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Subject: **State Aid SA.61470 (2021/N) – Czechia – COVID-19: Aid in the form of guarantees on investment loans**
State Aid SA.61824 (2021/N) – Czechia – COVID-19: Third amendment to SA.57094 (2020/N)

Excellency,

1. PROCEDURE

(1) By electronic notification of 22 March 2021, Czechia notified aid in the form of guarantees on loans (COVID Invest programme, "the measure"), and by electronic notification of 5 February 2021, Czechia notified a third amendment to the aid scheme SA.57094 (2020/N) approved by the Commission on 5 May 2020, under the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak ("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

[1] Communication from the Commission - Temporary framework for State aid measures to support the economy in the current COVID-19 outbreak (OJ C 91I, 20.3.2020, p. 1), as amended by Commission Communications C(2020) 2215 (OJ C 112I, 4.4.2020, p. 1), C(2020) 3156 (OJ C 164, 13.5.2020, p. 3), C(2020) 4509 (OJ C 218, 2.7.2020, p. 3), C(2020) 7127 (OJ C 340I, 13.10.2020, p. 1) and C(2021) 564 (OJ C 34, 1.2.2021, p. 6).

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Article 3 of Regulation 1/1958[2] and to have this Decision adopted and notified in English.

2. DESCRIPTION OF THE MEASURES

(3) Czechia considers that the COVID-19 outbreak affects the real economy. The measure on aid in the form of guarantees on loans 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, to contribute to the recovery of companies' investment levels and thereby to preserve the continuity of economic activity during and after the outbreak. The objective of the aid scheme SA.57094 (2020/N) is to ensure sufficient liquidity for exporting large undertakings[3] that were affected by the COVID-19 outbreak. The notified amendment pursues the same objective.

(4) Czechia confirms that the aid under the measures is not conditioned on the relocation of a production activity or of another activity of the beneficiary from another country within the EEA to the territory of the Member State granting the aid. This is irrespective of the number of job losses actually occurred in the initial establishment of the beneficiary in the EEA.

(5) The compatibility assessment of the measures is based on Article 107(3)(b) TFEU, in light of sections 2 and 3.2 of the Temporary Framework.

2.1. Aid in the form of guarantees on investment loans under COVID Invest programme

2.1.1. The nature and form of aid

(6) The measure provides aid in the form of guarantees on investment loans.

2.1.2. Legal basis

(7) The legal bases for the measure are:

(a) Act No. 228/2020 Coll. of 29 April 2020 on state guarantee of the Czech Republic for securing the debts of the Českomoravská záruční a rozvojová banka, a.s. resulting from the guarantee for loan debts in connection with mitigating the negative impacts caused by the SARS-CoV-2 virus and;

(b) Act No. 451/2020 Coll. of 29 October 2020 amending Act No. 228/2020 Coll., on the provision of a state guarantee of the Czech Republic to secure the debts of Českomoravská záruční a rozvojová banka, a.s., arising from liability for debts on loans in connection with the mitigation of negative impacts caused by the SARS-CoV- 2.

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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.

3 For the purposes of the existing aid scheme SA.57094 (2020/N), large enterprises are defined as undertakings with 250 employees or more.

2.1.3. *Administration of the measure*

(8) Českomoravská záruční a rozvojová banka, a.s. (CMZRB), the national promotional bank of Czechia, is responsible for administering the measure.

(9) The guarantee shall be provided by CMZRB on individual loans through credit institutions.

(10) CMZRB receives financial means to cover its guarantee obligations towards the credit institutions from the State budget. The legal bases for the measure (recital (7)) provide for a State guarantee for these liabilities.

2.1.4. *Budget and duration of the measure*

(11) The estimated budget of the measure is CZK 150 billion (approximately EUR 5.8 billion). This entire estimated budget is shared with the scheme COVID III, which the Commission approved on 15 May 2020 under SA.57195 (2020/N).[4]

(12) The maximum nominal amount of loans under this measure and the scheme COVID III will not exceed CZK 500 billion (approximately EUR 19.3 billion).

(13) Aid may be granted under the measure as from its approval until no later than 31 December 2021.

2.1.5. *Beneficiaries*

(14) The final beneficiaries of the measure are SMEs and large enterprises[5] with up to 500 employees that are registered[6] in Czechia and active in the sectors listed in Section 2.1.6 below. Financial institutions are excluded as eligible final beneficiaries.

