Subject: State Aid SA.64421 (2021/N) – Slovenia COVID-19: Aid in the form of subsidised interest rates for loans

Excellency,

1. **PROCEDURE**

(1) By electronic notification of 9 August 2021, Slovenia notified aid in the form of favourable loans (“Aid in the form of subsidised interest rates for loans”, the “measure”) under the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak (the “Temporary Framework”).

(2) Slovenia 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 and to have this Decision adopted and notified in English.

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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.

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2. DESCRIPTION OF THE MEASURE

(3) Slovenia 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) Slovenia 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, 3.1 and 3.3 of the Temporary Framework.

2.1. The nature and form of aid

(6) The measure provides aid in the form of subsidised interest rates for loans under section 3.3 of the Temporary Framework. In case that aid is not sufficient to cover the pursued objective, i.e. beneficiaries to fully refund travellers for cancelled travel packages, additional limited amounts of aid may be granted in the form of loans under section 3.1 of the Temporary Framework.

2.2. Legal basis

(7) The legal basis for the measure are:

(a) The Programme for the Implementation of the Financial Incentives of the Ministry of Economic Development and Technology addressing COVID19 consequences;

(b) The Act Determining the Intervention Measures to Mitigate the Consequences of the Second Wave of COVID-19 Epidemic, “Zakon o interventnih ukrepih za omilitev posledic drugega vala epidemije COVID-19 (ZIUOPDVE)”3 adopted on 25 November 2020 and, in particular, Article 103, as well as the contract on the implementation of financial products concluded in accordance with the former;

(c) The Supportive Environment for Entrepreneurship Act, “Zakon o podpomem okolju za podjetništvo (ZPOP-1)”4 adopted on 23 October 2007 and, in particular, Articles 4 and 15 – 22; and

3 http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO8272.

4 http://pisrs.si/Pis.web/pregledPredpisa?id=ZAKO5073.
2.3. Administration of the measure

(8) The Ministry of Economic Development and Technology is responsible for administering the measure.

2.4. Budget and duration of the measure

(9) The estimated budget of the measure is EUR 10 million.

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

2.5. Beneficiaries

(11) The final beneficiaries of the measure are SMEs and large enterprises active in Slovenia in the sectors that correspond to NACE codes 79.12 - Tour operator activities, 79.11 - Travel agency activities, 79.9 - Other reservation service and related activities, H.49.31 - Urban and suburban passenger land transport, H.50.1 - Sea and coastal passenger water transport and N.77.34 - Renting and leasing of water transport equipment. Financial institutions are excluded as eligible final beneficiaries.

(12) Aid may not be granted under the measure to medium and large enterprises that were already in difficulty within the meaning of the General Block Exemption Regulation (“GBER”) 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 subject to collective insolvency procedure under national law and they have not received rescue aid or restructuring aid.

(13) Aid is granted under the measure to the beneficiaries through the Public Fund of Republic of Slovenia for Entrepreneurship (the “SEF”). The SEF is established on the basis of the “Public Funds Act” and the “Supportive Environment for Entrepreneurship Act” with the purpose of promoting entrepreneurship and improving the access to financial resources for different development and business investment of enterprises in the Republic of Slovenia.

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7 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.

8 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.
Slovenia and the SEF have concluded the “Contract on the implementation of financial products” in accordance with the “The Act Determining the Intervention Measures to Mitigate the Consequences of the Second Wave of COVID-19 Epidemic”. This contract foresees, among others, the granting of favourable loans to the beneficiaries under the measure.

On that legal basis, the SEF will publish a public call that will specify the application conditions and define the credit terms and obligations for the beneficiaries of the measure. The Ministry of Economic Development and Technology and the SEF will conclude a contract defining their mutual rights and obligations in carrying out controls of the earmarked use of the favourable loans.

2.6. Sectoral and regional scope of the measure

The measure is open to tour operators, travel agencies, undertakings providing other reservation services and related activities, undertakings active in urban and suburban passenger land transport, sea and coastal passenger water transport and renting and leasing of water transport equipment. It applies to the whole territory of Slovenia.

2.7. Basic elements of the measure

The measure concerns a scheme providing favourable working capital loans to tour operators, travel agencies, undertakings providing other reservation services and related activities, undertakings active in urban and suburban passenger land transport, sea and coastal passenger water transport and renting and leasing of water transport equipment in Slovenia at subsidised interest rates and additional limited amounts of aid if needed, so that the beneficiaries fully refund travellers for cancelled travel packages.

As regards the aid in the form of subsidised interest rates, the loan amounts will not exceed:

i) double the annual wage bill of the beneficiary (including social charges as well as the cost of personnel working on the undertaking’s 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 loan must not exceed the estimated annual wage bill for the first two years in operation; or

ii) 25% of the beneficiary’s total turnover in 2019.

The loan contracts will be signed after the approval of the measure by the Commission and no later than 31 December 2021 and are limited to a maximum of 6 years.

The loans will be granted at reduced interest rates that will be at least equal to the base rate (1-year IBOR or equivalent as published by the Commission) available on the date of notification, plus the credit risk margins set out in the table below:

<table>
<thead>
<tr>
<th>Type of recipient</th>
<th>1st year</th>
<th>2nd-3rd year</th>
<th>4th-6th year</th>
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4
SMEs | 25bps | 50bps | 100bps |
---|---|---|---|
Large enterprises | 50bps | 100bps | 200bps |

(21) The loans will be channelled through the SEF on the basis of a public call on the national Official Journal in which the SEF will specify the application conditions and define the credit terms and obligations for the beneficiaries of the measure. The SEF will enter into loan agreements with the beneficiaries. The Ministry of Economic Development and Technology will also have the right to carry out controls of the earmarked use of the favourable loans.

