EUROPEAN COMMISSION

Brussels, 14.7.2020
C(2020) 4941 final

SENSITIVE*: COMP Operations

Subject: State Aid SA.57823(2020/N) – Lithuania
COVID-19: Temporary State Aid to economic entities active in agriculture and aquaculture facing economic difficulties during the outbreak of Covid-19

Excellency,

1. PROCEDURE

(1) By electronic notification of 26 June 2020, under the Temporary Framework for State aid measure to support the economy in the current COVID-19 outbreak, as amended (“the Temporary Framework”)¹, Lithuania notified aid in the form of:

(a) limited amounts of aid supporting vegetables producers (“submeasure V”);

(b) limited amounts of aid supporting pig producers (“submeasure P”);

(c) loans granted at reduced interest rates to economic entities acting in the field of production, processing and marketing of agricultural and aquacultural products (“submeasure L”);

(d) limited amounts of aid supporting aquaculture enterprises by compensating guarantee premium and interest (“submeasure F”).

³ Handling instructions for SENSITIVE information are given at https://europa.eu/!db43PX


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Lietuvos Respublika
By email of 8 July 2020, the Lithuanian authorities provided amendments to the notified aid.

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 1/19582, and to have this Decision adopted and notified in English.

2. DESCRIPTION OF THE MEASURE

Lithuania considers that the COVID-19 outbreak affects 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.

The compatibility assessment of the measure is based on Article 107(3)(b) TFEU, as interpreted by section 2 and

(a) section 3.1 of the Temporary Framework regarding the granting of limited amounts of aid to vegetable producers (submeasure V);

(b) section 3.1 of the Temporary Framework regarding the granting of limited amounts of aid to pig producers (submeasure P);

(c) section 3.3 of the Temporary Framework regarding the granting of aid in the form of subsidised interest rates for loans to ensure the liquidity of economic entities acting in the field of production, processing and marketing of agricultural and aquacultural products (submeasure L); and

(d) section 3.1 of the Temporary Framework regarding the granting of limited amounts of aid to compensate the aquaculture sector for interest and guarantee premiums, (submeasure F).

2.1. The nature and form of aid

Submeasure V, aid to vegetable producers, provides for aid in the form of direct grants.

Submeasure P, aid to pig producers, provides for aid in the form of direct grants.

Submeasure L, loans to ensure the liquidity of economic entities, acting in field of production processing and marketing of agricultural and aquacultural products, provides for aid in the form of loans granted at reduced interest rates.

Submeasure F, interest and guarantee premium compensation to aquaculture, sector provides for aid in the form of direct grants.

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2 Regulation No 1 determining the languages to be used by the European Economic Community, OJ 17, 6.10.1958, p. 385.
2.2. Legal basis

(10) The legal bases for the measure are the following acts:

(a) Draft Order of Minister of Agriculture of the Republic of Lithuania “On the Approval of the Rules for the Granting of Temporary State Aid to Vegetable Producers”;

(b) Draft Order of Minister of Agriculture of the Republic of Lithuania “On the Approval of the Rules for the Payment of Temporary State Aid to pig producers”;

(c) Draft Order of Minister of Agriculture of the Republic of Lithuania “On the Approval of the Scheme of the Financial Incentive Sub measure "Loans to ensure the Liquidity of Economic Entities, acting in Field of production, processing and marketing of Agricultural and Aquaculture Products, during the COVID-19 outbreak” and

(d) Draft Order of Minister of Agriculture of the Republic of Lithuania “On the Approval of the Scheme of the State Aid Sub measure “Interest and Guarantee Premium Compensation to Aquaculture Sector during the COVID-19 outbreak”.

2.3. Administration of the measure

(11) The Ministry of Agriculture of the Republic of Lithuania is responsible for administering submeasures V, P and F. Regarding submeasure L, the National Promotional Institution Agricultural Credit Guarantee Fund selects financial intermediaries to provide the loans.

2.4. Budget and duration of the measure

(12) The estimated budget of the measure is EUR 9 500 000, of which

(a) EUR 2 000 000 to the primary vegetable sector (sub measure V);

(b) EUR 5 500 000 to the primary pig production sector (sub measure P) and

(c) EUR 2 000 000 to the aquaculture sector (sub measure F).

The budgeted amount of loans under sub measure L is EUR 40 000 000.

