EUROPEAN COMMISSION

Brussels, 12.1.2021
C(2021) 230 final

PUBLIC VERSION
This document is made available for information purposes only.

Subject: State Aid SA.60409 (2020/N) – Latvia
COVID-19 – Amendment to SA.56722 (2020/N)

State Aid SA.60411 (2020/N) Latvia
COVID-19 – Amendment to SA.57655 (2020/N)

Excellency,

1. PROCEDURE

(1) By electronic notification of 17 December 2020, Latvia notified amendments to the following existing aid schemes (“the existing aid schemes”) which the Commission had already approved under the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak (“the Temporary Framework”) ¹:


dr. sc. Gordan GRLIĆ RADMAN
Ministar vanjskih i europskih poslova
Trg N.Š. Zrinskog 7-8, 10000 Zagreb
REPUBLIKA HRVATSKA

Commission européenne/Europese Commissie, 1049 Bruxelles/Brussel, BELGIQUE/BELGIË - Tel. +32 22991111
(a) SA.56722: “COVID-19: Loan guarantee scheme and subsidised loan scheme” (the “existing aid scheme SA.56722”), which the Commission approved by Decision C(2020) 1908 of 23 March 2020 (the “initial decision in case SA.56722”).


(2) Latvia exceptionally agrees to waive its rights deriving from Article 342 of the Treaty on the Functioning of the European Union (“TFEU”), in conjunction with Article 3 of Regulation 1/1958 with regard to SA.60409 and SA.60411 and to have this Decision adopted and notified in English.

2. DESCRIPTION OF THE NOTIFIED AMENDMENTS

(3) The Latvian authorities submit that the COVID-19 outbreak continues to affect the real economy.

(4) Following the fourth amendment of the Temporary Framework, the Latvian authorities wish to extend the duration of the existing aid schemes until 30 June 2021.

(5) Additionally, the Latvian authorities wish to introduce the following modifications to the existing aid schemes.

(a) With regard to the existing aid scheme SA.56722:

(i) The Latvian authorities wish to modify the scope of the eligible beneficiaries described in recital (10) of the initial decision in case SA.56722, such as to allow access to the scheme also to micro and small enterprises that were already in difficulty on 31 December 2019, provided that at the moment of the granting, these enterprises are not subject to collective insolvency procedure under national law, and provided that they have not received rescue aid or restructuring aid.

(ii) The Latvian authorities seek further to amend the budget of the scheme as follows:

- decrease by EUR 2.5 million the budget allocated to Measure A, as described in recital (9) in the initial decision in case SA.56722, with the aim to finance other aid measures in place3;

---

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

3 Latvia submits that the decrease in the budget is envisaged to be reallocated to a state guarantee programme implemented under Commission Regulation (EU) 1407/2013 of 18 December 2013 on the
• increase, by EUR 10 million, the budget allocated to Measure B, as described in recital (9) in the initial decision in case SA.56722.

(iii) With regard to Measure B, the existing aid scheme SA.56722 allows for the start date for the loan repayment to be deferred for up to 12 months. With the notified amendment, the Latvian authorities, due to the effects of the pandemic, seek to extend the deferral for up to 18 months.

(b) With regard to the existing aid scheme SA.57655:

(i) Under the existing scheme SA.57655, eligible beneficiaries are “exporting” undertakings, defined according to a quantitative criterion based on either their actual turnover relating to export activities or the projected share of exports, on a given period of time.4 The existing measure aims at supporting investments which are necessary for a business in view of the altered economic reality or for which, financing has been halted as a result of the pandemic. Latvia submits that the proliferation of the pandemic has led undertakings, which do not meet the “exporting” criterion, as set in the initial decision5, to seek aid under the scheme. With the view, therefore, to facilitating undertakings not qualifying as exporting to benefit from the measure, the Latvian authorities, wish to remove the “exporting” criterion. As a result, the scope of the beneficiaries is expanded so as to include large undertakings (within the meaning of the General Block Exemption Regulation (“GBER”)6, the Agricultural Block Exemption Regulation (“ABER”)7 and the Fisheries Block Exemption Regulation (“FIBER”))8. As Latvia submits, the objective of the measure remains to provide support to viable large undertakings, including but not limited to exporting, affected by the COVID-19 outbreak, to carry out investments necessary to maintain and enhance their competitiveness.

