovenian authorities will ensure that eligible undertakings are not surpassing the maximum loan amounts laid down in the Temporary Framework, also taking into account any other loans benefitting from guarantees granted under schemes approved under the Temporary Framework.

2.9. Monitoring and reporting

- (80) The Slovenian authorities have confirmed that they will respect all monitoring and reporting obligations laid down in Section 4 of the Temporary Framework.

3. ASSESSMENT

3.1. Legality of the scheme

- (81) By notifying the scheme before putting it into effect, the Slovenian authorities have respected their obligations under Article 108(3) TFEU.

3.2. Existence of State aid

- (82) 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, it 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.
- (83) The various sub-measures are all imputable to the State, since they are administered by the authorities referred to in recital (10) and they are based on the legal acts referred to in recital (9). They are financed through State resources, since they are financed by public funds (recital (11)).
- (84) The various sub-measures confer an advantage on their beneficiaries in the form of direct grants, tax advantages, payment advantages and guarantees on loans (recital (8)). They thus relieve those beneficiaries of costs, which they would have had to bear under normal market conditions.
- (85) The advantages granted by the various sub-measures are selective, since they are awarded only to certain undertakings, as detailed per sub-measure in recital (16).
- (86) The various sub-measures are liable to distort competition, since they strengthen the competitive position of its beneficiaries. They also affect trade between Member States, since those beneficiaries are active in sectors in which intra-Union trade exists.
- (87) In view of the above, the Commission concludes that the various sub-measures constitute aid within the meaning of Article 107(1) TFEU. The Slovenian authorities do not contest that conclusion.

3.3. Compatibility

- (88) Since the various sub-measures involve aid within the meaning of Article 107(1) TFEU, it is necessary to consider whether they are compatible with the internal market.
- (89) 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”.

- (90) 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”.

3.3.1. Sub-measures under Section 3.1 of the Temporary Framework (“Aid in form of direct grants, repayable advances or tax advantages”)

- (91) Almost all sub-measures (see details in Section 2.7) fall under Section 3.1 of the Temporary Framework, except for the sub-measure described in Section 2.7.5, and except for the sub-measure described in Section 2.7.1, which may be partly granted subject to the conditions laid down in Section 3.10.
- (92) The scheme aims at preserving jobs and keeping businesses in operation, to provide emergency assistance to the self-employed and to improve the liquidity of businesses (recital (4)) 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.
- (93) The scheme is one of a series of measures conceived at national level by the Slovenian authorities to remedy a serious disturbance in their economy. The importance of the scheme is inter alia to preserve jobs and keep businesses in operation is widely accepted by economic commentators and the scheme is of a scale, which can be reasonably anticipated to produce effects across the entire Slovenian economy. Furthermore, the scheme has been designed to meet the requirements of three specific categories of aid: “Aid in form of direct grants, repayable advances or tax advantages” described in Section 3.1 of the Temporary Framework, “Aid in the form of guarantees on loans” described in Section 3.2 of the Temporary Framework and “Aid in form of wage subsidies for employees to avoid lay-offs during the COVID-19 outbreak” described in Section 3.10 of the Temporary Framework.
- (94) The Commission accordingly considers that the scheme is necessary, appropriate and proportionate to remedy a serious disturbance in the economy of a Member State and meets all the conditions of the relevant Sections of the Temporary Framework. In particular:
- (95) The Slovenian authorities have notified all sub-measures under Section 3.1, except for the sub-measure described in Section 2.7.5, while the sub-measure described in Section 2.7.1 may be partly granted subject to the conditions laid down in point 3.10 as well. The Commission can confirm that this is appropriate. The sub-measures have the following forms:
- (a) The sub-measures described in Sections 2.7.1 and 2.7.3 are the combination of a grant (wage subsidy) with a tax (social security) exemption;

