EUROPEAN COMMISSION

Brussels 21.4.2021
C(2021) 2930 final

PUBLIC VERSION

This document is made available for information purposes only.

Subject: **State Aid SA.62290 (2021/N) – Finland**
COVID-19: Amendment to the scheme SA.57059 (2020/N) – COVID-19: Loan guarantee and subsidised interest rate loan scheme for undertakings most affected by COVID-19

Excellency,

1. PROCEDURE

(1) By electronic notification of 14 April 2021, Finland notified an amendment ("the measure") to the loan guarantee and subsidised interest rate loan scheme ("the existing scheme") approved by Commission Decision of 20 April 2020[1] ("the initial decision") under the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak, as amended ("the Temporary Framework").[2] The existing scheme was already amended by

[1] Commission Decision of 20 April 2020 in SA.57059 (2020/N), OJ C 158, 8.5.2020, p. 1.

[2] 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 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,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, by Communication from the Commission C(2020) 4509 final of 29 June 2020 on the Third Amendment of the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak, OJ C 218, 2.7.2020, p. 3, by Communication from the Commission C(2020) 7127 final of 13 October 2020 on the Fourth Amendment of the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak and amendment to the Annex to the Communication from the Commission to the Member States on the application of Articles 107 and 108 of the Treaty on the

Ulkoministeri / Utrikesminister Pekka HAAVISTO
Merikasarmi / Sjöekipaget
PL 176 / PB 176
FIN - 00161 Helsinki / FIN - 00023 Helsingfors

Commission Decisions of 30 November 2020 under case SA.59332[3] and of 10 March 2021 under case SA.61959[4].

(2) Finland exceptionally agrees to waive its rights deriving from Article 342 TFEU, in conjunction with Article 3 of Regulation 1/1958[5] and to have this Decision adopted and notified in English.

2. DESCRIPTION OF THE MEASURE

(3) Finland intends to modify the existing scheme approved by the Commission on 20 April 2020, as amended, as described in Section 2.2 of this Decision.

(4) As was the case also for the existing scheme, the measure aims to ensure that sufficient liquidity remains available in the market, to counter the liquidity shortage faced by undertakings because of the COVID-19 outbreak, to ensure that the disruptions caused by that outbreak do not undermine the viability and solvency of the undertakings, which were not considered to be in difficulty before the outbreak, and thereby to preserve the continuity of economic activity during and after the outbreak.

(5) The compatibility assessment of the measure is based on Article 107(3)(b) TFEU, as interpreted by Section 2, Section 3.2, Section 3.3 and Section 3.4 of the Temporary Framework.

2.1. The existing scheme

(6) The existing scheme consists of two measures providing for State aid in the form of guarantees on loans (Measure A) and subsidised interest rates for loans (Measure B) (recital (15) of the initial decision).

(7) The initial decision set the maximum amount of the eligible instruments under the scheme, for both measures, at a level not exceeding either twice its annual wage bill for 2019 (including social charges as well as the cost of personnel working on the undertakings site but formally in the payroll of subcontractors) or 25% of its annual turnover of 2019 (recital (17) of the initial decision).

2.2. The proposed amendment

(8) The proposed amendment aims at introducing a third criterion to define the maximum amount of the eligible instruments under the scheme, for both

---

Functioning of the European Union to short-term export-credit insurance, OJ C 340 I, 13.10.2020, p.1, and Communication from the Commission C(2021) 564 final of 28 January 2021 on the Fifth Amendment to the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak and amendment to the Annex to the Communication from the Commission to the Member States on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to short-term export-credit insurance, OJ C 34, 1.2.2021, p. 6.

[3] Commission Decision of 30 November 2020 in SA.59332 (2020/N), OJ C 430, 11.12.2020, p. 1.

[4] Commission Decision C (2021) 9046 final of 10 March 2021 in SA.61959 (2021/N).

[5] Regulation No 1 determining the languages to be used by the European Economic Community, OJ 17, 6.10.1958, p. 385.

measures, in relation to the beneficiary's liquidity needs over a period of 12 or 18 months for large and small and medium-sized enterprises (SMEs), respectively.

(9) The liquidity needs will be established through a self-certification by the beneficiary, based on a liquidity plan that may include both working capital and investment costs, and an assessment of the financial analysis of the beneficiary by Finnvera, the authority granting and administering the measures.