(13) Aid may be granted under the measure as from the approval by the Commission until 31 December 2020.
2.5. Beneficiaries

(14) The final beneficiaries of the measure are SMEs and large enterprises\(^3\) active in Lithuania. In particular, the final beneficiaries of:

(a) submeasure V are primary vegetable producers;

(b) submeasure P are primary pig producers;

(c) submeasure F are production and processing undertakings in aquaculture sector;

(d) submeasure L are

- undertakings active in the primary production of agricultural products, processing of own-produced agricultural products and marketing of products made of own-produced agricultural products;

- recognized agricultural cooperative undertakings engaged in the processing and marketing of agricultural products;

- cooperative undertakings not having the status of a recognized agricultural cooperative, but which are engaged in the processing and/or trade of agricultural products, provided that they have been operating for no more than 2 years and that the value of agricultural products purchased from their members is more than 50% of the value of all agricultural products purchased during the last four quarters preceding the submission of the application for payment of compensation, and;

- undertakings active in the production of aquaculture products, processing of own-produced aquaculture products and the marketing of products made of own-produced aquaculture products.

(15) Financial institutions are not eligible as final beneficiaries.

(16) Aid may not be granted under the measure to medium\(^4\) and large enterprises that were already in difficulty within the meaning of the Agriculture Block Exemption Regulation ("ABER")\(^5\) and Fishery Block Exemption Regulation ("FIBER")\(^6\) on

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31 December 2019. Aid may be granted to micro and small enterprises that were in difficulty within the meaning of the Agriculture Block Exemption Regulation (ABER)\(^7\) and Fishery Block Exemption Regulation (FIBER)\(^8\) on 31 December 2019, if those enterprises, at the moment of granting the aid, are not subject to collective insolvency procedure under national law and they have not received rescue aid\(^9\) or restructuring aid\(^10\).

(17) Aid is granted under submeasures P, V and F directly. Under submeasure L, aid will be granted through credit institutions and other financial institutions as financial intermediaries. The National Promotional Institution Agricultural Credit Guarantee Fund selects financial intermediaries to provide loans under submeasure L, but the financial intermediaries will not contribute to the loan with their own funds, and they will not bear the risk of non-repayment of the loan and non-payment of other payments under the loan agreements.

(18) The estimated number of beneficiaries is from 501 to 1 000.

### 2.6. Sectoral and regional scope of the measure

(19) Submeasure V is open only to primary vegetable producers.

(20) Submeasure P is open only to primary pig producers.

(21) Submeasure L is open only to aquaculture and agricultural processing and marketing undertakings and primary producers.

(22) Submeasure F is open only to aquaculture undertakings engaged in the production and processing of own-produced aquaculture products.

### 2.7. Basic elements of the measure

(23) The measure includes four submeasures.

#### 2.7.1. Temporary aid to vegetable producers, (submeasure V)

(24) The objective of sub measure V is to alleviate the difficulties that primary vegetable producers face due to the COVID-19 outbreak. It partially compensates for loss of income of vegetable producers which were not able to sell their production because of the confinement measures.

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\(^9\) Alternatively, if they have received rescue aid, they have reimbursed the loan or terminated the guarantee at the moment of granting of the aid under the notified measure.

\(^10\) Alternatively, if they have received restructuring aid, they are no longer subject to a restructuring plan at the moment of granting of the aid under the notified measure.
(25) The granting of aid is subject to the following conditions:

(a) before 31 January 2020 the beneficiary has entered into a non-retail agreement for sale of goods to catering sector;

(b) the total amount of aid cannot exceed EUR 100 000 per undertaking;

(c) the aid amounts are fixed in relation to whether the unsold production intended for fresh consumption is used for free distribution or composting and biogas production.

<table>
<thead>
<tr>
<th>Product sector</th>
<th>EUR/ton Free distribution</th>
<th>EUR/ton Composting/for produce of biogas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Potatoes</td>
<td>150</td>
<td>75</td>
</tr>
<tr>
<td>Beetroot</td>
<td>130</td>
<td>65</td>
</tr>
<tr>
<td>Cabbage</td>
<td>170</td>
<td>85</td>
</tr>
<tr>
<td>Carrots</td>
<td>230</td>
<td>115</td>
</tr>
</tbody>
</table>

2.7.2. Temporary aid to pig producers (submeasure P)

(26) The objective of sub measure P is to alleviate difficulties faced by primary pig producers due to the COVID-19 outbreak by partially compensating for their loss of income.

