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**Subject: State Aid SA.57506 (2020/N) – Czech Republic
COVID-19: State aid measures in Moravia-Silesia**

Excellency,

1. PROCEDURE

- (1) By electronic notification of 16 June 2020, the Czech Republic notified aid measures in the Moravian-Silesian region in the form of limited amounts of aid (“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) The Czech Republic 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.

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, 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 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.

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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2. DESCRIPTION OF THE MEASURE

- (3) The Czech Republic considers that the COVID-19 outbreak has affected 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 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, in light of Section 2 and Section 3.1 of the Temporary Framework.

2.1. The nature and form of aid

- (5) The measure is composed of two sub-measures: Restart vouchers (Measure 1) and Free entrance to tourist attractions (Measure 2).
- (6) The measure provides aid in the form of direct grants.

2.2. Legal basis

- (7) The legal basis for the measure are the following acts:
 - (a) Act no. 129/2000 Coll., on regions,
 - (b) Act no. 250/2000 Coll., on budgetary rules of territorial budgets,
 - (c) Act no. 89/2012 Coll., Civil code,
 - (d) Act no. 565/1990 Coll., about local fees,
 - (e) Act no. 320/2001 Coll., about financial control in the public administration,
 - (f) Grant conditions “Restart voucher”,
 - (g) Grant conditions “Free entrance to tourist attractions”.

2.3. Administration of the measure

- (8) The Moravian-Silesian Region is responsible for administering the measure.

2.4. Budget and duration of the measure

- (9) The estimated budget of the measure, provided by the Moravian-Silesian Region, is CZK 70 million (CZK 10 million for Measure 1 and CZK 60 million for Measure 2), i.e. approximately EUR 2.6 million (EUR 372 000 for Measure 1 and EUR 2 228 000 for Measure 2).
- (10) Aid may be granted under the measure as from its approval until no later than 31 December 2020.

2.5. Beneficiaries

- (11) The final beneficiaries of the measure are: micro-enterprises³ for Measure 1 and undertakings of all sizes for Measure 2. However, 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 General Block Exemption Regulation (“GBER”), the Agricultural Block Exemption Regulation (“ABER”) and the Fisheries Block Exemption Regulation⁴ on 31 December 2019.

2.6. Sectoral and regional scope of the measure

- (13) Measure 1 is open to the Manufacturing industry (Section C of NACE Rev. 2) and Measure 2 is open to all sectors. The measure applies to the whole territory of Moravian-Silesian Region.

2.7. Basic elements of the measure

Measure 1

- (14) Measure 1 has as its objective to help to sustain and revive successful micro-enterprises active in the manufacturing sector, whose activity has been interrupted by the state of emergency declared by the government due to the COVID-19 pandemic.
- (15) Eligible beneficiaries must have their seat or subsidiary in the territory of the Moravian-Silesian Region and they must have been successfully operating in the manufacturing sector for at least one year and must prove this with their financial statements.
- (16) The aid amount for the submitted application is minimum CZK 50 000 and maximum CZK 100 000 (approx. minimum EUR 1 900 and maximum EUR 3 800). Maximum one application per beneficiary can be submitted.
- (17) Eligible costs are wage costs including the related taxes and contributions and the costs for the development of a prototype. Maximum aid intensity is 70% of these costs. Aid applications will be selected by a jury based on *ex ante* known criteria.

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.

⁴ As defined in Article 2(18) of 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, 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, and Article 3(5) of Commission Regulation (EU) No 1388/2014 of 16 December 2014 declaring certain categories of aid to undertakings active in the production, processing and marketing of fishery and aquaculture products compatible with the internal market in application of Articles 107 and 108 of the Treaty, OJ L 369 of 24 December 2014, p. 37.

Measure 2

- (18) Measure 2 has as its objective to support tourism in the region, which has been affected by the measures taken by the government due to the COVID-19 pandemic. Under this measure, aid will be provided to eligible entities under the condition that the general public will have free entrance to tourist attractions during September and October 2020, with the aim to extend the summer tourist season. This should have a positive spill-over effect to other service providers (accommodation, restaurants, etc).
- (19) Eligible beneficiaries are entities that operate a technical, historical, cultural or natural tourist attraction (castles, palaces, museums, galleries, exhibits, visitor circuits of production plants, observation towers, dino-parks, archeoparks, zoos etc.). They must commit to operate the tourist attraction(s) for the whole period of September and October 2020 for the public and for free.
- (20) The aid amount for the submitted applications is minimum CZK 5 000 and maximum CZK 12 000 000 (approx. minimum EUR 190 and maximum EUR 450 000).
- (21) At the same time, the Czech authorities confirm that the overall nominal value of grants does not exceed EUR 120 000 per undertaking active in the fishery and aquaculture sector or EUR 100 000 per undertaking active in the primary production of agricultural products.
- (22) The Czech authorities confirm that aid granted to undertakings active in the primary production of agricultural products must not be fixed on the basis of the price or quantity of products put on the market. They also confirm that aid granted to undertakings active in the fishery and aquaculture sector does not concern any of the categories of aid referred to in Article 1, paragraph (1)(a) to (k) of Commission Regulation (EU) No 717/2014.
- (23) The aid amount will be determined taking into account the average price per ticket⁵ of September – October 2019, the number of visitors of September – October 2020, and increase in costs in 2020.

