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Subject: State Aid SA.62626 (2021/N) – Greece
COVID-19: Subsidy to food service enterprises

Excellency,

1. PROCEDURE

(1) By electronic notification of 8 April 2021, Greece notified aid in the form of limited amounts of aid (“Working capital for the acquisition of raw materials to companies active in food service”, or, the “measure”) under the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak (the “Temporary Framework”). Greece submitted additional information on 29 April 2021.

(2) By email of 30 April 2021, the Commission sent a request for information on the measure. Greece replied by email of 1 May 2021.

(3) Greece exceptionally agrees to waive its rights deriving from Article 342 of the Treaty on the Functioning of the European Union (“TFEU”), in conjunction with

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2. DESCRIPTION OF THE MEASURE

(4) Greece considers that the COVID-19 outbreak affects the real economy. The measure forms part of an overall package of measures. It aims to ensure that: (i) sufficient liquidity remains available in the market to counter the liquidity shortage faced by undertakings because of the outbreak; and (ii) the disruptions caused by the outbreak do not undermine the viability of the undertakings, thereby preserving the continuity of economic activity during and after the outbreak.

(5) Since 25 February 2020, the Greek authorities have adopted several acts mandating either the closure of facilities or the restriction of activity of food service providers, which had a significant effect on both the demand and the supply side. In addition, between 25 February 2020 until today, Greece adopted measures strictly limiting people’s movements in the Greek territory. Despite the gradual lifting of certain restrictions, several measures remain in force. In particular, the food service sector has suspended its activities since November 2020. Despite a temporary reopening during the summer of 2020, the sector was still working under restrictive measures. The impact of the COVID-19 outbreak on this sector poses a significant risk for those businesses, especially SMEs, which might not be able to restart their activity, once the restrictions are lifted.

The Greek authorities are currently planning to restart the activity in the food service sector within May 2021.

(6) The Greek authorities consider that the economic effects of the COVID-19 outbreak and of the governmental measures aiming at countering those effects upset the entire Greek economy. The Greek authorities indicate a drastic increase in the economy contraction rate. During the first wave of the pandemic in 2020, more than 790 000 businesses with more than 1.2 million employees and monthly turnover of approximately EUR 8.3 billion, were forced to close or cease their activities or were significantly affected by the imposed restrictions and the economic downturn. The 2020 recession reached 8.2 %, the 2020 budget primary deficit reached -7.2 % and the 2020 general government debt reached 222 % of the GDP. As regards more specifically the food service sector, the Greek authorities submit that the evolution of that sector has direct repercussions for the Greek economy as it consists of 82 412 companies that employ 384 196 employees and is the second most populous sector in Greece. Because of the COVID-19 outbreak and the related restrictive governmental measures, 66 681 companies (i.e. 80.9 % of all companies in the sector) suspended their operations since November 2020, which affected 89.6 % of all employees in the industry. In addition, in the fourth quarter of 2020, the food services sector had more than 50 % turnover reduction compared to 2019.

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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 In particular, reduction of serving capacity in order to ensure social distancing, particularly indoors.

4 Estimates of the Greek Ministry of Finance.

5 Data from the Hellenic Statistical Authority.
In this regard, the Greek authorities submit that absent specific support measures, the current situation could lead to insolvencies of enterprises in the food service sector, especially of micro and small enterprises, and increased unemployment rate. With the measure, Greece intends to provide working capital to affected undertakings, including the self-employed, in this sector, in order to enable them to acquire raw materials, which are necessary to restart their operations in the immediate future.

Greece 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.

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**

The measure is a scheme and provides aid in the form of direct grants.

**2.2. Legal basis**

The legal basis for the measure is the Draft Ministerial Decision “Working capital subsidy for the acquisition of raw materials to enterprises active in food service”.

**2.3. Administration of the measure**

The Managing Authority of the Operational Program Entrepreneurship, Competitiveness and Innovation is responsible for administering the measure. The competent authority to manage the scheme is the Intermediate Body for the Operational Programmes of Competitiveness & Entrepreneurship ‘EFEPAE’.

**2.4. Budget and duration of the measure**

The estimated budget of the measure is EUR 500 million.

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6 In particular, the measure provides working capital for purchases under the food and beverage category (e.g. meat, vegetables, soft drinks, wines, etc.) as declared in the tax declarations of the undertakings concerned (under codes 361, 363 and 364 of the respective VAT forms). Investment expenditure is not eligible for funding under the measure.

7 The Managing Authority of the Operational Program Entrepreneurship, Competitiveness and Innovation is a public body competent for the management of the funds allocated to this Operational Program, pursuant to the provisions of Regulation 1303/2013, as amended. The Regulation lays down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund.