(27) The granting of aid is subject to the following conditions:

(a) the aid shall be paid to Lithuanian pig producers if their total average income from the marketing of pigs is at least 5% lower in April-November 2020 than in January-March 2020 in relation to the total average income in the pig marketing sector;

(b) the total State aid granted cannot exceed EUR 100 000 per undertaking;

(c) the aid amount is fixed at EUR 30 per pig.

2.7.3. Loans to undertakings active in the field of production, processing and marketing of agricultural and aquacultural products (submeasure L)

(28) The beneficiaries have to fulfil following criteria

(a) The value of the emergency coverage (critical liquidity ratio (current assets – Inventories / Current liabilities) is less than 1.

(b) The debt ratio (Liabilities / assets) is higher than 0.6.
(c) Turnover fell by more than 10%.

(d) The loan shall be granted by 31 December 2020 at the latest and are limited to maximum 36 months. The loans are granted to cover finance working capital needs.

(29) The fixed annual interest varies from 0.1% to 0.69% depending on the duration of the loan and the size of the undertaking.

<table>
<thead>
<tr>
<th>Fixed annual interest</th>
<th>Duration up to 12 months</th>
<th>Duration 13 to 36 months</th>
</tr>
</thead>
<tbody>
<tr>
<td>SMEs</td>
<td>0,1%</td>
<td>0,19%</td>
</tr>
<tr>
<td>Large undertakings</td>
<td>0,19%</td>
<td>0,69%</td>
</tr>
</tbody>
</table>

(30) The amount of the loan cannot exceed:

(a) the double of the amount of taxable wages, including compulsory social security and health insurance taxes, accrued to the beneficiary’s employees per year. If the beneficiary was operating in 2019 or earlier, the amount of wages with taxes is determined in accordance with the actual data in 2019. If the beneficiary started operations after 1 January 2020, the amount of the loan may not exceed the estimated amount of taxable wages expected to be paid during the first two years of its operations, calculated on the basis of data on wages paid until 16 March 2020, or

(b) 25% of the beneficiary’s total turnover in 2019, or

(c) the amount of the loan may be higher than specified above, if the beneficiary justifies the amount by the need to complete planned investments, fulfill concluded contracts, save working places (jobs), settle accounts with suppliers and subcontractors and / or there is a need to allocate funds for other business continuity needs to cover liquidity needs from the loan agreement for the coming 18 months for beneficiaries who are classified as very small, SMEs, and, for the coming 12 months, for beneficiaries which are classified as large enterprises.

(31) However, in all cases, the loan may not exceed EUR 1 000 000 per beneficiary.

(32) Only one loan may be granted to one undertaking under submeasure L.

(33) The National Promotional Institution Agricultural Credit Guarantee Fund selects the financial intermediaries to provide loans under submeasure L, but the financial intermediaries will not contribute to the loan with its own funds, and will not bear the risk of non-repayment of the loan and non-payment of other payments under the loan agreements.

(34) The loan administration fees, paid by the borrower to the financial intermediary, may not exceed 2% of the loan amount, but the total amount of loan administration fees that the borrower must pay for the loan, may not be less than EUR 150 or more than EUR 2 500.
The Lithuanian authorities confirmed that where, in case of sub measure L, the beneficiaries are undertakings active in the processing and marketing of agricultural products, the aid is not being partly or entirely passed on to primary producers and is not fixed on the basis of the price or quantity of products purchased from primary producers or put on the market by the undertakings concerned.

2.7.4. Interest and guarantee premium compensation to the aquaculture sector, (submeasure F)

Submeasure F compensates guarantee premiums and interest on loans. The following costs are eligible for compensation under submeasure F:

(a) investment and working capital loan or leasing services guarantee premium;

(b) interest paid on guaranteed and non-guaranteed investment and working capital loans and leasing services.

The compensation is 100% of the loan or leasing services guarantee premium (recital (36)(a)) between the entry into force of the scheme until 31 December 2020.

The compensation on interest paid on guaranteed and non-guaranteed investment and working capital loans and leasing services (recital (36)(b)) depends on whether the loans have been granted or the leasing services have been purchased after or before the entry into force of the measure.

