EUROPEAN COMMISSION

Brussels, 19.5.2020
C(2020) 3405 final

PUBLIC VERSION

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Subject: **State Aid SA.57303 (2020/N) – Lithuania**
COVID-19: Amendment to SA.56980 (2020/N) – Loans to undertakings most affected by COVID-19

Excellency,

1. PROCEDURE

(1) On 8 April 2020, Lithuania notified two aid schemes under SA.56980 (2020/N), which were approved by Commission decision of 9 April 2020 (the "Initial Decision")[1].

(2) By electronic notification of 12 May 2020, Lithuania notified a modification of one of the two aid schemes approved under SA.56980 (2020/N) in the form of subsidised interest rates loans to undertakings most affected by COVID-19 ("the measure") under Section 3.3 of the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak (the "Temporary Framework")[2].

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1 Commission Decision C(2020) 2361 final of 9 April 2020.

2 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,

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

(4) Lithuania 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,[3] and to have this Decision adopted and notified in English.

2. DESCRIPTION OF THE MEASURE

(5) Lithuania seeks to amend one of two existing aid schemes, Measure 1 under SA.56980 (2020/N) (referred to as the "existing aid scheme").

(6) The other aid scheme approved under SA.56980 (2020/N) remains unaltered.

2.1. Amendments to Measure 1

(7) The legal basis for the amendments to Measure 1 is the Order of the Minister of Economy and Innovation of the Republic of Lithuania Amending Order No 4-229 of 15 April 2020 of the Minister of Economy and Innovation of the Republic of Lithuania "On the Approval of the State Aid Scheme of the Incentive Financial Instrument Loans to the companies most affected by COVID-19".

(8) The notified amendments seek to modify the following elements of Measure 1:

(a) The overall budget of Measure 1 is increased from EUR 100 million (recital (9) of the Initial Decision) to EUR 200 million.

(b) The limitation of the amount of the loan per undertaking covered by Measure 1, specified in recital (15) of the Initial Decision, is increased from EUR 100 000 to EUR 1 000 000. All other limits specified in recital (15)i to (15)iii of the Initial Decision remain in force.

(c) The method of determining the administration fee to be paid by the beneficiary to the intermediating bank, provided in recital (12) of the Initial Decision, will be as follows:

– in the event that the amount of the loan is up to EUR 130 000 (inclusive), the fees may not exceed 2% of the amount of the loan, but the total amount of the loan administration fees to be paid by the borrower for the loan may be not less than EUR 130 and no more than EUR 1 300;

– in the case of a loan amount ranging from EUR 130 000 to EUR 1 000 000 (inclusive), the fees may not exceed 1% of the loan amount.

4.4.2020, p. 1-9 and by Communication from the Commission C(2020) 3156 final of 8 May 2020 on the Amendment of the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak, OJ C 164, 13.5.2020, p. 3–15.

[3] Regulation No 1 determining the languages to be used by the European Economic Community, OJ 17, 6.10.1958, p. 385.

(d) The maximum duration of the loans is extended from 36 months (recital (16) of the Initial Decision) to 72 months. A loan of less than 72 months may be extended to a maximum period of 72 months if the borrower so requests and agrees to pay the loan extension fee. In the event of an extension of the duration of the loan, the interest on the loan must be recalculated for the entire duration of the loan.

(e) For the extension of the loan, a financial intermediary may apply standard financial intermediary fees corresponding to the usual fees charged by the financial intermediary[4] (which are not considered as administrative fees). The borrower may repay the loan earlier than the loan term requires at no additional charges.

(f) A fixed annual interest rate will be applied depending on the duration of the loan. According to recital (18) of the Initial Decision, the interest rate for public loans is established in line with point 27(a) of the Temporary Framework. To that end, Lithuania used the base rate of -0.31% calculated in accordance with the Communication from the Commission on the revision of the method for setting the reference and discount rates (OJ C 14, 19.1.2008, p.6). Given that the maximum duration of the loans changes from 36 months to 72 months, an annual interest rate of 0.69% will be applied to the loans for years 4 to 6 (inclusive). The interest rates applicable to loans with a maturity shorter than 36 months provided for in recital (18) of the Initial Decision remain unchanged.

(9) Loans granted from the funds of the Incentive Financial Instrument "Loans to the companies most affected by COVID-19" will not be subject to collateral.

3. ASSESSMENT

3.1. Lawfulness of the measure

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

3.2. Existence of State aid

(11) Article 107(1) TFEU defines State aid as 'any aid granted by a Member State or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods shall, in so far as it affects trade between Member States, be incompatible with the common market'.

(12) The qualification of the measure as State aid was established in the Initial Decision. The notified amendments do not alter this finding. The Commission therefore refers, for this analysis, to recitals (39) to (44) of the Initial Decision.

[4] For the extension of the loan, a financial intermediary will apply standard financial intermediary fees applicable for usual loans when changing the term of a loan. Financial intermediaries are not allowed to benefit by applying other charges. Standard fees charged by the financial intermediaries for changing the terms of a loan range from 0.4 to 1.5 % (with minimum sums applied ranging from 200 EUR to 500 EUR).

3.3. Compatibility

(13) The Commission has examined the measure pursuant to Article 107(3)(b) TFEU.

(14) By adopting the Temporary Framework, the Commission acknowledged the need to take specific temporary measures that enable Member States to remedy the liquidity shortages faced by undertakings and to ensure that the disruptions caused by the COVID-19 outbreak do not undermine their viability.

(15) In its Initial Decision, the Commission concluded that the existing aid schemes were compliant with the compatibility conditions set out by the Temporary Framework.

(16) The Commission refers to its analysis of compatibility as set out in recitals (48) to (50) of the Initial Decision.

(17) The modifications mentioned in recitals (8) and (9) do not alter the finding of compliance of the scheme, as amended, with the Temporary Framework. In particular, these amendments remain in line with the requirements of the Temporary Framework concerning the level of remuneration, duration of the eligible instrument and safeguards in relation to the possible indirect aid in favour of the credit institutions and other conditions assessed in recital (50) of the Initial Decision.

(18) Apart from the modifications referred to in recitals (8) and (9) above, the Commission notes that there are no other alterations to the existing aid schemes (recital (9)).

(19) The Commission therefore considers that the measure does not affect the compatibility analysis of the existing aid scheme as set out in the Initial Decision.

(20) The Commission also notes that the other scheme approved under SA.56980 (2020/N) remains unaltered by the notified amendments (recital (6)) and that its compatibility analysis under the Initial Decision has not changed.

4. CONCLUSION

The Commission has accordingly decided not to raise objections to the measure 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