(10) The Finnish authorities submit that this criterion is to be used only in exceptional or urgent cases for beneficiaries which can provide satisfactory justification why the total turnover of 2019 or the annual wage bill for 2019 (or the last year available) are not appropriate proxies to forecast their liquidity needs in the next months, on the condition that eligible beneficiaries satisfy the following criteria:

(a) be active in capital-intensive sectors and focus on the production and sales of large capital goods under construction for a long time period, possibly longer than one financial year (e.g. shipyard, production of machinery), where fluctuations in business volumes are significant between financial years meaning that the 2019 turnover is not an appropriate proxy for liquidity needs (the orders received require an adjustment to the production capacity and therefore to cost levels, including wage costs) or where the business model relies heavily on sub-contracting, which is not included in the beneficiary's wage costs, meaning that the wage bill criterion in not an appropriate proxy; and

(b) have experienced disturbances linked to the COVID-19 outbreak that have negatively affected the production time (for example because buyers have delayed their orders or subcontractors have not been able to provide goods or services to the beneficiary as initially expected), thereby requiring additional bridge financing to deliver products.

2.3. Legal basis and other elements of the existing scheme

(11) The legal basis for the measure remains the Act on Credits, Guarantees and Capital Investments provided by the State-Owned Specialised Financing Company, as amended.

(12) All the other elements of the existing scheme remain unchanged.

(13) The Finnish authorities also confirm that the aid under the scheme is not conditioned on the relocation of a production activity or of another activity of the beneficiary from another country within the European Economic Area (the "EEA") to the Finnish territory. This is irrespective of the number of job losses actually occurred in the initial establishment of the beneficiary in the EEA.

3. ASSESSMENT

3.1. Lawfulness of the measure

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

3.2. Existence of State aid

(15) 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.

(16) The qualification of the existing scheme as State aid was established in the initial decision. The Commission refers, for this analysis, to recitals (29) to (34) of the initial decision.

(17) The Commission concludes that the measure does not affect the assessment that the existing scheme, as amended under the measure, constitutes State aid within the meaning of Article 107(1) TFEU as set out in the initial decision. The Finnish authorities do not contest that conclusion.

3.3. Compatibility

(18) The Commission has examined the existing scheme on the basis of Art. 107(3)(b) TFEU and pursuant to the requirements of specific categories of aid ("Aid in the form of guarantees on loans", "Aid in the form of subsidised interest rates for loans") described in Sections 3.2 and 3.3 of the Temporary Framework.

(19) The Commission refers to its compatibility analysis as set out in recitals (35) to (40) of the initial decision.

(20) As regards the amendment to the existing scheme notified under the measure, the Commission notes that the new possibility for establishing the maximum amount of loans per beneficiary of the eligible instruments under the scheme, for both measures, is in line with the ceilings set by points (25)(d) and (27)(d) of the Temporary Framework for measures A, in the form of guarantees, and B, in the form of subsidised interest rates for loans, respectively.

(21) The Finnish authorities have appropriately justified the recourse to the liquidity needs of beneficiaries under points 25(d)(iii) and 27(d)(iii) of the Temporary Framework, which they will apply following a transparent, non-discriminatory and case-by-case analysis, since it shall be used only for undertakings whose total turnover of 2019 or annual wage bill for 2019 (or for the last year available) is not a good proxy to forecast their expenses in the next months, subject to conditions in connection with the characteristics of the beneficiaries (recitals (8) to (10)). The measure therefore complies with points 25(d)(iii) and 27(d)(iii) of the Temporary Framework.

(22) The Commission observes that such a possibility will only be used for undertakings that have demonstrated major interruption in their operations during the lockdown period, base their revenue on long-lasting project delivery and operate in certain type of industries where liquidity needs may rise exceptionally high in relation to the undertaking's revenues (recitals (8)**Error! Reference source not found.** to (10)**Error! Reference source not found.**). The Commission, considers that on such occasions, given the specificity of the revenues' pattern and impact of confinement measures, the total turnover of 2019

or the annual wage bill for 2019 do indeed not serve as good proxy to forecast their liquidity needs in the next few months, and therefore, recourse to points 25(d)(iii) and 27(d)(iii) of the Temporary Framework respectively is duly justified.

(23) The liquidity needs will be established based on a self-certification by the beneficiary and a financial analysis by the granting authority of the beneficiary's repayment capacity, enabling the granting authority to ensure that the aid corresponds to the actual liquidity needs of the beneficiary for the coming months. The Commission considers therefore the corresponding aid to be proportionate.

(24) The Commission notes that there are no other alterations to the existing scheme apart from the proposed amendment described in recitals (8) to (10).

(25) The Commission considers that this limited modification to the existing aid scheme meets the conditions of the Temporary Framework and does not alter the Commission's conclusions on the compatibility of the existing scheme in the initial decision, as amended.

4. CONCLUSION

The Commission has accordingly decided not to raise objections to the measure 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