(15) Aid may not be granted under the measure to medium[7] and large enterprises that were already in difficulty within the meaning of the General Block Exemption Regulation ("GBER"), the Agricultural Block Exemption Regulation ("ABER") or the Fisheries Block Exemption Regulation ("FIBER")[8] on 31 December 2019.

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4 See recital (11) in SA.57195 (2020/N) – Czechia COVID-19: Aid in the form of guarantees on loans for enterprises of up to 500 employees.
https://ec.europa.eu/competition/state_aid/cases1/202021/286080_2157193_34_2.pdf
SA.57195 (2020/N) was amended on 16 December 2020 by the blocked decision SA.59705 (2020/N) – Czech Republic COVID-19: Modifications to SA.56961, SA.57071, SA.57149, SA.57195, SA.57358, SA.58018, SA.58167 and SA.58398.
https://ec.europa.eu/competition/state_aid/cases1/202051/289822_2223562_28_2.pdf

5 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, 26.6.2014, p. 1.

6 The registration in Czechia does not restrict the eligibility under the measure of undertakings with headquarters or tax residence in other Member States.

7 As defined in Annex I to Commission Regulation (EU) No 651/2014.

8 As defined in Article 2(18) of Commission Regulation (EU) No 651/2014, 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, 1.7.2014, p. 1, and Article 3(5) of Commission

Aid may be granted to micro and small enterprises that were in difficulty within the meaning of the GBER, ABER or FIBER 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]

(16) The Czech authorities include as an additional eligibility requirement that, as of 31 March 2020, the final beneficiary cannot have been in default of more than 30 days with the repayment of a debt to the lending financial institution.

(17) Aid is granted under the measure through credit institutions and other financial institutions as financial intermediaries.

2.1.6. Sectoral and regional scope of the measure

(18) The measure is open to the following NACE sectors:

A - Agriculture, forestry and fishing
B.08 - Other mining and quarrying (other B activities are excluded, such as mining of coal and lignite, extraction of crude petroleum and natural gas, mining of metal ores and mining support service activities)
C - Manufacturing (C.12 - Manufacture of tobacco products and C.19 - Manufacture of coke and refined petroleum products are excluded)
D - Electricity, gas, steam and air conditioning supply
E - Water supply; sewerage; waste management and remediation activities (E.38.32 – Recovery of sorted material when related to tobacco products is excluded)
F - Construction
G - Wholesale and retail trade; repair of motor vehicles and motorcycles (G.46.35 - Wholesale of tobacco products and G.47.26 - Retail sale of tobacco products in specialised stores are excluded)
H - Transportation and storage
I - Accommodation and food service activities
J - Information and communication
L - Real estate activities
M - Professional, scientific and technical activities
N - Administrative and support service activities
P - Education
Q - Human health and social work activities
R - Arts, entertainment and recreation (R.92 - Gambling and betting activities are excluded)
S - Other service activities (S.94 - Activities of membership organisations are excluded)

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, 24.12.2014, p. 37.

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.

(19) The financial sector (K NACE code ‘Financial and insurance activities’) is excluded from the measure.

(20) The measure applies to the whole territory of Czechia.

2.1.7. Basic elements of the measure

2.1.7.1. Nature and maturity of the qualifying loans

(21) CMZRB will provide guarantees to individual loans through financial institutions, on the basis of a portfolio guarantee agreement with each financial institution.

(22) The State guarantee will cover losses incurred on new[11] investment loans to the eligible beneficiaries. The guaranteed loan shall not be used for refinancing existing loans.

(23) The conclusion of the loan contract may occur until no later than 31 December 2021.

(24) The loans are not limited in their duration. However, the guarantee will only cover losses incurred in the first six years of the eligible loans which, in case of longer duration than six years, will be unguaranteed afterwards.

2.1.7.2. Maximum amount of the qualifying loans

(25) The maximum amount of the loan principal will depend on the type of guarantee (see recitals (29) and (30)). The loan principal cannot surpass the limit of CZK 90 million (approximately EUR 3.4 million).

(26) At the same time, the maximum amount of the loan principal per final beneficiary shall not exceed the following ceilings:

(a) Double the annual wage bill of the final beneficiary (including social charges as well as the cost of personnel working on the company site but formally in the payroll of subcontractors) for 2019 or for the last year available. In the case of undertakings created on or after 1 January 2019, the maximum amount of the loan must not exceed the estimated annual wage bill for the first two years in operation (based on self-certification by the final beneficiary); or

(b) 25% of the total turnover of the final beneficiary in 2019 (based on self-certification by the final beneficiary); or

(c) with appropriate justification and based on self-certification by the final beneficiary of its liquidity needs, the amount of the loan may be increased to cover the liquidity needs from the moment of granting for the coming 12 months.