8 EFEPAE ("ΕΦΕΠΑΕ: Ενδιάμεσος Φορέας Επιχειρησιακών Προγραμμάτων Ανταγωνιστικότητας και Επιχειρηματικότητας" in Greek), is a public non-profit organisation, which manages State aid schemes in Greece.
The measure will be co-financed by resources of the European Regional Development Fund ("ERDF")\(^9\) and by the Greek State’s general budget. The State’s participation is EUR 330 million while EUR 170 million will be financed from the ERDF.\(^{10}\) Greece confirms that the rules applicable under the ERDF will be respected. The measure is implemented under the Operational Program ‘Competitiveness Entrepreneurship and Innovation’.\(^{11}\)

Aid may be granted under the measure as from the notification of the Commission’s approval until no later than 31 December 2021.

2.5. Beneficiaries

The beneficiaries of the measure are SMEs and large enterprises\(^{12}\) active in Greece. The estimated number of beneficiaries is approximately 50 000. Financial institutions are excluded as eligible beneficiaries.

Eligible beneficiaries are those that report more than 30 % decline in their 2020 annual turnover compared to the same period in 2019.\(^{13}\) For undertakings which commenced their business activity in 2019, the 30 % turnover decline will be calculated on the basis of the turnover for the number of business days in 2019, compared with the turnover corresponding to an equal number of days in 2020 (total turnover of 2020 divided by \(365 \times \) number of business days in 2019).

Aid may not be granted under the measure to medium\(^{14}\) and large enterprises that were already in difficulty within the meaning of the General Block Exemption Regulation ("GBER")\(^{15}\) on 31 December 2019. Aid may be granted to micro and small enterprises that were in difficulty within the meaning of the GBER on 31 December 2019, if those enterprises, at the moment of granting the aid, are not

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\(^9\) The ERDF aims to strengthen economic and social cohesion in the European Union by correcting imbalances between its regions. Article 176 TFEU provides that the ERDF is intended to help to redress the main regional imbalances in the European Union. It can do that through (i) support for the development and structural adjustment of regions whose development is lagging behind and (ii) the conversion of declining industrial regions.

\(^{10}\) As per the Greek authorities, the EUR 170 million to be financed from the ERDF are a safety net in case that the demand exceeds EUR 330 million.

\(^{11}\) The central strategic goal of the Operational Program "Competitiveness, Entrepreneurship and Innovation" is to strengthen the competitiveness and innovation of companies, the transition to quality entrepreneurship, and the increase of domestic added value. As per the Greek authorities, it is central to Greece’s effort to create and support a productive model that will lead to the development and enhancement of the competitiveness of the Greek economy.


\(^{13}\) The 2019 turnover derives from the submitted tax declaration form E3.


\(^{15}\) As defined in Article 2(18) of GBER
subject to collective insolvency procedure under national law and they have not received rescue aid\textsuperscript{16} or restructuring aid\textsuperscript{17}.

\section*{2.6. Sectoral and regional scope of the measure}

(19) The measure is open to enterprises active in the following sub-sectors of the food services sector:

\begin{enumerate}[label=(\roman*), start=1]
\item Restaurants and mobile food service activities (NACE code 56.10);
\item Event catering activities (NACE Code: 56.21);
\item Other food service activities (NACE Code: 56.29.20);
\item Beverage serving activities (NACE Code: 56.30);
\end{enumerate}

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

\section*{2.7. Basic elements of the measure}

(21) Aid under the measure takes the form of direct grants that aim to support the working capital of the beneficiaries. Those grants may not exceed EUR 100 000 per undertaking (all figures used must be gross, that is, before any deduction of tax or other charge).

(22) The direct grants per undertaking will amount to a maximum of 7\% of the annual turnover of that undertaking:

\begin{enumerate}[label=(\roman*), start=1]
\item For undertakings that have commenced business activity before 2019: the annual turnover will be calculated on the basis of the submitted corporate activity tax returns for 2019\textsuperscript{18}.
\item For undertakings which have commenced their business activity in 2019 or in 2020, the grants per beneficiary will be calculated as the total turnover of that year (2019 or 2020) divided by the number of business days of the year (2019 or 2020), multiplied by 365.
\end{enumerate}

(23) Beneficiaries may submit applications for aid via an electronic application system implemented by the State Aid Information System of the Ministry of Development and Investment\textsuperscript{19}.

(24) Additional conditions of eligibility for the beneficiaries are:

\begin{enumerate}[label=(\roman*), start=1]
\item To have started activities by 31 December 2020;
\end{enumerate}

\textsuperscript{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.

\textsuperscript{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.

\textsuperscript{18} As derived from the tax declaration form E3 of the fiscal year 2019 (field 500: Total Revenue from the Sale of Goods and Provision of Services).

