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**Subject: State Aid SA.57287 (2020/N) – Latvia
COVID-19: State aid for short-term loans in agriculture to relieve the negative impact of the COVID-19 outbreak**

Excellency,

1. PROCEDURE

- (1) By electronic notification of 8 May 2020, Latvia notified aid in the form of interest free loans (“State aid for short-term loans in agriculture to relieve a negative impact of COVID-19 spread”, “the scheme”) under the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak, as amended (“the Temporary Framework”).¹
- (2) The Latvian authorities confirm that the notification does not contain confidential information.
- (3) Latvia exceptionally agrees to waive its rights deriving from Article 342 of the Treaty on the Functioning of the European Union (“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) Latvia considers that the COVID-19 outbreak has started to affect the real economy. The scheme forms part of an overall package of measures and aims to ensure that sufficient liquidity remains available in the market, to counter the

* Handling instructions for SENSITIVE information are given at <https://europa.eu/ldb43PX>

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 latest amended on 8 May 2020, https://ec.europa.eu/competition/state_aid/what_is_new/sa_covid19_2nd_amendment_temporary_framework_en.pdf.

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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liquidity shortage faced by undertakings because of the outbreak, to ensure that the disruptions caused by the outbreak do not undermine the viability of the undertakings and thereby to preserve the continuity of economic activity during and after the outbreak.

- (5) The aim of the scheme is to stabilize cash flow for agricultural producers by ensuring a short-term, interest-free loan.
- (6) The compatibility assessment of the scheme is based on Article 107(3)(b) TFEU, as interpreted by Section 2 and Section 3.1 of the Temporary Framework.

2.1. The nature and form of aid

- (7) The scheme provides aid in the form of interest free loans.

2.2. Legal basis

- (8) The legal basis for the scheme is the Draft Regulations of the Cabinet of Ministers “State aid for short-term loans in agriculture to relieve a negative impact of COVID-19 spread”.

2.3. Administration of the scheme

- (9) The aid granting authority is the Rural Support Service³.

2.4. Budget and duration of the scheme

- (10) The estimated budget of the scheme is EUR 1 500 000. The Latvian authorities confirmed that the maximum nominal amount of loans under the scheme will not exceed EUR 100 000 per undertaking.
- (11) Aid may be granted under the scheme as from its approval until no later than 31 December 2020.

2.5. Beneficiaries

- (12) The final beneficiaries of the scheme are micro, small and medium enterprises⁴ and large enterprises⁵ active in the primary agricultural production sector in Latvia. However, financial institutions are excluded as eligible final beneficiaries.
- (13) Aid may not be granted under the scheme to undertakings that were already in difficulty within the meaning of the Agricultural Block Exemption Regulation (“ABER”)⁶ on 31 December 2019.
- (14) Aid is granted under the scheme directly by the Rural Support Service.

³ A state administration institution operating under the supervision of the Ministry of Agriculture of the Republic of Latvia.

⁴ As defined in Article 2(2) and Annex I to 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 on the Functioning of the European Union, OJ L 193, 1.7.2014, p. 1–75.

⁵ As defined in Article 2(26) of the Commission Regulation No 702/2014.

⁶ As defined in Article 2(14) of 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.

2.6. Sectoral and regional scope of the scheme

- (15) The scheme is open to undertakings active in the primary agricultural production sector. It applies to the whole territory of Latvia.

2.7. Basic elements of the scheme

- (16) The scheme provides aid to the eligible beneficiaries in the form of interest free loans under Section 3.1 of the Temporary Framework.
- (17) The nominal amount of a loan per undertaking does not exceed EUR 100 000. All figures are before deduction of any tax or other charges.
- (18) The loan agreements are signed no later than on 31 December 2020.
- (19) The minimum amount of a short-term loan is EUR 700. The amount of the short-term loan amounts to EUR 40 per hectare declared for Single Area Payment. The beneficiary authorizes the granting authority to deduct the amount of the loan from the amount of the advance payment or final payment calculated for areas declared for Single Area Payment in 2020.
- (20) 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.

2.8. Cumulation

- (21) The Latvian authorities confirm that aid granted under the scheme is not to be cumulated with aid under de minimis Regulations⁷ or the ABER⁸.
- (22) The Latvian authorities confirm that aid granted under section 3.1 of the Temporary Framework will not be cumulated with aid granted under other sections of the Temporary Framework, nor with any other national public aid for the same eligible costs. The Latvian authorities confirm that aid under the notified scheme may be cumulated with other forms of Union financing, provided that the maximum aid intensities indicated in the relevant Guidelines or Regulations are respected.
- (23) The Latvian authorities confirm that if the beneficiary receives aid on several occasions or in several forms under the scheme or aid under other measures approved by the Commission under Section 3.1 of the Temporary Framework, the overall maximum cap per undertaking, as set out in points 22(a) and 23(a) of that framework, shall be respected. Where an undertaking is active in several sectors to which different maximum amounts apply in accordance with points 22(a) and 23(a), Latvia shall ensure, by appropriate means, such as separation of accounts,

⁷ Commission Regulation (EU) No 1408/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid in the agriculture sector (OJ L 352, 24.12.2013 p. 9).