(a) In case the eligible loans have been granted or the leasing services have been purchased after the entry into force of the measure, the compensation is 100% of the interest paid between the date of signing the loan or leasing contract until 31 December 2020 and 80% of the interest paid from 1 January 2021.

(b) In case the guaranteed loan has been granted or the guaranteed leasing services have been purchased before the entry into force of the measure and have previously been the subject of State aid decisions or granted as de minimis aid, the compensation is 100% of the interest paid between 1 June 2020 and 31 December 2020 under the condition that the months for which interest have been reimbursed in accordance with previous State aid decisions or de minimis aid are excluded.

Further, Lithuanian authorities confirmed that beneficiaries that have received de minimis aid are eligible to the extent that the current measure do not cover the same eligible costs as the initial aid.

However, the maximum amount of the compensation is limited to EUR 120 000 per undertaking.

The total interest compensation period may not exceed 36 months from the date of signing the loan or leasing contract, and the maximum annual interest rate from which the compensation is calculated is 8%.
The aid under submeasure F shall be granted no later than 31 December 2020.

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.

2.8. Cumulation

The Lithuanian authorities confirm that aid granted under the measure may be cumulated with aid under de minimis Regulations\(^\text{11}\), the Agriculture Block Exemption Regulation (ABER)\(^\text{12}\) and the Fishery Block Exemption Regulation (FIBER)\(^\text{13}\) provided the provisions and cumulation rules of those Regulations are respected.

The Lithuanian 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.

The Lithuanian 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.

The Lithuanian 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.

Further, the Lithuanian authorities confirm that when an undertaking is active in several sectors, the aid granted must comply with the requirements set out in point 23bis of the Temporary Framework.

Regarding submeasure L, the Lithuanian authorities confirm that aid granted under Section 3.2 of the Temporary Framework shall not be cumulated with aid


granted for the same underlying loan principal under Section 3.3 of that framework and vice versa. Aid granted under Section 3.2 and Section 3.3 may be cumulated for different loans provided the overall amount of loans per beneficiary does not exceed the ceilings set out in point 25(d) or in point 27(d) of the Temporary Framework.

(49) A beneficiary may benefit in parallel from multiple schemes under Section 3.3 provided the overall amount of loans per beneficiary does not exceed the ceilings set out in point 27(d) and (e) of the Temporary Framework.

2.9. Monitoring and reporting

(50) The Lithuanian 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 granting).14)

3. ASSESSMENT

3.1. Lawfulness of the measure

(51) 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

(52) 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.

(53) The measure is imputable to the State, since it is administered by Ministry of the Agriculture of the Republic of Lithuania (recital (11)) and it is based on national legal basis15 (see recital (10)). It is financed through State resources, since it is financed by public funds.

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15 Draft Order of Minister of Agriculture of the Republic of Lithuania “On the Approval of the Rules for the Granting of Temporary State Aid to Vegetable Producers”; Draft Order of Minister of Agriculture of the Republic of Lithuania “On the Approval of the Rules for the Payment of Temporary State Aid to pig producers”; Draft Order of Minister of Agriculture of the Republic of Lithuania “On the Approval of the Scheme of the Financial Incentive Sub measure "Loans to ensure the Liquidity of Economic Entities, acting in Field of production, processing and marketing of Agricultural and Aquaculture Products, during the COVID-19 outbreak" and Draft Order of Minister of Agriculture of the Republic of Lithuania “On the Approval of the Scheme of the State Aid Sub measure “Interest and Guarantee Premium Compensation to Aquaculture Sector during the COVID-19 outbreak”.
(54) The measure confers an advantage on its beneficiaries in the form of direct grants and subsidised interest rates for loans. The measure thus relieves those beneficiaries of costs which they would have had to bear under normal market conditions.

(55) The advantages granted by the measure are selective, since they are awarded only to certain undertakings, in particular undertakings active agriculture and aquaculture sectors (see recital (19) to recital (22)) excluding the financial sector.

(56) 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.

(57) In view of the above, the Commission concludes that the measure constitutes aid within the meaning of Article 107(1) TFEU. The Lithuanian authorities do not contest that conclusion.

3.3. Compatibility

(58) 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.

(59) 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”.

(60) 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”.