\textsuperscript{19} An online portal for applications will be made available in the website: \url{www.ependyseis.gr/mis}

(ii) To have as their main activity (NACE code) or activity with the highest revenue one of the eligible activities listed in recital (19);

(iii) To be obliged to submit VAT returns, and to single-entry or double-entry bookkeeping, pursuant to national laws;

(iv) To not fulfil grounds for exclusion under national law 4488/2017;

(v) For undertakings also active in the processing and marketing of agricultural products, to undertake not to pass on the aid received in whole or in part to primary producers. The aid in question 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, methanisation or composting;

(vi) To not be subject to an order to recover previous unlawful and/or incompatible State aid;

(vii) To operate their activity, in accordance with the applicable legal framework.

 Upon verification by the managing authority that the aid applications fulfil the necessary conditions (recitals (17)-(19) and (24)), the direct grants under the measure will be paid directly to the beneficiaries.

 The grant amounts must be used entirely for the acquisition of raw materials necessary for the operation of the businesses of the beneficiaries, by 31 December 2021. This will be demonstrated by subsequent tax declarations. If, until that date, the amounts are not fully used for this purpose, or are used to cover other costs, these amounts shall be recovered.

### 2.8. Cumulation

 The aid ceilings and cumulation maxima fixed under the measure will apply regardless of whether the support for the aided project is financed entirely from State resources or partly financed by the European Structural and Investment Funds (ESIF).

 The Greek authorities confirm that aid granted under the measure may be cumulated with aid under de minimis Regulations or the Block Exemption

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20 Article 40 of Law 4488/2017 stipulates that potential beneficiaries may not benefit from aid under State or EU-financed measures if final and binding penalties/fines have been imposed on them for labour law infringements within the last two years before the deadline for application for aid under those measures.

Regulation\textsuperscript{22} provided the provisions and cumulation rules of those Regulations are respected.

(29) The Greek 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.

(30) The Greek 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 22(a) of that framework, will be respected.

2.9. Monitoring and reporting

(31) The Greek 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 on the comprehensive national State aid website or Commission’s IT tool within 12 months from the moment of granting\textsuperscript{23}).

3. ASSESSMENT

3.1. Lawfulness of the measure

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

3.2. Existence of State aid

(33) 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.

(34) The measure is imputable to the State, since it is administered by the Managing Authority of the Operational Program Entrepreneurship, Competitiveness and


Innovation (recital (11)) and it is based on the Draft Ministerial Decision “Working capital subsidy for the acquisition of raw materials to enterprises active in food service” (recital (12)). It is financed through State resources, since it is financed by public funds.

(35) The measure confers an advantage on its beneficiaries in the form of direct grants. The measure thus confers an advantage on those beneficiaries which they would not have had under normal market conditions.

(36) 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 (19), excluding the financial sector.

(37) 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.

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

3.3. Compatibility

(39) 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.

(40) 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”.

(41) 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”.

(42) The measure aims at providing liquidity to the beneficiaries 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.

(43) The measure is one of a series of measures conceived at national level by the Greek authorities to remedy a serious disturbance in their economy. The importance of the measure to preserve employment and economic continuity is widely accepted by economic commentators and the measure is of a scale which can be reasonably anticipated to produce effects in the food service sector in Greece, and contribute to the overall recovery of the Greek economy (recitals (6) - (7)). 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.

(44) The Commission accordingly considers that the measure is necessary, appropriate and proportionate to remedy a serious disturbance in the economy of a Member State and meets all the conditions of the Temporary Framework. In particular:

- The aid takes the form of direct grants (recital (10)).
  
  The overall nominal value of grants 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. 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 of EUR 1.8 million per undertaking will be respected. 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 (13). 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 (recital (18)). 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 aid or restructuring aid (recital (18)). 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 (15)). The measure therefore complies with point 22(d) of the Temporary Framework.

(45) 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, methanisation or composting by the undertakings concerned (recital (24)). The measure therefore complies with point 22(e) of the Temporary Framework. The Greek authorities

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25 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.

26 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.
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 (8)).

(46) The Greek authorities confirm that the monitoring and reporting rules laid down in section 4 of the Temporary Framework will be respected (recital (31)). The Greek 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 (27)-(30)).

(47) The Greek authorities also confirm that the rules under the ERDF will be respected (recital (14)).

(48) The Commission therefore considers that the measure is necessary, appropriate and proportionate to remedy a serious disturbance in the economy of a Member State pursuant to Article 107(3)(b) TFEU since it meets all the relevant conditions of the Temporary Framework.

4. CONCLUSION

The Commission has accordingly decided not to raise objections to the aid on the grounds that it is compatible with the internal market pursuant to Article 107(3)(b) of the Treaty on the Functioning of the European Union.

The decision is based on non-confidential information and is therefore published in full on the Internet site: http://ec.europa.eu/competition/elojade/isef/index.cfm.

Yours faithfully,

For the Commission

Margrethe VESTAGER
Executive Vice-President