(22) In case the aid in the form of subsidised interest rates is not sufficient to cover the pursued objective, i.e. the beneficiaries to fully refund travellers for cancelled travel packages, the SEF can provide limited additional amounts of aid in the form of loans under the following terms and conditions:

(a) The overall nominal value of loans will not exceed EUR 1.8 million per undertaking; all figures used are gross, that is, before any deduction of tax or other charge;

(b) The SEF will enter into loan agreements with the beneficiaries;

(c) The terms of the loans under this sub-measure will be identical with the ones of the loans with subsidised interest rates.

2.8. Cumulation

(23) The Slovenian authorities confirm that aid granted under the measure may be cumulated with aid under de minimis Regulations\(^9\) or the GBER provided the provisions and cumulation rules of those Regulations are respected.

(24) The Slovenian 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.

(25) The Slovenian 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. Aid granted under the measure and/or other measures approved

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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.

(26) The Slovenian authorities confirm that aid granted under section 3.3 of the Temporary Framework will not be cumulated with aid granted for the same underlying loan principal under section 3.2 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.

(27) A beneficiary may benefit in parallel from multiple schemes under section 3.3 provided the overall amount of loans per beneficiary does not exceed the ceilings set out in point 27(d) of the Temporary Framework.

2.9. Monitoring and reporting

(28) The Slovenian 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\(^{10}\)).

3. ASSESSMENT

3.1. Lawfulness of the measure

(29) By notifying the measure before putting it into effect, the Slovenian 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.

(31) The measure is imputable to the State, since it is administered by the Ministry of Economic Development and Technology and it is based on the national legal basis listed in recital (7). It is financed through State resources, since it is financed by public funds.

(32) The measure confers an advantage on its beneficiaries in the form of favourable loans, i.e. in the form of subsidised interest rates and, in case additional aid is

needed, through limited amounts of aid in the form of loans. The measure thus relieves those beneficiaries of costs which they would have had to bear and 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, in particular tour operators, travel agencies, undertakings providing other reservation services and related activities, undertakings active in urban and suburban passenger land transport, sea and coastal passenger water transport and renting and leasing of water transport equipment.

(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.

(35) In view of the above, the Commission concludes that the measure constitutes aid within the meaning of Article 107(1) TFEU. The Slovenian 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 facilitating the access of tour operators, travel agencies, undertakings providing other reservation services and related activities, undertakings active in urban and suburban passenger land transport, sea and coastal passenger water transport and renting and leasing of water transport equipment, which have not fully refunded travellers for cancelled package holidays, to external finance at a time when the normal functioning of markets is severely disturbed by the COVID-19 outbreak. 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 Slovenian authorities to remedy a serious disturbance in their economy. The measure aims at providing liquidity to tour operators, travel agencies, undertakings providing other reservation services and related activities, undertakings active in urban and suburban passenger land transport, sea and
coastal passenger water transport and renting and leasing of water transport equipment, as tourism-related services in Slovenia show the slowest and longest recovery after their decline caused by the COVID-19 outbreak. Furthermore, the measure has been designed to meet the requirements of specific categories of aid (“Aid in the form of subsidised interest rates for loans” and “Limited amounts of aid”) described in sections 3.3 and 3.1 of the Temporary Framework.

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, as regards the aid in the form of subsidised interest rates:

- The applicable interest rates for loans granted under the measure are equal to the base rate (1 year IBOR or equivalent as published by the Commission)\(^{11}\) available at the moment of notification plus a credit margin of 0.25% to 1% for SMEs, and 0.5% to 2% for large enterprises (recital (20)). The measure therefore complies with point 27(a) of the Temporary Framework.

- The loan contracts are signed by 31 December 2021 at the latest and are limited to a maximum of 6 years (recital (19)). The measure therefore complies with point 27(c) of the Temporary Framework.

- The maximum loan amount per beneficiary is limited in line with point 27(d) of the Temporary Framework (recital (18)).

- Loans granted under the measure relate to working capital needs (recital (17)). The measure therefore complies with point 27(f) 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 (12)). The measure therefore complies with point 27(g) 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\(^{12}\) or restructuring aid\(^{13}\) (recital (12)). The measure therefore complies with point 27(g)bis of the Temporary Framework.

- The cumulation rules set out in point 26bis of the Temporary Framework are respected (recitals (26) and (27)).

\(^{11}\) Base rates calculated in accordance with the Commission’s Communication on the revision of the method for setting the reference and discount rates (OJ C 14, 19.1.2008, p. 6).

\(^{12}\) 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.

\(^{13}\) 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.
(42) As regards the limited amounts of aid, in case additional aid is needed to achieve the pursued objective:

- The aid takes the form of loans (recital (6)).

  The overall nominal value of loans will not exceed EUR 1.8 million per undertaking; all figures used must be gross, that is, before any deduction of tax or other charges. 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 enterprises 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 aid or restructuring aid (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. The measure therefore complies with point 22(d) of the Temporary Framework.

(43) The Slovenian 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)).

(44) The Slovenian authorities confirm that the monitoring and reporting rules laid down in section 4 of the Temporary Framework will be respected (recital (28)). The Slovenian 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 (23) and (24)).

(45) 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](http://ec.europa.eu/competition/elojade/isef/index.cfm).

Yours faithfully,

For the Commission

Margrethe VESTAGER
Executive Vice-President