[11] For the purpose of this measure, new loans are loans that have been granted as of the date of adoption of this decision.

(27) The Czech authorities confirm that they intend to apply the possibility of the third liquidity ceiling mentioned above based on self-certification. This liquidity ceiling allows the scheme to include a maximum ceiling that is linked to the declared liquidity needs by the final beneficiary, which will be verified during the application. More concretely, the final beneficiaries will need to justify why the limits provided under the other ceilings are not appropriate proxies to forecast their liquidity needs in the next months. In this regard, the Czech authorities justify that the possibility of implementing the third liquidity ceiling could be suitable for final beneficiaries categorised as small enterprises[12] with low wage costs or self-employed persons, whose current financial needs could be higher than expected due to an irregular turnover or its irregular distribution over the year as a result of the COVID crisis. The Czech authorities also justify the application of the liquidity ceiling to fast-growing companies, start-ups or scale-ups, for which the 2019 data would not be a good benchmark for their current financing needs. In addition, as a subcategory of fast-growing companies for which 2019 data may not reflect actual financing needs, the Czech authorities justify the liquidity ceiling for enterprises that are experiencing a higher demand for the goods or services produced as a consequence of the COVID crisis. Financial intermediaries providing the loan will perform the assessment on a case-by-case basis, considering the liquidity needs and related investment project. The Czech authorities also underline that the financial intermediary should in any case have an incentive to provide a loan in a volume appropriate to the needs of the final beneficiary, considering the significant portion of the credit risk it retains.

(28) The Czech authorities also envisage the possibility of granting loans with a maturity until 31 December 2021. Such loans will comply with the same ceilings and conditions as specified in recitals (25) to (27).

2.1.7.3. Maximum amount and attribution of losses of the guarantee

(29) The maximum amount of the guarantee will depend on the type of guarantee. This is to be determined by the credit institution in agreement with the final beneficiary and based on an evaluation of the final beneficiary’s risk profile and collateral.

(a) Category A:

– 90% of the loan principal for final beneficiaries with a maximum of 250 employees or;

– 80% of the loan principal for final beneficiaries with more than 250 employees and up to 500 employees.

(b) Category B:

– 50% of the loan principal for all final beneficiaries with up to 500 employees.

[12] For this purpose, the Czech authorities consider small enterprises those with up to 49 employees.

(30) For both categories, the maximum amount of the guarantee per loan will be further limited to:

(a) CZK 45 million (approximately EUR 1.7 million) for final beneficiaries with a maximum of 250 employees or;

(b) CZK 40 million (approximately EUR 1.5 million) for final beneficiaries with more than 250 employees and up to 500 employees.

(31) For each guaranteed loan, losses are sustained proportionally and under the same conditions by the credit institution and CMZRB, while there is a portfolio cap limiting the guarantee coverage only to 30% of a given loan portfolio of a financial intermediary (the remaining losses up to 70% of the loan portfolio are thus covered solely by the financial intermediary).

(32) When the size of the loan decreases over time, for instance because the loan starts to be reimbursed, the guaranteed amount decreases proportionally. Repayment of guaranteed loans does not affect the portfolio cap of 30%.

2.1.7.4. Maximum duration of the guarantee

(33) The State guarantee will not exceed a duration of six years. Guarantee calls, triggered by events occurred during the guarantee duration, will be possible up to 6 months after the end of the guarantee period.

2.1.7.5. Remuneration of the guarantee

(34) The remuneration is based on a progressive premium taking into account the maturity of the qualifying loan.

(35) Guarantees under Category A (90% or 80% of loan principal) will have the following guarantee premiums:

Type of recipient	***For 1st year***	***For 2nd – 3rd year***	***For 4th – 6th year***
SMEs	25 bps	50 bps	100 bps
Large enterprises	50 bps	100 bps	200 bps

(36) Guarantees under Category B (50% of loan principal) will have the following guarantee premiums:

Type of recipient	***For 1st year***	***For 2nd – 3rd year***	***For 4th – 6th year***
SMEs	15 bps	15 bps	25 bps
Large enterprises	15 bps	25 bps	125 bps

(37) Czechia considers that the reduced guarantee premiums under Category B are justified due to the lower guarantee coverage of 50%, in line with the modulation possibilities under point 25(b) of the Temporary Framework.

