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**Subject: State Aid SA.57439(2020/N) – Italy
Covid19- Interests on the anticipation of the amounts payable to
farmers in the framework of the CAP support schemes.**

Excellency,

1. PROCEDURE

- (1) By electronic notification of 21 May 2020, Italy notified aid in the form of limited amounts of aid (Covid19- Interests on the anticipation of the amounts payable to farmers in the framework of the CAP support schemes, “the measure”) 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) Italy 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 1/1958² and to have this Decision adopted and notified in English.

2. DESCRIPTION OF THE MEASURE

- (3) Italy considers that the COVID-19 outbreak has started to affect the real economy. The measure forms part of an overall package of measures and aims to ensure that sufficient liquidity remains available in the market, to counter the liquidity shortage faced by undertakings because of the outbreak, to ensure that

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

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 Communication from the Commission C(2020) 2215 final of 3 April 2020 on the Amendment of the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak, OJ C 112I, 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.

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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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.

- (4) The compatibility assessment of the measure 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

- (5) The measure provides aid in the form of direct grants.

2.2. Legal basis

- (6) The legal basis for the measure is the draft decree of the Ministry for agricultural, food and forestry policies “Urgent provisions on support to agricultural undertakings pursuant to article 78 of the decree-law n. 18 of 17 march 2020, converted with amendments by law n. 27 of 24 April 2020 (*“Disposizioni urgenti in materia di sostegno alle imprese agricole in attuazione dell’art 78 del decreto – legge 17 marzo 2020, n 18, convertito con modificazioni, dalla legge 24 aprile 2020, n 27”*).

2.3. Administration of the measure

- (7) AGEA (*Agenzia per le erogazioni in agricoltura*- the agency for the payments in agriculture)³ and the other regional paying agencies accredited pursuant to Article 7 of Regulation (EU) No 1307/2013⁴ are responsible for administering the measure.

2.4. Budget and duration of the measure

- (8) The estimated budget of the measure is EUR 12 million.
- (9) Aid may be granted under the measure as from its approval until no later than 31 July 2020.

2.5. Beneficiaries

- (10) The final beneficiaries of the measure are agricultural undertakings of all sizes active in Italy. Financial institutions are excluded as eligible final beneficiaries.

³ AGEA is the agency in charge for the payments financed by the European agricultural fund for rural development (EAFRD) and the European Agricultural Guarantee Fund (EAGF). It is a public law entity under the supervision of the Ministry for agricultural, food and forestry policies.

⁴ Regulation (EU) n. 1307/2013 of the European parliament and of the Council of 17 December 2013 establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy and repealing Council Regulation (EC) No 637/2008 and Council Regulation (EC) No 73/2009, OJ L 347 of 20.12.2013.

- (11) Aid may not be granted under the measure to undertakings that were already in difficulty within the meaning of the Agricultural Block Exemption Regulation (“ABER”)⁵ on 31 December 2019.

2.6. Sectoral and regional scope of the measure

- (12) The measure is limited to the primary production of agricultural products. It applies to the whole territory of Italy.

2.7. Basic elements of the measure

- (13) The objective of the scheme is to use a direct grant under section 3.1 of the Temporary framework to compensate farmers for the interests due on the advanced payment of direct support under the Common Agricultural Policy (CAP) for the year 2020.
- (14) Based on article 78 of the decree-law n. 18 of 17 March 2020 and because of the crisis that affected the agricultural sector due to the Covid-19 outbreak, farmers can receive an advanced payment of 70% of their entitlements for direct support under the CAP for the year 2020.
- (15) The paying agencies will start the payments of the direct support under the CAP from 15 June 2020, instead of from 16 October 2020. The advanced amounts will bear market level interest rates from the date of the payment of the support until 30 June 2021. The applicable interest rates will be defined on the basis of the method for setting the reference rates pursuant to the Commission Communication on the method for setting reference and discount rates⁶.
- (16) At the same time of the advanced payment and before 31 July 2020, the paying agencies will grant an aid equal to the net present value of the amount of the interests due by the farmers on the advanced amounts. The present value of the interests is discounted to the date of granting of the anticipated payments, using the discount rate calculated in accordance with the Commission Communication on the method for setting reference and discount rates.
- (17) The advanced payments and the aid to compensate the interests due are granted to active farmers pursuant to Article 9 of Regulation (EU) No 1307/2013, which have submitted, or engage to submit, a single application in 2020 for the basic payment scheme provided for by Title III of that Regulation.
- (18) The amount of the grant to compensate the interests due cannot exceed EUR 100 000 per undertaking.
- (19) The advanced payment will be repaid, starting from 16 October 2020, by means of a deduction from the payment of the direct support under the CAP to the beneficiaries under the single application 2020.