(61) The measure aims at facilitating the access of undertakings to external finance and alleviate difficulties that eligible primary producers face due to the COVID-19 outbreak 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.

(62) The measure is one of a series of measures conceived at national level by the Lithuanian authorities to remedy a serious disturbance in their economy. The importance of the scheme to support eligible sectors (see recital (19) to recital (22)) is based on the health measures that have enormous consequences for income in a number of sectors, including agriculture and aquaculture sectors. In particular, this concerns certain establishments that were forced to close from 16 March 2020, inter alia catering and hospitality outlets, which caused a decline in demand in the eligible sectors (recital (19) to recital (22)). Furthermore, measures have been designed to meet the requirements of specific categories of aid (“Aid in the form of Limited amounts of aid”), as defined in Section 3.1 of the
Temporary Framework, and (“Aid in the form of subsidised interest rates for loans”), as defined in Section 3.3 of the Temporary Framework and the requirements for aid in the form of loans channeled through credit institutions or other financial institutions, as defined in Section 3.4 of the Temporary Framework (recitals (33) and (34)).

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 under submeasures V, P and F take the form of direct grant (recitals (6) to (9)).

- The total State aid granted under submeasures V and P does not exceed EUR 100,000 (recitals (25)(b) and (27)(b)) and the total State aid granted under submeasure F does not exceed EUR 120,000 per undertaking (recital (39)). Therefore, the overall nominal value of direct grants does not exceed the maximum amounts per undertaking active in the fishery and aquaculture sector or in the primary production of agricultural products. Submeasures V, P and F therefore comply with point 23(a) of the Temporary Framework;

- Aid is granted under the measure on the basis of a scheme with an estimated budget as indicated in recital (12). The measure therefore complies with point 22(b) of the Temporary Framework;

- Aid may not be granted under the measure to medium and large enterprises that were already in difficulty on 31 December 2019 (see recital (16)). Aid may be granted to micro and small enterprises that were in difficulty on 31 December 2019, if those enterprises, at the moment of granting the aid, are not subject to collective insolvency procedure under national law and they have not received rescue aid\(^\text{16}\) or restructuring aid\(^\text{17}\). The measure therefore complies with point 22(c)bis of the Temporary Framework (see recital (16));

- Aid will be granted under submeasures no later than 31 December 2020. Submeasures therefore complies with point 22(d) of the Temporary Framework;

- Submeasures P, V and F are limited to primary agriculture producers and own-produced aquaculture. 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

\(^{16}\) Alternatively, if they have received rescue aid, they have reimbursed the loan or terminated the guarantee at the moment of granting of the aid under the notified measure.

\(^{17}\) Alternatively, if they have received restructuring aid, they are no longer subject to a restructuring plan at the moment of granting of the aid under the notified measure.
producers (recital (35)). In light of the above, the scheme complies with point 22(e) of the Temporary Framework.

- According to point 23(b) 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. Under submeasure P the aid is calculated EUR per animal basis (recital (27)(c)). Under submeasure V, the aid is granted EUR per ton basis for the products intended for fresh consumption (potatoes, beetroots, carrots, cabbage) that were distributed free of charge or destroyed (recital (25)(c)). The objective of submeasures V and P is to partially compensate for loss of income and provide support all undertakings in eligible sectors, because those sectors have suffered a damage due to lack of demand. Thus, the inherent financial nature of a damage is that its value is depending on quantity of products. Therefore, taking into account the object of the Temporary framework to enable State aid for insufficient liquidity under exceptional circumstances, the measure 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 (42)). Submeasure therefore complies with point 23(c) 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, Lithuania 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. Submeasures therefore complies with point 23bis of the Temporary Framework.

Sub measure L

- The applicable interest rates for loans granted under submeasure L are fixed based on the duration of the loan and the size of the beneficiary. Taking into account that a loan is available for limited sectors, the duration is limited to 36 months and the nominal value of the loans is limited to EUR 1 000 000, and the minimum all in interest rate (base rate plus the credit risk margins) is at least 10bps per year (recitals (29) and (31)), submeasure L complies with point 27 (b) of the Temporary Framework.

- The loan shall be granted by 31 December 2020 at the latest and limited to a maximum of 36 months (recital (28)(d)). Submeasure therefore complies with point 27(c) of the Temporary Framework.