⁸ Commission Regulation (EC) 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 on the Functioning of the European Union, OJ L 193, 1.7.2014, p. 1.

that the relevant ceiling is respected for each of these activities and that the highest possible amount of aid is not exceeded in total.

2.9. Monitoring and reporting

- (24) The Latvian authorities confirm that they will respect the monitoring and reporting obligations laid down in Section 4 of the Temporary Framework (including the obligation to publish relevant information on each individual aid granted under the measure on the comprehensive State aid website or Commission's IT tool within 12 months from the moment of granting⁹).

3. ASSESSMENT

3.1. Lawfulness of the scheme

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

3.2. Existence of State aid

- (26) 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.
- (27) The measure is imputable to the State, since it is administered by the Rural Support Service and it is based on the Draft Regulations of the Cabinet of Ministers "State aid for short-term loans in agriculture to relieve a negative impact of the COVID-19 spread" (recital (8)(8)). It is financed through State resources, since it is financed by public funds.
- (28) The measure confers an advantage on its beneficiaries in the form of interest free loans (recital (7)). The measure thus relieves those beneficiaries of costs, which they would have to bear under normal market conditions.
- (29) The advantage granted by the measure is selective, since it is awarded only to certain undertakings, in particular to undertakings active in the primary agricultural production sector, excluding the financial sector (recitals (12)-(13)).
- (30) 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.
- (31) In view of the above, the Commission concludes that the measure constitutes aid within the meaning of Article 107(1) TFEU. The Latvian authorities do not contest that conclusion.

⁹ Referring to information required in Annex III to Commission Regulation (EU) No. 651/2014 of 17 June 2014 and Annex III to Commission Regulation (EU) No 702/2014 and Annex III of the Commission Regulation (EU) No 1388/2014 of 16 December 2014.

3.3. Compatibility

- (32) 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.
- (33) 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*”.
- (34) By adopting the Temporary Framework on 19 March 2020, the Commission acknowledged (in 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*”.
- (35) The scheme aims at remedying the liquidity shortage faced by undertakings and ensuring that the disruptions caused by the COVID-19 outbreak do not undermine their viability at a time when the normal functioning of 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.
- (36) The scheme has been designed at national level by the Latvian authorities to remedy a serious disturbance in their economy. The importance of the scheme to ensure viability of the undertakings in the targeted sectors is widely accepted by economic commentators and the agricultural sector is severely hit by the crisis due to the high perishable nature of the products and the closure of the normal marketing channels. Furthermore, the scheme has been designed to meet the requirements of a specific category of aid (“Limited amounts of aid”) described in Section 3.1 of the Temporary Framework.
- (37) 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 Temporary Framework. In particular:
- The aid takes the form of interest free loans (recital (7)), as laid down in points 22(a) and 23(a) of the Temporary Framework.
 - The aid is granted under the scheme on the basis of a scheme with an estimated budget as indicated in recital (10). The scheme therefore complies with point 22(b) of the Temporary Framework.
 - The aid will not be granted to undertakings under the scheme that were already in difficulty on 31 December 2019 (recital (13)). The scheme therefore complies with point 22(c) of the Temporary Framework.
 - The aid will be granted under the scheme no later than 31 December 2020 (recital (11)). The scheme therefore complies with point 22(d) of the

Temporary Framework.

- The overall nominal value of the interest free loans does not exceed EUR 100 000 per undertaking active in the primary production of agricultural products; all figures used must be gross, that is, before any deduction of tax or other charges (recital 17). The scheme therefore complies with point 23(a) of the Temporary Framework.
 - The aid granted 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 (recital (20)). The scheme therefore complies with point 23(b) of the Temporary Framework.
 - As the loan per undertaking does not exceed EUR 100 000, 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, there is no risk that the relevant ceiling for each of these activities and the highest possible total amount of EUR 800 000 or EUR 120 000 are exceeded. The scheme therefore complies with point 23bis of the Temporary Framework.
- (38) The Latvian authorities confirm that the monitoring and reporting rules laid down in section 4 of the Temporary Framework will be respected (recital (24)). The Latvian authorities further confirm that the aid under the scheme may only be cumulated with other aid, provided the specific provisions in the sections of the Temporary Framework are respected and the cumulation rules of the relevant Regulations are respected (recitals (21)(21) to (23)).
- (39) The Commission therefore considers that the scheme is necessary, appropriate and proportionate to remedy a serious disturbance in the economy of a Member State pursuant to Article 107(3)(b) TFEU since it meets all the relevant 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) of the Treaty on the Functioning of the European Union.

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