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**Subject: State Aid SA.57475 (2020/N) – Czechia
COVID-19: Opex 2020 – Loan Principal Reduction**

Excellency,

1. PROCEDURE

- (1) By electronic notification of 26 May 2020, Czechia notified aid in the form of direct grants “Opex 2020 – Loan Principal Reduction” (“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) Czechia 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) Czechia 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

* 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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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.

- (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 for aid in the form of direct grants.

2.2. Legal basis

- (6) The legal base for the measure are:

- Act No. 252/1997 Coll., on agriculture, as amended and supplemented;
- Instructions for the Provision of Aid by Support and Guarantee Agriculture and Forestry Fund within the program named “Opex 2020 – Loan Principal Reduction”.

2.3. Administration of the measure

- (7) The Support and Guarantee Agriculture and Forestry Fund is responsible for administering the measure.

2.4. Budget and duration of the measure

- (8) The estimated budget of the measure is CZK 1 billion (approx. EUR 36.3 million).
- (9) The measure will not be co-financed by the European Agricultural Fund for Rural development.
- (10) Aid may be granted under the measure as from its approval until no later than 31 December 2020. Aid applications can be submitted until 30 September 2020.

2.5. Beneficiaries

- (11) The beneficiaries of the measure are SMEs³ active in agricultural primary production in Czechia. The estimated number of beneficiaries is 5000. Financial institutions are excluded as eligible final beneficiaries.
- (12) 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”)⁴ on 31 December 2019.

³ As defined in Annex I to 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.

2.6. Sectoral and regional scope of the measure

- (13) The measure is open to undertakings active in the agricultural primary production. It applies to the whole territory of Czechia.

2.7. Basic elements of the measure

- (14) The aid objective is to reduce operating costs and increase liquidity and thus eliminate the negative economic impacts on business operations of beneficiaries, caused by emergency measures undertaken at national level further to the outbreak of the coronavirus pandemic.
- (15) According to the Czech authorities, these emergency measures caused a disruption of supplier-customer relations. Specifically, sales encountered losses due to closure of restaurants, accommodation services and other similar facilities as well as restrictions or bans of farmers' markets and sale of products from the yard (due to limited free movement of customers). The financial situation of primary agricultural producers has been further adversely impacted by increased operating costs, such as costs of extraordinary hygienic measures or personnel related costs (e.g. replacement of absent staff), restrictions on movement of goods and additional transport costs, which ultimately lead to a negative disruption of the cash flow of SMEs.
- (16) Consequently, the viability of primary agricultural producers is acutely jeopardized due to a temporary lack of own financial resources for operational purposes. The aid responds to this liquidity needs. Without the measure, the companies would face a lack of working capital for running their activities.
- (17) The Czech authorities propose to grant aid in the form of direct grants specifically intended to partially reduce the outstanding principal of operating bank loans.
- (18) Aid will be granted in compliance with the conditions laid down in the Instructions for providing aid within the program "Opex 2020 – Loan Principal Reduction".
- (19) Aid will not be granted for covering liabilities arising from revolving loans and overdrafts and/or leasing contracts.
- (20) Aid can be granted with up to 50 % of the unpaid amount of the loan. The maximum aid amount per beneficiary will be CZK 150 000 (approximately EUR 5 450).
- (21) The Czech authorities confirmed that the aid will be granted in compliance with the conditions relating to the maximum amount of aid granted to one undertaking as set out in Section 3.1. of the Temporary Framework.
- (22) Aid under this scheme will not be fixed on the basis of the price or quantity of products put on the market.

⁴ 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.

2.8. Cumulation

- (23) The Czech authorities confirm that aid granted under this measure may not be cumulated with aid under the de minimis Regulation⁵ or other State aid.
- (24) The Czech 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 point 23(a) of that framework, shall be respected.
- (25) Moreover, 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, and where the same undertaking receives aid under other measures approved by the Commission under Section 3.1 of the Temporary Framework, the Czech authorities, by appropriate means such as separation of accounts, will ensure that for each of these activities the relevant ceiling is respected and that the highest possible amount of aid is not exceeded in total.

2.9. Monitoring and reporting

- (26) The Czech 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 Commission's IT tool within 12 months from the moment of granting⁶).

3. ASSESSMENT

3.1. Lawfulness of the measure

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

3.2. Existence of State aid

- (28) 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.
- (29) The measure is imputable to the State, since it is administered by the Support and Guarantee Agriculture and Forestry and it is based on Instructions for the Provision of Aid by Support and Guarantee Agriculture and Forestry Fund within

⁵ 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).

⁶ 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.

the program named “Opex 2020 – Loan Principal Reduction”. It is financed through State resources, since it is financed by public funds.

- (30) The measure confers an advantage on its beneficiaries in the form of the direct grants. The measure thus relieves those beneficiaries of costs which they would have had to bear under normal market conditions.
- (31) The advantage granted by the measure is selective, since it is awarded only to certain undertakings, in particular undertakings active in agricultural primary production.
- (32) 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.
- (33) In view of the above, the Commission concludes that the measure constitutes aid within the meaning of Article 107(1) TFEU. The Czech authorities do not contest that conclusion.

3.3. Compatibility

- (34) 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.
- (35) 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*”.
- (36) 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*”.
- (37) The measure aims at ensuring sufficient liquidity of agricultural primary producers 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.
- (38) The measure is one of a series of measures conceived at national level by the Czech authorities to remedy a serious disturbance in their economy. The importance of ensuring sufficient liquidity for running activities of primary producers is widely accepted. 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).
- (39) 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 grants (recital (5)).
- Aid is granted 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 (12)). The measure therefore complies with point 22(c) of the Temporary Framework;
- Aid will be granted under the measure no later than on 31 December 2020 (recital (10)). 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 aid (recital (20)) does not exceed EUR 100 000 per undertaking active in the primary production of agricultural products. The measure therefore complies with point 23(a) of the Temporary Framework;
- Aid granted under this scheme will not be fixed on the basis of the price or quantity of products put on the market (recital (22)). The measure therefore complies with point 23(b) of the Temporary Framework;
- Where an undertaking is active in several sectors to which different maximum aid amounts apply in accordance with points 22(a) and 23(a) of the Temporary Framework, Czechia will ensure, by appropriate means such as separation of accounts, that the relevant ceiling is respected for each of those activities and that the overall maximum amount of EUR 800 000 is not exceeded per undertaking (recital (25)). Where an undertaking is active in the sectors covered by point 23(a) of the Temporary Framework, the overall maximum amount of EUR 120 000 is not exceeded per undertaking (recital (24)). The measure therefore complies with point 23bis of the Temporary Framework.

(40) The Czech authorities confirmed that the monitoring and reporting rules laid down in section 4 of the Temporary Framework will be respected (recital (26)). The Czech 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 (23) to (25)).

(41) The Commission therefore considers that the measure 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.

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