2.1.7.6. Mobilisation conditions of the guarantee

(38) The Czech authorities confirm that the mobilisation of the guarantee is contractually linked to specific conditions agreed between the parties when the guarantee is initially granted.

2.1.7.7. Safeguards in relation to the possible indirect aid in favour of the financial intermediaries

(39) The measure introduces the following safeguards in order to ensure that the advantage is passed to the final beneficiaries:

(a) The guarantee is granted only to new loans. Furthermore, the loan covered by the guarantee cannot be used for refinancing of existing loans. This ensures that the credit institutions will offer fresh liquidity to final beneficiaries.

(b) CMZRB launched an open call for credit institutions to apply for the guarantee. All credit institutions authorised to conduct banking business in Czechia were permitted to apply to participate in the scheme.

(c) Losses are sustained proportionally and under the same conditions by the credit institutions and CMZRB along the guarantee rate and there is a portfolio cap limiting the guarantee coverage only to 30% of the given loan portfolio of the credit institution. Credit institutions therefore still bear a significant portion of the risk. Considering the high proportion of the exposure that the credit institutions retain on the portfolio, they have an incentive to offer loans on the most favourable conditions possible to avoid the supported undertaking from defaulting.

(d) The guarantee agreements between CMZRB and credit institutions shall include an obligation to pass the advantage of the guarantee on to the final beneficiaries.

2.1.8. Cumulation

(40) The Czech authorities confirm that aid granted under the measure may be cumulated with aid under *de minimis* Regulations[13] or the Block Exemption Regulations (GBER, ABER and FIBER) provided the provisions and cumulation rules of those Regulations are respected.

(41) The Czech 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.

(42) 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.

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[13] 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, 26.4.2012, p. 8).

(43) The Czech authorities confirm that aid granted under section 3.2 of the Temporary Framework will 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.

(44) A beneficiary may benefit in parallel from multiple schemes under section 3.2 provided the overall amount of loans per beneficiary does not exceed the ceilings set out in point 25(d) and (e) of the Temporary Framework. Aid granted under the measure and/or other measures approved by the Commission under section 3.2 of the Temporary Framework which has been reimbursed before 31 December 2021 shall not be taken into account in determining whether the relevant ceiling is exceeded.

2.1.9. Monitoring and reporting

(45) 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 above EUR 100 000 granted under the measure and EUR 10 000 in the primary agriculture and in the fisheries sectors on the comprehensive national State aid website or Commission's IT tool within 12 months from the moment of granting[14]).

2.2. Amendment to SA.57094 (2020/N) - Loan guarantee scheme for exporting large undertakings

(46) The Czech authorities also wish to amend the existing aid scheme SA.57094 (2020/N) "Loan guarantee scheme for exporting large undertakings" ("the existing aid scheme") approved by decision C(2020) 3040 final of 5 May 2020 ("the decision of 5 May 2020"), as amended by decision SA.58015 (2020/N) approved on 20 July 2020 ("the decision of 20 July 2020") and by decision SA.60374 (2020/N) approved on 23 December 2020 ("the decision of 23 December 2020").

(47) The legal bases for the existing aid scheme are specified in recital (10) of the decision of 5 May 2020, recital (5) of the decision of 20 July 2020 and recital (5) of the decision of 23 December 2020. An additional legal basis is relevant for the notified amendment:

- Government Decree No. 41/2021 Coll., which amends Government Decree No. 597/2020 Coll., Government Decree No. 308/2020 Coll., and Government Decree No. 215/2020 Coll. on Implementation of Certain Provisions of the Act on Insurance and Financing of Exports with State Support, as amended.

(48) The notified amendment expands the sectoral scope of the existing aid scheme, including undertakings in the accommodation business (NACE Code I.55).

[14] 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 to Commission Regulation (EU) No 1388/2014. For guarantees, the nominal value of the underlying instrument shall be inserted per beneficiary.

(49) All the other conditions of the existing aid scheme, as described in the decision of 5 May 2020 and amended by the decisions of 20 July 2020 and 23 December 2020, remain unchanged.

3. ASSESSMENT

3.1. Lawfulness of the measures

(50) By notifying the measures before putting them into effect, the Czech authorities have respected their obligations under Article 108(3) TFEU.

3.2. Existence of State aid

(51) 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.