---

4 See initial decision in case SA.57655, recital (10).
5 Recital (10) in the initial decision in case SA.56722.
(ii) The Latvian authorities wish to reduce the budget of the scheme by EUR 20 million. According to Latvia, the prevalence of COVID-19 and the demand received by entrepreneurs for support programmes, necessitates the redistribution of the funding available to the existing aid scheme SA.57655, with the aim to support undertakings affected by the COVID-19 outbreak, under other pre-established aid schemes, responding, therefore, to the economic downturn resulting from the pandemic.

(iii) Latvia seeks to introduce a technical amendment regarding the conditions on which loans will be eligible for a guarantee: with regard to non-amortized existing loans (as may be the case with credit lines or overdrafts which usually provide for a payoff), the credit institution will extend the duration of such loans by at least 12 months. Latvia submits that to the extent that those loans do not have an amortization schedule, borrowers cannot benefit from a deferral of their principal amount, as it is the case with existing loans with an amortization schedule, under the existing scheme SA.57655. Latvia, further, submits, that with regard to lines of credit, to the extent these may be revolving, it is possible for an extension to the duration of the guarantee to be granted. The extension takes place on 30 June 2021 at the latest. The features of the guarantees, as described in the initial decision in case SA.57655 (recital (20)), remain unchanged. More precisely, their maximum duration is either up to 6 or 8 years, and cannot, in any case, exceed 8 years. The guarantee fee will be applied as foreseen in recital 20(f) of the initial decision in case SA.57655.

(6) The Latvian authorities confirmed that all other conditions of the existing aid schemes remain unchanged. In addition, the Latvian authorities confirmed that aid under the existing schemes 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 to the territory of Latvia. This is irrespective of the number of job losses actually occurred in the initial establishment of the beneficiary in the European Economic Area.

(7) The modifications will only be put into effect after the notification of the Commission’s decision.

3. ASSESSMENT

3.1. Lawfulness of the measure

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

---

9 See recital (19) of the initial decision in case SA.57655.

10 Guarantee premiums vary depending on (i) the guarantee coverage and (ii) on the duration of the guarantee. Guarantees with a longer duration (going up to 8 years) are significantly more expensive: in the first six years the annual premiums are increased by 50bps compared to a six-year guarantee and for the year 7-8, increased by 100bps compared to the premiums applicable in the 6th year.
3.2. Existence of State aid

(9) 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.

(10) The existing aid schemes constitute State aid within the meaning of Article 107(1) TFEU for the reasons set out in the initial decisions. The notified amendments do not affect these qualifications. The Latvian authorities do not contest that conclusion.

3.3. Compatibility

(11) The Commission assessed the existing aid schemes on the basis of Article 107(3)(b) TFEU in light of the Temporary Framework and concluded that they were compliant with the compatibility conditions set out in that Framework.

(12) The Commission refers to its analysis of compatibility as set out in the initial decisions. The notified amendments to the existing schemes do not alter the Commission’s conclusions on compatibility as set out in those initial decisions.

(13) The Commission has examined the notified amendments referred to in recitals (4) and (5).

(14) First, the prolongation of the duration of the existing schemes (recital (4)), is in conformity with points 25(c) and 27(c) of the Temporary Framework.

(15) Second, the expansion of the scope of eligible beneficiaries to include small and micro-enterprises already in difficulty on 31 December 2019, provided that, at the moment of the granting, these enterprises are not subject to collective insolvency procedure under national law, and that they have not received rescue aid or restructuring aid (recital (5)(a)(i)), is in conformity with points 25(h)bis and 27(g)bis of the Temporary Framework. The original scope of the Temporary Framework has been expanded so as to enable public support to be provided to micro and small enterprises, even if they were already in financial difficulty on 31 December 2019. Micro and small enterprises have been particularly affected by the liquidity shortage caused by COVID-19 outbreak and their limited size renders their access to financing more difficult compared to larger undertakings.

(16) Third, the Commission considers that the increase in the budget allocated to Measure B of the existing aid scheme SA.56722 (recital (5)(a)(ii), which aims to address aid granted under the aid scheme for a prolonged period, does not affect the compliance of the conditions of the scheme with the Temporary Framework.

