EUROPEAN COMMISSION

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PUBLIC VERSION

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Subject: State Aid SA.57243 (2020/N) – Lithuania - Amendment of State aid scheme SA.57066 - COVID-19: Direct grants to cover interest on loans of SMEs active in road freight transport

Excellency,

1. PROCEDURE

(1) By electronic notification of 5 May 2020, Lithuania notified a modification of the State aid scheme SA.57066 - COVID-19: Direct grants to cover interest on loans of SMEs active in road freight transport, which the Commission approved by Decision of 24 April 2020[1]. By emails of 6 May 2020, Lithuania submitted additional information on the measure.

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

(3) Lithuania 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 MEASURE AND OF ITS AMENDMENT

(4) By this notification, the Lithuanian authorities wish to amend the existing State aid scheme SA.57066 - COVID-19: Direct grants to cover interest on loans of SMEs active in road freight transport (the "existing aid scheme"), approved by

[1] Commission Decision of 24 April 2020 - SA.57066 - COVID-19: Direct grants to cover interest on loans of SMEs active in road freight transport, not yet published in the OJ.

[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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Commission decision on the basis of Article 107(3)(b) TFEU ("Decision of 24 April 2020").

(5) The main objective of the existing aid scheme is to support SMEs active in road freight transport in Lithuania having financial liabilities towards credit institutions (loans or financial leases) as a result of the COVID-19 outbreak, due to declining cargo volumes, closed terminals, declining number of orders, etc. Companies facing financial difficulties caused by COVID-19 can agree with their banks to defer the payment of instalments on the principal of existing loans (or financial leases)[3]. However, the interest on these instalments would still be due. In order to alleviate the financial burden of these SMEs and help them maintain financial stability, Lithuania deems it essential to reimburse the interest they have to pay to their banks during the deferral period. The notified measure pursues the same objective.

(6) The main modification notified by Lithuania concerns the source of financing of the aid from financing through the European Union's structural funds, in particular the European Regional Development Fund ("ERDF") to financing of aid from the national budget of Lithuania. Accordingly, there is no need under the modified scheme to comply with the rules applicable to the ERDF, as required under recital (15) of the Decision of 24 April 2020.

(7) The Lithuanian authorities provided a new national legal basis replacing the previous one: "Draft Description "Compensation of Interest for small and medium – sized entities" approved by Order No. xxx of the Minister of Economy of Innovation of the Republic of Lithuania of xx May 2020".

(8) In order to tighten and to further specify the conditions for granting the aid, the Lithuanian authorities added the following stipulations:

(a) the interest amount will not be reimbursed in case of increase in the loan interest rate compared to the interest rate of the loan before the deferral agreement;

(b) the loan for which the interest is covered is a loan for acquisition of vehicles for carriage of goods;

(c) the applicant does not have the status of company in bankruptcy, under restructuring or liquidation.

(9) Last, in order to simplify the administrative process, the Lithuanian authorities added the condition that the loan be granted under a contract with a financial institution that has a contract with INVEGA[4] (national promotional institution)

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[3] In the present decision, similarly as in the existing scheme, the terms "loans" and "financial leases" will be used interchangeably.

[4] The guarantee institution UAB "Investiciju ir verslo garantijos" (INVEGA) was established by the Republic of Lithuania Government Resolution No. 887 of 11 July 2001 on Small and Medium-sized Business Development (for more detail, please consult the webpage: https://invega.lt/en/about-invega/). The main objectives of the operations of INVEGA are the provision of financial services and the implementation and administration of financial and other support measures for SMEs. As stipulated in the existing scheme, INVEGA will be the authority responsible for administering the measure.

for cooperation in the implementation of interest compensation tools, which is valid on the day of application to the aid scheme.

(10) Except for the changes stipulated in the present decision, all the elements of the aid under the Decision of 24 April 2020 remain unchanged.

3. ASSESSMENT

3.1. Existence of State aid

(11) 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.

(12) The qualification of the measure as State aid was established in the Decision of 24 April 2020. That analysis remains valid also for the notified modifications mentioned in recitals (6) to (9) of this decision and the Commission therefore refers to recitals (29) to (34) of the Decision of 24 April 2020.

3.2. Lawfulness of the measure

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

3.3. Compatibility

(14) 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.

(15) 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*".

(16) 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, "*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*".

(17) In its Decision of 24 April 2020, the Commission concluded that the existing scheme was compliant with the compatibility conditions set out by the Temporary Framework, more particularly with Section 3.1 thereof.

(18) The Commission refers to its analysis of compatibility as set out in recitals (39) to (44) of the Decision of 24 April 2020. Concerning the modifications mentioned in recitals (6) to (9) of this decision, the Commission finds that these changes have

no impact on the compatibility of the measure with the internal market on the basis of Article 107(3)(b) TFEU.

(19) The Commission therefore sees no reason to depart from its previous positive compatibility assessment in its Decision of 24 April 2020. Thus the modified scheme can be considered to be compatible with the internal market in accordance with Article 107(3)(b) TFEU.

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