3.2.1. Aid in the form of guarantees on investment loans under COVID Invest programme

(52) The measure is imputable to the State, since it is administered by CNMZB and it is based on two legal acts adopted by Czechia (recital (7)). It is financed through State resources, since it is financed by public funds.

(53) The measure confers an advantage on its beneficiaries in the form of guarantees on investment loans (recital (6)). The measure relieves those beneficiaries of costs which they would have had to bear under normal market conditions.

(54) The advantage granted by the measure is selective, since it is awarded only to certain undertakings, in particular undertakings active in the sectors listed in recital (18). The financial sector is one of the excluded sectors.

(55) 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.

(56) 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.

3.2.2. Amendment to SA.57094 (2020/N) - Loan guarantee scheme for exporting large undertakings

(57) The Commission's decision of 5 May 2020 concludes that the measure "Loan guarantee scheme for exporting large undertakings" constitutes aid within the meaning of Article 107(1) TFEU. The amendment decisions of 20 July 2020 (recital (11)) and 23 December 2020 (recital (12)) do not change that conclusion. The notified amendment, which only expands the sectoral scope of the existing aid scheme (see recital (48) above), does not affect that conclusion. The Commission therefore refers to the assessment contained in recitals (34) to (39) of the decision of 5 May 2020, which applies also to this amendment.

3.3. Compatibility

(58) Since the measures involve aid within the meaning of Article 107(1) TFEU, it is necessary to consider whether the measures are 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*".

3.3.1. Aid in the form of guarantees on investment loans under COVID Invest programme

(61) The measure aims at facilitating the access of undertakings to external finance at a time when the normal functioning of 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 Czech authorities to remedy a serious disturbance in their economy. The importance of the measure to improve access to external finance during the COVID-19 outbreak and to preserve economic continuity is widely accepted by economic commentators and the measure is of a scale which can be reasonably anticipated to produce effects across the entire Czech economy, given the wide scope of sectors (recitals (18) and (19)). Furthermore, the measure has been designed to meet the requirements of a specific category of aid ("*Aid in the form of guarantees on loans*") described in section 3.2 of the Temporary Framework and the requirements for aid in the form of guarantees and loans channelled through credit institutions or other financial institutions described in section 3.4 of the Temporary Framework.

(63) 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:

(a) For guarantees under category A (recital (29)(a)), the measure sets minimum levels for guarantee premiums of 25 to 100 bps for SMEs and of 50 to 200 bps for large enterprises on loans with a maximum duration of the guarantee of six years (recital (35)). It therefore complies with the guidance provided in point 25(a) of the Temporary Framework.

(b) In the case of guarantees under category B (recital (29)(b)), the measure sets minimum levels for guarantee premiums of 15 to 25 bps for SMEs and of 15 to 125 bps for large enterprises on loans with a maximum duration of the guarantee of six years (recital (36)). The established guarantee premiums are below the guidance provided in point 25(a) of the Temporary Framework, which is justified because they are modulated to account for a coverage ratio of 50%, while the aforementioned guidance refers to a coverage ratio of 90%. In other words, the lower guarantee coverage justifies lower guarantee premiums, in line with point 25(b) of the Temporary Framework.

(c) Guarantees may be granted under the measure by 31 December 2021 at the latest (recital (13)). The measure therefore complies with point 25(c) of the Temporary Framework. In addition, the loan contract may be concluded until no later than 31 December 2021 (recital (23)).

(d) For loans with a maturity beyond 31 December 2021, the maximum loan amount per beneficiary covered by guarantees granted under the measure is limited in line with point 25(d) of the Temporary Framework (recitals (25) to (27)). Regarding the ceiling under point 25(d)(iii) of the Temporary Framework, the Czech authorities provide an appropriate justification as this possibility could be more suitable for smaller enterprises or self-employed persons with irregular turnover due to the COVID crisis, fast-growing companies, start-ups or scale-ups (recital (27)). In addition, the final beneficiaries will have to justify why the limits under 25(d)(i) and (ii) are not sufficient and the financial intermediaries will assess those liquidity needs on a case-by-case basis. For loans with a maturity until 31 December 2021, the Czech authorities commit to follow the same approach as for loans with a maturity beyond 31 December 2021 (recital (28)), complying with point 25(e) of the Temporary Framework. Specifically, the Commission considers such aid to be proportionate in the present case, since the justification is in connection with the characteristics of certain type of undertakings, and because the scheme includes a maximum ceiling that is linked to the beneficiary's declared liquidity needs, which will be verified during the application.

