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Subject: State Aid SA.64725 (2021/N) – Greece
COVID-19: 4th amendment to capped business loans portfolio
guarantees for new working capital loans in COVID-19 outbreak

Excellency,

1. PROCEDURE

- (1) By electronic notification of 9 September 2021, Greece notified a set of amendments (“the notified amendments”) to the State aid measure SA.56857 “First loss business loans portfolio guarantees for new working capital loans in the current COVID-19 outbreak”¹ (the “initial Decision”), as amended on 30 April 2020² (the “first amendment”), on 4 December 2020³ (the “second amendment”) and on 21 April 2021⁴ (the “third amendment”); (collectively, “the existing aid scheme”), under the Temporary Framework for State aid measures to

¹ Commission Decision C(2020) 2222 final.

² Commission Decision of 30 April 2020 in case SA.57048 (2020/N) C(2020) 2940 final.

³ Commission Decision of 4 December 2020 in case SA.59816 (2020/N) C(2020) 8791 final.

⁴ Commission Decision of 21 April 2021 in case SA.62016 (2021/N) C(2021) 2887 final.

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support the economy in the current COVID-19 outbreak (the “Temporary Framework”).⁵

- (2) 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 Article 3 of Regulation 1/1958⁶ and to have this Decision adopted and notified in English.

2. DESCRIPTION OF THE NOTIFIED AMENDMENTS

- (3) The existing aid scheme aims at supporting COVID-19 affected companies’ access to capital, through the provision of guarantees, in a portfolio with a maximum loan amount (cap). The objective of the existing aid scheme is to mitigate the effects of the imposed suspension on business’ operations and restrictions of their economic activity as a result of pandemic, by enhancing their liquidity with working capital loans.
- (4) The existing aid scheme provides for aid in a twofold way: (i) in the form of capped guarantees on portfolios consisting of new working capital loans to be granted in response to the pandemic crisis (“the guarantee measure”); and (ii) in the form of direct grants to subsidize the guarantee premiums for the loans granted under the existing aid scheme.
- (5) The guarantee measure provides for a State guarantee that covers 80% of the losses incurred by each individual eligible loan. Greece also provided for an additional restriction through a supplementary cap on the losses incurred in the reference portfolios differentiated per size of eligible beneficiaries as described in recital (21) of the initial Decision. Thus, the existing aid scheme, under the guarantee measure, covers up to 80% of losses on the underlying loan, until the applicable reference portfolio cap is reached.
- (6) In the third amendment Greece introduced a portfolio targeting micro-enterprises with a cap rate set at 60% (recitals (6) – (11) of the third amendment). Greece wants to introduce the following amendments to this portfolio:
 - (i) *An increase in the maximum amount of funding*
- (7) The maximum loan amount is determined according to provision specified in recitals (24)(b) and (c) of the initial Decision and recital (27)(b) and (c) of the first amendment. In addition to the provisions, recital (10) of the third amendment set an absolute ceiling per micro-enterprise to the maximum loan amount at EUR 50 000. With the notified amendment, the absolute ceiling per micro-enterprise to the maximum loan amount is envisaged to be increased to EUR 250 000.

⁵ 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).

⁶ Regulation No 1 determining the languages to be used by the European Economic Community, OJ 17, 6.10.1958, p. 385.

- (8) Greece submits that such increase is justified by the adverse effects the pandemic outbreak continues to have on the liquidity of micro enterprises. The sustainability of the majority of those enterprises depends to a large extent on government measures.

(ii) Increase of the turnover of eligible beneficiaries

- (9) Eligible beneficiaries of the portfolio targeting micro-enterprises under the existing aid scheme are micro-enterprises, as defined in the General Block Exemption Regulation (GBER)⁷, the Agricultural Block Exemption Regulation (ABER)⁸ or the Fisheries Block Exemption Regulation (FIBER)⁹, which on 31 December 2019 had a maximum annual turnover of EUR 200 000. With the notified amendment, Greece wishes to increase the said maximum annual turnover to EUR 1 million.
- (10) According to Greece, the existing aid scheme had a limited penetration to this group of micro-enterprises (i.e. with a turnover less than EUR 1 million), although they were continuing to have liquidity needs due to the effects of the COVID-19 outbreak. The present amendment therefore aims at enabling those enterprises to benefit from the existing aid scheme.
- (11) Apart from the notified amendments, Greece confirms that no further amendments are proposed to the existing aid scheme and that all other conditions of that scheme remain unaltered.
- (12) The legal basis for the notified amendments remain the Ministerial Decision 784/B2/47 04-02-2021 (GG' B' 424) (recital (15) of the third amendment). Greece has submitted that neither a new legal act (a Ministerial Decision) is envisaged to be issued nor a new Call for application to the interested parties to be published.
- (13) As part of the implementation of the notified amendments, the Hellenic Development Bank (which is the managing authority) intends to sign updated Agreements with the cooperating financial institutions including the amended criteria and then inform the final beneficiaries through its web site.
- (14) Aid may be granted under the existing aid scheme, as amended, as from the notification of the Commission's approval of the notified amendments.

⁷ 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.

⁸ As defined in Annex I of the 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 of 1.7.2014, p.1.

⁹ As defined in Annex I of the 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 of 24 December 2014, p. 37.

3. ASSESSMENT

3.1. Lawfulness of the measure

- (15) By notifying the amendments before putting them into effect, Greece has respected its obligations under Article 108(3) TFEU. Greece, in particular has submitted, that there will be no legal commitment signed with the financial institutions nor the final recipients (loan agreement) before the adoption of Commission's Decision.

3.2. Existence of State aid

- (16) 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 be liable to affect trade between Member States.
- (17) The existing aid scheme constitutes State aid within the meaning of Article 107(1) TFEU for the reasons set out in recitals (35) to (40) of the initial decision and recitals (47) – (52) of the first amendment. The notified amendments do not affect that conclusion. The Commission therefore refers to the respective assessment of the initial decision and the first amendment and concludes that the existing aid scheme, as amended, constitutes State aid within the meaning of Article 107(1) TFEU.

3.3. Compatibility

- (18) The existing aid scheme is compatible with the internal market pursuant to Article 107(3)(b) TFEU, since it meets the conditions of section 2 and section 3.2 of the Temporary Framework for the reasons set out in recital (46) of the initial decision and recital (58) of the first amendment. The Commission therefore refers to the respective assessment of the initial decision. The notified amendments do not affect that conclusion.
- (19) First, the Commission observes that the maximum loan amount per beneficiary remains in respect of the limits set out in point 25(d) of the Temporary Framework (recital (46) of the initial Decision and (58) of the first amendment). The mere increase of the absolute ceiling to the maximum loan amount (recital (7)), aiming at securing liquidity support to micro-enterprises facing challenges in view of the persistence of the pandemic, does not alter that finding.
- (20) Second, the Commission takes note of the increase in the turnover of eligible beneficiaries to the portfolio targeting micro-enterprises (recitals (9)). The said increase remains within the limits set forth by GBER for an enterprise to be qualified as micro-enterprise. This does not alter the compatibility assessment of the scheme.
- (21) Apart from the notified amendments, Greece confirms that no further amendments are proposed to the existing aid scheme and that all other conditions of that scheme remain unaltered.

- (22) The Commission therefore considers that the notified amendments 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 relevant conditions of the Temporary Framework. The Commission therefore considers that the notified amendments do not alter the Commission's conclusion on the compatibility of the existing aid scheme in the initial decision.

4. CONCLUSION

The Commission has accordingly decided not to raise objections to the scheme, as amended, 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