Elements for both sub-measures

- (24) The Czech authorities confirm that the overall maximum aid amount(s) per undertaking (gross, i.e. before any deduction of tax or other charge) will be respected.
- (25) The Czech authorities confirm that aid granted to undertakings active in the processing and marketing of agricultural products are excluded when the aid is conditional on being partly or totally passed on to primary producers, fixed on the basis of the price or quantity of products purchased from primary producers, or put on the market by such producers.

⁵ Only income from admission will be taken into account, not income from extraordinary events.

- (26) The Czech authorities confirm that 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, they 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. 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.

2.8. Cumulation

- (27) The Czech authorities confirm that aid granted under the measure may be cumulated with aid under de minimis Regulations⁶ or the General Block Exemption Regulation, the Agricultural Block Exemption Regulation (“ABER”) and the Fisheries Block Exemption Regulation⁷ provided the provisions and cumulation rules of those Regulations are respected.
- (28) The Czech 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.
- (29) 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 points 22(a) of that framework, shall be respected.

2.9. Monitoring and reporting

- (30) 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

⁶ Commission Regulation (EU) No 1407/2013 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 (OJ L 352, 24.12.2013, p.1), 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), Commission Regulation (EU) No 717/2014 of 27 June 2014 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid in the fishery and aquaculture sector (OJ L 190, 28.6.2014, p. 45) and Commission Regulation (EU) No 360/2012 of 25 April 2012 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid granted to undertakings providing services of general economic interest (OJ L 114 of 26.4.2012, p. 8).

⁷ 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, 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, and Commission Regulation (EU) No 1388/2014 of 16 December 2014 declaring certain categories of aid to undertakings active in the production, processing and marketing of fishery and aquaculture products compatible with the internal market in application of Articles 107 and 108 of the Treaty on the Functioning of the European Union OJ L 369, 24.12.2014, p. 37.

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

- (31) 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

- (32) For a measure to be categorised as State 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.
- (33) The measure is imputable to the State, since it is administered by the Moravian-Silesian Region and it is based on the legal acts listed in recital (7). It is financed through State resources, since it is financed by public funds (recital 9).
- (34) The measure confers an advantage on its beneficiaries in the form of direct grants (recital 6). The measure thus relieves those beneficiaries of costs which they would have had to bear under normal market conditions.
- (35) The advantage granted by the measure is selective, since it is awarded only to certain undertakings, in particular micro-enterprises in the manufacturing sector for Measure 1 and undertakings operating certain touristic attractions for Measure 2 (recitals 11 and 13). In addition, both measures aim at undertakings operating in the Moravian-Silesian Region (recital 13).
- (36) 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.
- (37) In view of the above, the Commission concludes that the measure constitutes State aid within the meaning of Article 107(1) TFEU. The Czech authorities do not contest that conclusion.

3.3. Compatibility

- (38) Since the measure involves State aid within the meaning of Article 107(1) TFEU, it is necessary to consider whether that measure is compatible with the internal market.

⁸ Referring to information required in Annex III to Commission Regulation (EU) No. 651/2014 and Annex III to Commission Regulation (EU) No 702/2014 and Annex III of the Commission Regulation (EU) No 1388/2014.

- (39) 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”*.
- (40) 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”*.
- (41) The measure aims at supporting undertakings in the Moravian-Silesian Region at a time when the COVID-19 outbreak is affecting the wider economy and leading to severe disturbances of the real economy of Member States.
- (42) The measure is one of a series of measures conceived by the Czech authorities to remedy a serious disturbance in the national economy. It is of a scale that can be reasonably anticipated to produce positive effects in the region. 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.
- (43) 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 (6)).
 - The overall nominal value of the direct grants shall not exceed EUR 800 000 per undertaking (recitals (16) and (20)); all figures used must be gross, that is, before any deduction of tax or other charges (recital 24). The measure therefore complies with point 22(a) of the Temporary Framework;
 - Aid is granted under the measure on the basis of schemes with an estimated budget as indicated in recital (9). The measure therefore complies with point 22(b) of the Temporary Framework;
 - The overall nominal value of grants does not exceed EUR 120 000 per undertaking active in the fishery and aquaculture sector or EUR 100 000 per undertaking active in the primary production of agricultural products (recital (21)). The measure therefore complies with point 23(a) of the Temporary Framework;
 - Aid granted to undertakings active in the primary production of agricultural products must 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;

- Aid granted to undertakings active in the fishery and aquaculture sector does not concern any of the categories of aid referred to in Article 1, paragraph (1)(a) to (k) of Commission Regulation (EU) No 717/2014 (recital (22)). The measure therefore complies with point 23(c) 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 31 December 2020 (recital (10)). The measure therefore complies with point 22(d) of the Temporary Framework;
 - Aid granted to undertakings active in the processing and marketing of agricultural products are excluded when the aid is conditional on being partly or totally passed on to primary producers, fixed on the basis of the price or quantity of products purchased from primary producers, or put on the market by such producers (recital (25)). The measure therefore complies with point 22(e) 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, the Czech Republic 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. 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 (26)). The measure therefore complies with point 23bis of the Temporary Framework.
- (44) The Czech authorities confirm that the monitoring and reporting rules laid down in section 4 of the Temporary Framework will be respected (recital (29)). 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 (recital 26)). The measure therefore complies with point 20 of the Temporary Framework.
- (45) 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