(e) The measure limits the duration of the guarantees to a maximum of six years (recital (33)). Those guarantees can cover either 90% or 80% of the loan principal under category A and 50% of the loan principal under category B (recital (29)). Further limits regarding the maximum amount of the guarantee per loan are applied to both categories, depending on the number of employees (recital (30)). Losses stemming from the loans are sustained proportionally and under the same conditions by the credit institutions and the State (recital (31)). Furthermore, when the size of the loan decreases over time, the guaranteed amount decreases proportionally (recital (32)). The measure therefore complies with point 25(f) of the Temporary Framework.

(f) Guarantees granted under the measure relate to investment loans (recital (6)). The measure therefore complies with point 25(g) of the Temporary Framework.

(g) Aid may not be granted under the measure to medium[15] and large enterprises that were already in difficulty on 31 December 2019. The measure therefore complies with point 25(h) of the Temporary Framework. 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[16] or restructuring aid[17] (see recital (15)). The measure therefore complies with points 25(h) and (h)bis of the Temporary Framework;

(h) The measure 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 guarantee is granted only to new investment loans and cannot be used for refinancing of existing loans, favouring the provision of new liquidity to final beneficiaries. The Commission considers that the open call for all credit institutions authorised to conduct business in Czechia launched by CMZRB may have contributed to fostering competition among credit institutions. The portfolio cap limiting the guarantee coverage only to 30% of the given loan portfolio of a credit institution on top of the individual loan coverage limitation ensures that the credit institutions bear a high proportion of the exposure, creating an incentive to offer loans on the most favourable conditions possible to avoid the supported undertakings from defaulting. Furthermore, the guarantee agreements between CMZRB and credit institutions will include an obligation to pass on the advantage of the guarantee to the final beneficiaries. The safeguards thus ensure that those institutions, to the largest extent possible, pass on the advantages of the measure to the final beneficiaries (recital (39)). The measure therefore complies with points 28 to 31 of the Temporary Framework.

(i) The cumulation rules set out in point 24bis of the Temporary Framework are respected (recitals (43) and (44)).

(j) The mobilisation of the guarantees is contractually linked to specific conditions, which have to be agreed between the parties when the guarantee is initially granted (recital (38)).

(64) The Czech authorities confirm that the aid under the measure is not conditioned on the relocation of a production activity or of another activity of the beneficiary from another country within the EEA to the territory of the Member State granting the aid. This is irrespective of the number of job losses actually occurred in the initial establishment of the beneficiary in the EEA (recital (4)).

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15 As defined in Annex I to Commission Regulation (EU) No 651/2014 of 17 June 2014.

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.

(65) The Czech authorities confirm that the monitoring and reporting rules laid down in section 4 of the Temporary Framework will be respected (recital (45)). 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 and the cumulation rules of the relevant Regulations are respected (recitals (40) to (42)).

(66) 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.

3.3.2. Amendment to SA.57094 (2020/N) - Loan guarantee scheme for exporting large undertakings

(67) The objective of the existing aid scheme remains unchanged and continues complying with section 2 of the Temporary Framework.

(68) Apart from the modification referred to in recital (48) above, the Commission notes that there are no other alterations to the existing aid scheme (recital (49)). Consequently, the notified amendment to the existing aid scheme does not alter the finding of compliance of the scheme with the remainder of the conditions set out in section 3.2 of the Temporary Framework.

(69) The Commission accordingly considers that the notified amendment does not affect the compatibility analysis of the existing aid scheme. Therefore, the amended scheme remains 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

(70) Without prejudice to the possible application of Directive 2014/59/EU on bank recovery and resolution (**"**BRRD**"**)[18] in the event that an institution, benefiting from the measure on aid in the form of guarantees on investment loans, meets the conditions for the application of that Directive or of that Regulation, the Commission notes that the measure does not appear to violate intrinsically linked provisions of the BRRD.

(71) 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.[19] 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

[18] OJ L 173, 12.6.2014, p. 190.

[19] Points 6 and 29 of the Temporary Framework.

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 Article 2(1)(28) BRRD.

(72) Moreover, as indicated in recital (63)(h) above, the measure 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.

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

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.

Yours faithfully,

For the Commission

Margrethe VESTAGER
Executive Vice-President

CERTIFIED COPY
For the Secretary-General

Martine DEPREZ
Director
Decision-making & Collegiality
EUROPEAN COMMISSION