- (b) The sub-measures described in Sections 2.7.2, 2.7.4, 2.7.12, 2.7.13 and 2.7.14 are tax advantages;
 - (c) The sub-measures described in Sections 2.7.6, 2.7.7, 2.7.9 and 2.7.15 are grants;
 - (d) The sub-measures described in Sections 2.7.8, 2.7.10 and 2.7.11 are payment advantages.
- (96) According to point 22 of the Temporary Framework, the Commission will consider temporary State aid compatible with the internal market based on Article 107(3)(b) TFEU, provided that all the following conditions, assessed below, are met.
- (97) According to the first sentence of point 22(a) of the Temporary Framework, the overall aid shall not exceed EUR 800 000 per undertaking. This provision is complied with, as shown in recital (73).
- (98) According to the second sentence of point 22(a) of the Temporary Framework, the aid may be granted in the form of direct grants, tax and payment advantages or other forms such as repayable advances, guarantees, loans and equity provided the total nominal value of such measures remains below the overall cap of EUR 800 000 per undertaking; all figures used must be gross, that is, before any deduction of tax or other charge. As shown in recitals (8) and (95), the forms of aid used are explicitly mentioned in this sentence. As shown in recital (73), their nominal value will remain below the above-defined cap.
- (99) According to point 22(b) of the Temporary Framework, the aid shall be granted based on a scheme with an estimated budget. This condition is complied with, as follows from recital (11).
- (100) According to point 22(c) of the Temporary Framework, aid may not be granted to undertakings that were already in difficulty (within the meaning of the ABER, the FIBER and the GBER) on 31 December 2019. This condition is complied with, as it follows from recital (14).
- (101) According to point 22(d) of the Temporary Framework, the aid shall be granted no later than 31 December 2020. This condition is complied with, as it follows in recital (12).
- (102) It follows from recital (75)(a) that the conditions of point 22(e) of the Temporary Framework are met.
- (103) According to point 23 of the Temporary Framework, certain specific conditions shall apply to aid granted to undertakings in the agriculture, fishery and aquaculture sectors, in addition to the conditions of point 22 (b) to (e). Since some of the sub-measures are targeted to the agriculture, fishery and aquaculture sectors and since these sectors are not excluded from the other sub-measures either, the fulfilment of these conditions is assessed below.
- (104) Point 23(a) of the Temporary Framework sets certain aid limits per undertaking and provides that all figures used must be gross, that is, before any deduction of tax or other charge. It follows from recital (73) that these conditions are met.

- (105) Point 23(b) provides that aid to undertakings active in the primary production of agricultural products must not be fixed on the basis of the price or quantity of products put on the market. It follows from recital (75)(b) that these conditions are met.
- (106) Point 23(c) of the Temporary Framework provides that aid to undertakings active in the fishery and aquaculture does not concern any of the categories of aid referred to in Article 1, paragraph (1) (a) to (k), of Commission Regulation (EU) No 717/2014. It follows from recital (75)(c) that these conditions are met.
- (107) Point 23bis of the Temporary Framework provides that where an undertaking is active in several sectors to which different maximum amounts apply in accordance with points 22(a) and 23(a), the Member State concerned shall ensure, by appropriate means, such as separation of accounts, that the relevant ceiling is respected for each of these activities. It follows from recital (75)(d) that these conditions are met.

3.3.2. Guarantee for deferred payment obligations arising from loan agreements (Section 3.2 of the Temporary Framework, Section 2.7.5 of the decision)

- (108) The sub-measures are part of a series of measures conceived at national level by the Slovenian authorities to remedy a serious disturbance in their economy. The importance of the sub-measures to stimulate lending by private banks to enterprises during the COVID-19 outbreak is widely accepted by economic commentators and the sub-measures are of a scale, which can be reasonably anticipated to produce effects across the entire Slovenian economy. Furthermore, the sub-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 direct grants”) described in Section 3.2 and 3.1 of the Temporary Framework and the requirements for aid in the form of guarantees and loans channelled through credit institutions or other financial institutions described in Section 3.4 of the Temporary Framework.
- (109) The Commission considers that these sub-measures are 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:
- (110) For the loan guarantee scheme:
- For new and existing loans the guarantee premiums are established in accordance with point 25(b) of the Temporary Framework. The level of guarantee premium for loans for SMEs is set at 15bps and for loans for large undertakings at 30bps (recital (49)). According to point 25(b) of the Temporary Framework, Member States may deviate from the minimum guarantee premiums set in point 25(a) of the Temporary Framework. Point 25(b) of the Temporary Framework mentions that guarantee duration, guarantee premiums and guarantee coverage may be modulated for each underlying individual loan principal, such as lower guarantee coverage could allow lower guarantee premiums. Therefore, the applicable lower guarantee coverage (25% or 50%) and the maximum duration of only 12 months allows for lower guarantee premiums than those set out in point 25(a) of the Temporary Framework. The increased risk sharing with

financial intermediaries ensures that the entirety of guarantees held by the Slovenian authorities will be less risky. The measure therefore complies with point 25(b) of the Temporary Framework.