---

11 See recitals (35) to (40) of the initial decision in case SA.56722; recitals (30) to (34) of the initial decision in case SA.57655.

12 See recitals (36) to (52) of the initial decision in case SA.56722 and recitals (36) to (43) of the initial decision in case SA.57655.
The Commission takes note of the decrease in the budget of the existing aid schemes SA.56722 (for Measure A) and SA.57655 (recitals (5)(a)(ii) and (5)(b)(ii)), which the Latvian authorities wish to redistribute to other aid measures with the view to addressing the contraction caused by the pandemic.

(17) Fourth, the Commission takes note of the expansion of the scope of eligible beneficiaries with regard to the existing aid scheme SA.57655 (recital (5)(b)(ii)). Aid granted under the measure aims to incentivise the implementation of investments necessary for an undertaking to restore their competitiveness, and enabling the Latvian economy to regain growth. Taking account of the fact that the Temporary Framework does not preclude a Member State from eliminating such qualification criteria, the Commission considers that the removal of the “export” criterion concerning beneficiaries, is in conformity and within the limits set out in Section 3.2 of the Temporary Framework.

(18) In addition, the Commission takes note of the extension of the duration envisaged for non-amortized existing loans (such as the credit facilities) (recital (5)(b)(iii)). The Commission observes that this amendment aims to ensure that all final beneficiaries will ultimately enjoy the same benefits irrespective of the specificities of their loans. In particular, borrowers of loans with no amortization schedule, which do not allow for a deferral of the principal amount as opposed to amortized loans, with the notified amendment, will have the possibility to also benefit from more time to reimburse their loans. Credit institutions will benefit from the State guarantee as long as they extend the duration of those loans. In that way, borrowers are given the possibility to draw on the benefit of the measure in the form of an improvement in their liquidity position. The amendment, therefore, serves as an additional safeguard to ensure that the credit institutions will pass on the advantage of the measure to the final beneficiaries.

(19) The possibility to extend the duration of the guarantee with respect to revolving credit lines, as outlined in recital (5)(b)(iii)(5)(b)(iii), constitutes new aid and can only be granted until 30 June 2021, as provided for by recital (9) of the fourth amendment of the Temporary Framework which states that “where an aid measure has been granted under section 3.2 [...] and its terms have been adjusted before the end of validity of the Temporary Framework, the aid already received and the new aid must overall remain in conformity and within the limits set out in section 3.2 [...] for the entire duration of the measure”. The Commission notes that the Latvian authorities commit that the extension may be granted by 30 June 2021 the latest, in line with point 25(c) of the Temporary Framework. Furthermore, the Commission observes that the parameters of the guarantees remain unchanged. The guarantee premiums are those already foreseen in recital 20(f) of the initial decision, and in line with points 25(a) and 25(b) of the Temporary Framework. The maximum duration of the guarantee is up to 6 or 8 years, which is justified by the objective of the scheme, aiming to ensure long-term support necessary for the Latvian economy to regain growth. Point 25(b) of the Temporary Framework allows for a longer duration of the guarantees, beyond the 6-year period envisaged by point 25(f), provided that such longer period is offset by a higher remuneration of the guarantees. Indeed, as described in the initial decision (recital 20(f), guarantees with a longer duration, going up to 8 years are significantly more expensive. The amendment, therefore, is in conformity and within the limits set out in Section 3.2 of the Temporary Framework.
(20) The Commission, finally, notes that there are no other substantial modifications with regard to the existing aid schemes SA.56722 and SA.57595, except for those described in recitals (4) and (5), which have been assessed above.

(21) In light of the foregoing, the Commission considers that the measures, as modified, are necessary, appropriate, and proportionate to remedy a serious disturbance in the economy of a Member State pursuant to Article 107(3)(b) TFEU since they meet all the requirements of the Temporary Framework.

4. CONCLUSION

The Commission has accordingly decided not to raise objections to the notified modifications to the existing aid schemes SA.56722 and SA.57655 on the grounds that they are compatible with the internal market pursuant to Article 107(3)(b) of the Treaty on the Functioning of the European Union.

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

Yours faithfully,

For the Commission

Margrethe VESTAGER
Executive Vice-President

---

CERTIFIED COPY
For the Secretary-General

Martine DEPREZ
Director
Decision-making & Collegiality
EUROPEAN COMMISSION