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**Subject: State Aid SA.62471 (2021/N) – Czech Republic
COVID-19: Umbrella Scheme for Programmes to Support
Entrepreneurs Affected by the Worldwide Spread of COVID-19
under section 3.1 of Temporary Framework**

Excellency,

1. PROCEDURE

- (1) By electronic notification of 24 March 2021, the Czech Republic notified aid in the form of limited amounts of aid under the name “*Umbrella Scheme for Programmes to Support Entrepreneurs Affected by the Worldwide Spread of COVID-19 under section 3.1 of Temporary Framework*” (the “measure”) under the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak (the “Temporary Framework”)¹. The Czech authorities provided supplementary information on the notification on 12, 16, 20 and 28 April 2021 and 3, 4 and 7 May 2021.
- (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

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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conjunction with Article 3 of Regulation 1/1958² and to have this Decision adopted and notified in English.

2. DESCRIPTION OF THE MEASURE

- (3) The Czech Republic 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.
- (4) The Czech Republic confirms 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.
- (5) The compatibility assessment of the measure is based on Article 107(3)(b) TFEU, in light of sections 2 and 3.1 of the Temporary Framework.

2.1. The nature and form of aid

- (6) The measure provides aid in the form of direct grants, guarantees and loans.

2.2. Legal basis

- (7) The legal basis for the measure is the draft Resolution of the Government “Zastřešující schéma pro poskytování podpor podle článku 3.1 Dočasného rámce” (The Umbrella Scheme for Aid Granting under the Section 3.1 of the Temporary Framework) and Act No. 218/2000 Coll. on Budgetary Rules.

2.3. Administration of the measure

- (8) State administration bodies³ in accordance with the Budgetary Rules or the Czech-Moravian Guarantee and Development Bank (ČMZRB) are responsible for administering the measure.

2.4. Budget and duration of the measure

- (9) The estimated budget of the measure is CZK 50 billion (ca. EUR 1.908 billion⁴), out of which CZK 44 billion (ca. EUR 1.680 billion) are attributed to direct grants,

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

³ Such as Ministry of Industry and Trade, Ministry of Finance, Ministry of Regional Development, Ministry of Labour and Social Affairs, Ministry of Culture and other Czech Ministries providing aid in particular measures.

⁴ According to the currency exchange (EUR 1 = CZK 26.206) as published on the website of the European Central Bank on the date of the notification, i.e. 24 March 2021, available at: https://www.ecb.europa.eu/stats/policy_and_exchange_rates/euro_reference_exchange_rates/html/euro_fxref-graph-czk.en.html

CZK 3 billion (ca EUR 114 million) to guarantees and CZK 3 billion (ca EUR 114 million) to loans.

- (10) Aid may be granted under the measure as from the notification of the Commission approval decision until no later than 31 December 2021.

2.5. Beneficiaries

- (11) The final beneficiaries of the measure are enterprises of all sizes (SMEs and large enterprises)⁵, including the self-employed, natural or legal persons established under private law, contributory organisations, non-governmental non-profit organisations and other entities engaged in economic activity, regardless of their legal form. Financial institutions are excluded as eligible final beneficiaries.
- (12) Aid may not be granted under the measure to medium and large enterprises⁶ that were already in difficulty within the meaning of the relevant Block Exemption Regulations⁷ on 31 December 2019. Aid may be granted to micro and small enterprises that were in difficulty within the meaning of the relevant Block Exemption Regulations⁸ 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 aid⁹ or restructuring aid.¹⁰
- (13) Aid is granted under the measure either directly or through credit institutions and other financial institutions as financial intermediaries.

2.6. Sectoral and regional scope of the measure

- (14) The measure is open to all sectors except the financial sector. It applies to the whole territory of the Czech Republic.

2.7. Basic elements of the measure

- (15) Beneficiaries are eligible if they had a minimum decline in turnover in the range of 25% to 50% compared to, in principle, the same period in 2019¹¹ or, in the particular case of undertakings in the cultural sector, if they have been prevented

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 (“GBER”) and Annex I to 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 (“ABER”) and Annex I 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, 24.12.2014, p. 37 (“FIBER”).

⁶ As defined in Annex I of the GBER, Annex I of the ABER and Annex I of the FIBER.

⁷ As defined in Article 2(18) of the GBER, Article 2(14) of the ABER and Article 3(5) of the FIBER.

⁸ See footnote 7.

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.

¹¹ The reference period may also include the months of 2020 before the COVID 19 outbreak.

or restricted from pursuing the activity relating to the provision of cultural services to the public because of COVID-19 government measures.