- Guarantees may be granted under the sub-measure by 31 December 2020 at the latest (recital (12)). 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 sub-measure is limited in line with point 25(d) and 25(e) of the Temporary Framework (recitals (43) and (44)).
- The sub-measure limits the duration of the guarantees to a maximum of 12 months (recital (48)). The guarantees cover up to maximum 50 percent of the loan principal (recital (45)) and losses stemming from the loans are sustained proportionally and under the same conditions by the credit institutions and the State (recital (47)). Furthermore, when the size of the loan decreases over time, the guaranteed amount decreases proportionally (recital (46)). The sub-measure therefore complies with point 25(f) of the Temporary Framework.
- Guarantees granted under the sub-measure relate to investment loans and working capital loans (recital (41)). The sub-measure therefore complies with point 25(g) of the Temporary Framework.
- Guarantees may not be granted to undertakings that were already in difficulty on 31 December 2019 (recital (14)). The sub-measure therefore complies with point 25(h) of the Temporary Framework.
- The sub-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 (recital (51)). The provided guarantees are limited to 25% or 50% and provided for a period of 12 months so that the financial institution continues to bear a significant part of the risk itself. In addition, the grace period is 12 months. Such safeguards ensure that these institutions, to the largest extent possible, pass on the advantages to the final beneficiaries. The sub-measure therefore complies with points 21 to 31 of the Temporary Framework.
- The applicable cumulation rules are respected (recital (79)).
- The mobilisation of the guarantees is contractually linked to specific conditions laid down in the ZIUZEOP (recital (9)).

3.3.3. *Sub-measure 2.7.1 – Aid in form of wage subsidies for employees to avoid lay-offs during the COVID-19 outbreak (Section 3.10 of the Temporary Framework)*

- (111) The sub-measure described in Section 2.7.1 meets all conditions provided for by the Temporary Framework for aid in the form of wage subsidies for employees to avoid lay-offs for the reasons set out in the following recitals.

- (112) As required by point 43(a) of the Temporary Framework, the aid is aimed at avoiding lay-offs during the COVID-19 outbreak (see recital (20)).
- (113) As required by point 43(b) of the Temporary Framework, the aid is granted in the form of a scheme to undertakings that are particularly affected by the COVID-19 outbreak (see recital (15)(a) and (18)).
- (114) As required by point 43(c) of the Temporary Framework, the wage subsidies are granted over a period of not more than twelve months after the application for aid, for employees that would otherwise have been laid off as a consequence of the suspension or reduction of business activities due to the COVID-19 outbreak (see recital (21)) and subject to the condition that the benefitting personnel is maintained in continuous employment for the entire period for which the aid is granted (see recital (24)).
- (115) As required by point 43(d) of the Temporary Framework, the proportionality of the wage subsidy is assured as the monthly wage subsidy shall not exceed 80% of the monthly gross salary (including the employer's social security contribution) (see recital (28)). The wage subsidy shall be paid out on a monthly basis with a retroactive effect starting the day following the announcement of the State of epidemic in Slovenia (see recital (21)).
- (116) The Slovenian authorities have confirmed that the cumulation rules set out in Section 2.8 of the decision will be respected (see recital (77)). Therefore the overcompensation of the wage costs of the personnel concerned is excluded in line with the requirement of paragraph 43(e) of the Temporary Framework.

4. MONITORING AND REPORTING

- (117) The Slovenian authorities confirmed that they will respect all monitoring and reporting obligations laid down in Section 4 of the Temporary Framework (recital (80)).

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

- (118) Without prejudice to the possible application of Directive 2014/59/EU on bank recovery and resolution ("BRRD")⁸ and of Regulation (EU) 806/2014 on the Single Resolution Mechanism ("SRMR"),⁹ in the event that an institution benefiting from the scheme meets the conditions for the application of that Directive or of that Regulation, the Commission notes that the notified scheme does not appear to violate intrinsically linked provisions of BRRD and of SRMR.
- (119) 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 channelled through credit institutions or other financial institutions as financial intermediaries, may also constitute an indirect advantage to those institutions.¹⁰ Nevertheless, any such indirect aid granted under the

⁸ OJ L 173, 12.6.2014, p. 190-348.

⁹ OJ L 225, 30.7.2014, p. 1-90.

¹⁰ Points 6 and 29 of the Temporary Framework.

scheme does not have the objective of preserving or restoring the viability, liquidity or solvency of those institutions. The objective of the scheme 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 scheme does not qualify as extraordinary public financial support under Art. 2(1) No 28 BRRD and Art. 3(1) No 29 SRMR.

- (120) Moreover, as indicated in recital (51) above, the scheme 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.
- (121) The Commission therefore concludes that the measure does not violate any intrinsically linked provisions of the BRRD and of SRMR.

6. CONCLUSION

- (122) 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.

Yours faithfully,

For the Commission

Margrethe VESTAGER
Executive Vice-President