⁵ 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.

⁶ Communication from the Commission on the revision of the method for setting the reference and discount rates (OJ C 14, 19.1.2008, p. 6–9).

- (20) The aid is not fixed on the basis of the price or quantity of products put on the market.

2.8. Cumulation

- (21) The Italian authorities confirm that aid granted under the measure may be cumulated with aid under de minimis Regulations⁷ or the ABER provided the provisions and cumulation rules of those Regulations are respected.
- (22) The Italian authorities confirm that aid under the notified measure 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 Italian authorities confirm that aid granted under the measure may be cumulated with aid granted under other measures approved by the Commission under other sections of the Temporary Framework provided the provisions in those specific sections are respected.
- (24) The Italian authorities confirm that if the beneficiary receives aid on several occasions or in several forms under the measure 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 23 (a) of that framework, shall be respected.

2.9. Monitoring and reporting

- (25) The Italian 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 national State aid website or Commission's IT tool within 12 months from the moment of granting⁸).

3. ASSESSMENT

3.1. Lawfulness of the measure

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

3.2. Existence of State aid

- (27) 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.

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 Referring to information required in Annex III to Commission Regulation (EU) No 702/2014.

- (28) The measure is imputable to the State, since it is administered by AGEA, as coordinating body of the paying agencies, and it is based on decree of the Ministry for agricultural, food and forestry policies. It is financed through State resources, since it is financed by public funds.
- (29) The measure confers an advantage on its beneficiaries in the form of direct grants. The measure thus relieves those beneficiaries of costs which they would have had to bear under normal market conditions.
- (30) The advantage granted by the measure is selective, since it is awarded only to certain undertakings, in particular primary producers of agricultural products.
- (31) 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.
- (32) In view of the above, the Commission concludes that the measure constitutes aid within the meaning of Article 107(1) TFEU. The Italian authorities do not contest that conclusion.

3.3. Compatibility

- (33) 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.
- (34) 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*”.
- (35) 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*”.
- (36) The measure aims at granting liquidity 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.
- (37) The measure is one of a series of measures conceived at national level by the Italian authorities to remedy a serious disturbance in their economy. The importance of the measure to provide liquidity is widely accepted by economic commentators and the measure is of a scale which can be reasonably anticipated to produce effects across the Italian economy. The measure is justified by the unprecedented crisis that the agricultural sector is undergoing due to the closure of many market sectors, the severe disruption of export channels as well as the reduction of available workers and increased logistical difficulties. Furthermore, the measure 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.

- (38) The Commission accordingly considers that the measure 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 direct grant (recital (5)).
 - Aid is granted under the measure on the basis of a scheme with an estimated budget as indicated in recital (8). The measure therefore complies with point 22(b) of the Temporary Framework;
 - Aid will not be granted to undertakings under the measure that were already in difficulty on 31 December 2019 (recital (11)). The measure therefore complies with point 22(c) of the Temporary Framework;
 - Aid will be granted under the measure no later than 31 December 2020 (recital (16)). The measure therefore complies with point 22(d) of the Temporary Framework;
 - Since the aid is not granted to undertakings active in the processing and marketing of agricultural products, point 22(e) of the Temporary Framework is not applicable.
 - The overall nominal value of the direct grant does not exceed EUR 100 000 per undertaking active in the primary production of agricultural products (recital (18)). The measure therefore complies with point 23(a) of the Temporary Framework;
 - 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 measure therefore complies with point 23(b) of the Temporary Framework;
 - Since the aid is not granted to undertakings active in the fishery and aquaculture sector, point 23(c) of the Temporary Framework is not applicable.
 - Since the measure is limited to the primary agricultural production sector, point 23bis of the Temporary Framework is not applicable.
- (39) The Italian authorities confirm that the monitoring and reporting rules laid down in section 4 of the Temporary Framework will be respected (recital (25)). The Italian authorities further confirm that the aid under the measure 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) to (24)).

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.

The decision is based on non-confidential information and is therefore published in full on the Internet site: <http://ec.europa.eu/competition/elojade/isef/index.cfm>

Yours faithfully,

For the Commission

Margrethe VESTAGER
Executive Vice-President

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For the Secretary-General,

Jordi AYET PUIGARNAU
Director of the Registry
EUROPEAN COMMISSION