- (16) The measure will cover costs incurred within the period from 1 February 2020 to 31 December 2021. Eligible costs are all costs for the operation and maintenance of activities of undertakings, such as personnel costs, material, services (e.g. leasing), loan repayments, overheads.
- (17) For aid in the form of guarantees, the ČMZRБ will provide the guarantees, either directly to the final beneficiaries or through other selected financial intermediaries. The maximum duration of such guarantees will be 10 years, at the maximum guarantee rate of 90%. The nominal value of the guarantee shall not exceed EUR 225 000 per undertaking active in the primary production of agricultural products, EUR 270 000 per undertaking active in the fishery and aquaculture sector and EUR 1 800 000 per undertaking active in all other sectors.
- (18) For aid in the form of loans, the ČMZRБ will act as a financial intermediary providing loans to final beneficiaries directly. Such loans will have a maximum maturity of 10 years. The nominal value of the loan shall not exceed EUR 225 000 per undertaking active in the primary production of agricultural products, EUR 270 000 per undertaking active in the fishery and aquaculture sector and EUR 1 800 000 per undertaking active in all other sectors.
- (19) The Czech authorities confirmed that measures granted in the form of guarantees or loans may be converted into grants and such conversion will take place by 31 December 2022 at the latest.
- (20) The Czech authorities confirmed that for aid channelled through credit institutions or other financial institutions a specific mechanism will be put in place in the specific measures to ensure that the advantage is passed on to the final beneficiaries by the financial intermediaries. In particular, the Czech authorities confirmed that the selection of financial intermediaries will be made on open and non-discriminatory terms. Financial intermediaries will be contractually obliged to operate a mechanism that ensures that the advantages are passed on to the largest extent possible to the final beneficiaries in the form of higher volumes of financing, riskier portfolios, lower collateral requirements, lower guarantee premiums or lower interest rates than without such public guarantees or loans.
- (21) The Czech authorities confirmed that for aid in the form of guarantees, 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.
- (22) The Czech authorities confirmed that the overall maximum aid amount under the measure shall not exceed EUR 225 000 per undertaking active in the primary production of agricultural products¹², EUR 270 000 per undertaking active in the fishery and aquaculture sector¹³, and EUR 1 800 000 per undertaking active in all

¹² As defined in Article 2(5) of ABER.

¹³ As defined in Article 2(1) of 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.

other sectors as provided by the Temporary Framework, all figures used being gross, before any deduction of tax or other charges.

- (23) For the agricultural, fisheries and aquaculture sectors, the Czech authorities confirmed that:
- (a) for beneficiaries 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 put on the market by the undertakings concerned or purchased from primary producers, unless, in the latter case, the products were either not put on the market or were used for non-food purposes such as distillation, methanization or composting by the undertakings concerned;
 - (b) aid to undertakings active in the primary production of agricultural products¹⁴ is not fixed on the basis of the price or quantity of products put on the market;
 - (c) aid to undertakings active in the fishery and aquaculture sector¹⁵ does not concern any of the categories of aid referred to in Article 1, paragraph (1) (a) to (k) of Commission Regulation (EU) No 717/2014¹⁶;
 - (d) where an undertaking is active in several sectors to which different maximum amounts apply in accordance with points 22(a) and 23(a) of the Temporary Framework, it will be ensured, by appropriate means such as separation of accounts, that for each of these activities the relevant ceiling is respected and that the overall maximum amount of EUR 1.8 million 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 270 000 is not exceeded per undertaking.

2.8. Cumulation

- (24) The Czech authorities confirm that aid granted under the measure may be cumulated with aid under de minimis Regulations¹⁷ or the GBER or the ABER or

¹⁴ As defined in Article 2(5) of ABER.

¹⁵ Commission Regulation (EC) No (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 90, 28.6.2014, p. 45.

¹⁶ 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 90 of 28.6.2014, p. 45

¹⁷ 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).

the FIBER provided the provisions and cumulation rules of those Regulations are respected.

- (25) 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.
- (26) 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.
- (27) The Czech authorities confirm that if the beneficiary receives aid on several occasions or in several forms under the measure or aid under other measures approved by the Commission under section 3.1 of the Temporary Framework, the overall maximum cap per undertaking, as set out in point(s) 22(a) and 23(a) of that framework, will be respected. Aid granted under the measure and/or other measures approved by the Commission under section 3.1 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.

2.9. Monitoring and reporting

- (28) 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 granting¹⁸).

3. ASSESSMENT

3.1. Lawfulness of the measure

- (29) 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

- (30) 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.