- For loans with a maturity beyond 31 December 2020, the maximum loan amount per beneficiary is limited in line with point 27(d) of the Temporary
Framework (recital (30)). Under the measure, the overall amount of the loans under per beneficiary may exceed the maximum amount defined by points 27(d)ii and 27(d)iii of the Temporary Framework. The additional liquidity need shall be justified by the beneficiary, and the amount of the loan may be increased to cover the liquidity needs from the moment of granting for the coming 18 months for SMEs and for the coming 12 months for large enterprises (see recital (30)(c)). In addition, in all cases, the loan may not exceed EUR 1 000 000 per beneficiary (recital (31)). Submeasure therefore complies with point 27(d)iii of the Temporary Framework.

- Loans granted under submeasure relate to working capital needs (recital (28)(d)). Submeasure therefore complies with point 27(f) of the Temporary Framework.

- Undertakings already in difficulty on 31 December 2019 are excluded from benefitting from submeasure (recital (16)). Submeasure therefore complies with point 27(g) of the Temporary Framework.

- The cumulation rules set out in point 26bis of the Temporary Framework are respected (see recitals (43) to (49)).

- Submeasure introduces safeguards in relation to the possible indirect aid in favour of the credit institutions or other financial institutions to limit undue distortions to competition. The role of institutions is limited to service providers as the financial intermediaries will not contribute to the loan with their own funds, and will not bear the risk of non-repayment of the loan and non-payment of other payments under the loan agreements. Also, the loan administration fees, paid by the borrower to the financial intermediary, are limited. The safeguards, thus, ensure that these institutions, to the largest extent possible, pass on the advantages of the measure to the final beneficiaries. Submeasure L therefore complies with points 28 to 31 of the Temporary Framework, see recitals (33) to (34).

**Monitoring and Cumulation**

(64) The Lithuanian authorities confirm that the monitoring and reporting rules laid down in section 4 of the Temporary Framework will be respected (recital (50)). The Lithuanian authorities further confirm that the aid under submeasure 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 (43) to (49)).

(65) 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. COMPLIANCE WITH INTRINSICALLY LINKED PROVISIONS OF DIRECTIVE 2014/59/EU AND REGULATION (EU) 806/2014

(66) Without prejudice to the possible application of Directive 2014/59/EU on bank recovery and resolution (“BRRD”)\(^\text{18}\) and of Regulation (EU) 806/2014 on the Single Resolution Mechanism (“SRMR”)\(^\text{19}\), in the event that an institution benefiting from measures meets the conditions for the application of that Directive or of that Regulation, the Commission notes that the notified submeasure L do not appear to violate intrinsically linked provisions of the BRRD and the SRMR.

(67) In particular, aid granted by Member States to non-financial undertakings as final beneficiaries under Article 107(3)(b) TFEU in line with the Temporary Framework, which is channeled through credit institutions or other financial institutions as financial intermediaries, may also constitute an indirect advantage to those institutions.\(^\text{20}\) Nevertheless, any such indirect aid granted under the measure does not have the objective of preserving or restoring the viability, liquidity or solvency of those institutions. The objective of the measure is to remedy the liquidity shortage faced by undertakings that are not financial institutions and to ensure that the disruptions caused by the COVID-19 outbreak do not undermine the viability of such undertakings, especially of SMEs. As a result, aid granted under the measure does not qualify as extraordinary public financial support under Art. 2(1) No 28 BRRD and Art. 3(1) No 29 SRMR.

(68) Moreover, as indicated in recitals (33) and (34) and above, submeasure L introduces safeguards in relation to any possible indirect aid in favour of the credit institutions or other financial institutions to limit undue distortions to competition. Such safeguards ensure that those institutions, to the largest extent possible, pass on the advantages provided by the measure to the final beneficiaries.

(69) The Commission therefore concludes that the measure does not violate any intrinsically linked provisions of the BRRD and the SRMR.


\(^\text{20}\) Points 6 and 29 of the Temporary Framework.
5. **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](http://ec.europa.eu/competition/elojade/isef/index.cfm).

Yours faithfully,

For the Commission

Margrethe VESTAGER  
Executive Vice-President

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CERTIFIED COPY  
For the Secretary-General,  
Jordi AYET PUIGARNAU  
Director of the Registry  
EUROPEAN COMMISSION