¹⁸ Referring to information required in Annex III of the GBER and Annex III of the ABER and Annex III of the FIBER. For guarantees and loans the nominal value of the underlying instrument shall be inserted per beneficiary.

- (31) The measure is imputable to the State, since it is administered by State administration bodies in accordance with the Budgetary Rules or the ČMZR (recital (8)) and it is based on the national legal basis as indicated in recital (7). It is financed through State resources, since it is financed by public funds (recital (8) and (9)).
- (32) The measure confers an advantage on its beneficiaries in the form of direct grants, guarantees and loans. The measure thus confers an advantage on those beneficiaries which they would not have had under normal market conditions.
- (33) The advantage granted by the measure is selective, since it is awarded only to certain undertakings, excluding those active in the financial sector (recitals (11) and (14)).
- (34) 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 (recital (14)).
- (35) In view of the above, the Commission concludes that the measure constitutes aid within the meaning of Article 107(1) TFEU. The Czech authorities do not contest that conclusion.

3.3. Compatibility

- (36) 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.
- (37) 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”*.
- (38) 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”*.
- (39) The measure aims at sufficient liquidity being available in the market 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.
- (40) 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 ensure liquidity of the undertakings most affected by the COVID-19 outbreak 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. 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 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.

(41) 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, guarantees and loans (recital (6)).
- The overall nominal value of direct grants, guarantees and loans shall not exceed EUR 1.8 million per undertaking; all figures used must be gross, that is, before any deduction of tax or other charges (recitals (17), (18) and (22)). The measure therefore complies with point 22(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 (9). The measure therefore complies with point 22(b) of the Temporary Framework.
- Aid may not be granted under the measure to medium and large enterprises¹⁹ that were already in difficulty on 31 December 2019 (recital (12)). The measure therefore complies with point 22(c) 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 aid²⁰ or restructuring aid²¹ (recital (12)). The measure therefore complies with point 22(c)bis of the Temporary Framework.
- Aid will be granted under the measure no later than 31 December 2021 (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 is excluded when the aid is conditional on being partly or entirely passed on to primary producers, fixed on the basis of the price or quantity of products put on the market by the undertakings concerned or purchased from primary producers, unless, in the latter case, the products were either not put on the market or were used for non-food purposes such as distillation, methanization or composting by the undertakings concerned (recital (23)(a)). The measure therefore complies with point 22(e) of the Temporary Framework.

¹⁹ See footnote 6.

²⁰ 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.

²¹ 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.

- 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 (21)).
- The measure provides for the conversion of aid granted under the measure in the form of guarantees and loans into grants, provided that conversion takes place by 31 December 2022 at the latest (recital (19)). The measure therefore complies with point 23ter of the Temporary Framework.
- 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 selection of financial intermediaries will be made on open and non-discriminatory terms (recital (20)). Financial intermediaries will be contractually obliged to operate a mechanism that ensures that the advantages are passed on to the largest extent possible to the final beneficiaries in the form of higher volumes of financing, riskier portfolios, lower collateral requirements, lower guarantee premiums or lower interest rates than without such public guarantees or loans (recital (20)). The safeguards thus ensure that those institutions, to the largest extent possible, pass on the advantages of the measure to the final beneficiaries. The measure therefore complies with points 28 to 31 of the Temporary Framework.
- The overall nominal value of direct grants, guarantees and loans does not exceed EUR 270 000 per undertaking active in the fishery and aquaculture sector (recitals (17), (18) and (22)) or EUR 225 000 per undertaking active in the primary production of agricultural products (recitals (17), (18) and (22)). 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 (23)(b)). 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 (23)(c)). The measure 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, 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 1.8 million 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 270 000 is not exceeded per undertaking (recital (23)(d)). The measure therefore complies with point 23bis of the Temporary Framework.

- (42) 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)).
- (43) The Czech authorities confirm that the monitoring and reporting rules laid down in section 4 of the Temporary Framework will be respected (recital (28)). 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 (24) to (27)).
- (44) 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

- (45) Without prejudice to the possible application of Directive 2014/59/EU on bank recovery and resolution (“BRRD”)²², in the event that an institution benefiting from the measure meets the conditions for the application of that Directive, the Commission notes that the measure does not appear to violate intrinsically linked provisions of the BRRD.
- (46) 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.²³ 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 Article 2(1)(28) BRRD.
- (47) Moreover, as indicated in recital (41) 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.
- (48) The Commission therefore concludes that the measure does not violate any intrinsically linked provisions of the BRRD.

²² OJ L 173, 12.6.2014, p. 190.

²³ 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>.

Yours faithfully,

For the Commission

Margrethe VESTAGER
Executive Vice-President