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Subject: State Aid SA.101400 (2022/N) – Lithuania
COVID-19: Reintroduction of the "Direct COVID-loans" scheme (SA.60379) and new aid in the form of investment support towards a sustainable recovery

Excellency,

1. PROCEDURE

(1) By electronic notification of 5 January 2022, Lithuania notified (a) the reintroduction of the initial aid scheme SA.60379 (2020/N) "*COVID-19: Direct COVID-19 loans)"* with amendments ("Measure A"), and (b) its intention to provide investment support towards a sustainable recovery ("Measure B", together referred to as the "notified measures") under the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak (the "Temporary Framework")[1].

(2) Lithuania exceptionally agrees to waive its rights deriving from Article 342 of the Treaty on the Functioning of the European Union ("TFEU"), in conjunction with

[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), C(2021) 564 (OJ C 34, 1.2.2021, p. 6), and C(2021) 8442 (OJ C 473, 24.11.2021, p. 1).

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Article 3 of Regulation 1/1958[2] and to have this Decision adopted and notified in English.

2. DESCRIPTION OF THE MEASURES

2.1. The reintroduction of the initial aid scheme SA.60379 (Measure A)

(3) The Commission assessed the compatibility of the initial aid scheme SA.60379 based on Article 107(3)(b) TFEU, in light of sections 2, 3.3 and 3.4 of the Temporary Framework. The initial aid scheme was approved in case SA.60379 by Commission decision C(2020) 9632 final of 23 December 2020, (the "initial decision").

(4) The initial aid scheme was amended in case SA.61067 (2021/N), approved by Commission decision C(2021) 360 final of 18 January 2021 and in case SA.63195 (2021/N), approved by Commission decision C(2021) 4291 final of 10 June 2021.

(5) The initial aid scheme expired on 31 December 2021.

(6) The Lithuanian authorities wish to re-introduce the initial aid scheme together with the following amendments:

(a) The overall cap on subsidised interest rate loans is increased to EUR 5 million per borrower, or EUR 10 million for a group of companies, up from EUR 100 000. With this amendment, the estimated budget has been increased from EUR 36 million to EUR 135 million;

(b) The reintroduced scheme will expire on 30 June 2022;

(c) The duration of the loan is reduced to a maximum of three years, down from a maximum of six years in the initial aid scheme;

(d) While a beneficiary could only qualify for a single subsidised loan under the initial aid scheme, up to two subsidised loans can be granted to the same beneficiary under the reintroduced scheme, subject to the overall cap identified above, provided that the first loan has been granted before 1 December 2021 and the second loan is granted after that date;

(e) The eligibility condition, which originally required borrowers to have experienced a 30% decline in their annual turnovers, has been replaced by the two cumulative requirements that (i) the borrower produces evidence of lack of access to alternative financing, and (ii) the activity of the borrower falls under one of the specific restricted activities pre-determined by the authorities[3].

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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 Order No 4-1171/A1-1301 of the Minister of Economy and Innovation) as mentioned in Resolution No. 1226.

(7) Apart from the notified amendments, Lithuania confirms that no further amendments are proposed to the initial aid scheme and that all other conditions of that scheme remain unaltered.

(8) The legal basis for the reintroduced scheme is a draft Order amending Order No 4-45 of 19 January 2021 of the Minister of Economy and Innovation of the Republic of Lithuania 'On the Approval of the Scheme of the Financial Incentive Instrument "Direct COVID-19 Loans"'. The order will be adopted only after the notified measure is approved by the Commission.

(9) Aid may be granted under the initial aid scheme, as reintroduced, as from the notification of the Commission's decision approving the notified amendment.

2.2. Aid in the form of investment support towards a sustainable recovery (Measure B)

(10) Lithuania considers that the COVID-19 pandemic affects the real economy. Measure B forms part of an overall package of measures and aims to support private investment as a stimulus to overcome an investment gap accumulated in the economy due to the crisis. Measure B targets undertakings whose principal economic activities have been restricted as a result of quarantine measures decided by Lithuanian public authorities and that have therefore been hit particularly hard by the pandemic.

(11) Lithuania confirms that the aid under Measure B 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.

(12) The compatibility assessment of Measure B is based on Article 107(3)(c) TFEU, in light of sections 2 and 3.13 of the Temporary Framework.

2.2.1. The nature and form of aid

(13) Measure B is a scheme that provides aid in the form of loans.

2.2.2. Legal basis

(14) The legal basis for the measure is a draft order of the Minister of Economy and Innovation of the Republic of Lithuania[4], which will be adopted only after the notification of the approval of the Commission of the notified measure.

2.2.3. Administration

(15) The Ministry of Economy and Innovation is responsible for administering Measure B and granting the aid. Aid is granted directly through *Investicijų ir verslo garantijos* (hereinafter "INVEGA")[5].

4 Draft order amending order No 4-45 of 19 January 2021 of the Minister of Economy and Innovation of the Republic of Lithuania 'On the Approval of the Scheme of the Financial Incentive Instrument "Direct COVID-19 Loans"'.

2.2.4. *Budget and duration*

(16) The estimated budget of Measure B (and overall maximal nominal amount of loans) is EUR 300 million.

(17) Aid may be granted under Measure B as from the adoption of the draft order provided in recital (15), which will take place after the notification of the Commission's decision approving that measure, until no later than 31 December 2022.

2.2.5. *Beneficiaries*

(18) The final beneficiaries of Measure B are SMEs[6]. Financial institutions are excluded as eligible final beneficiaries. In addition, State and municipal enterprises and undertakings where the State and/or a municipality directly or indirectly (according to the voting agreement, agreement on the transfer of voting rights, authorisation, etc.) individually or jointly holds 25% or more of the equity instruments, shares or other capital holdings, or 25% or more of the voting rights, are also excluded.

(19) Lithuania estimates that up to 500 undertakings will benefit from the measure.

(20) Aid may not be granted under measure B to medium[7] enterprises that were already in difficulty within the meaning of the General Block Exemption Regulation ("GBER")[8] on 31 December 2019. 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[9] or restructuring aid[10].

(21) Beneficiaries must be registered in the register of legal entities before 1 January 2021.

2.2.6. *Sectoral scope*

(22) Measure B applies to the whole territory of Lithuania. It is open to all undertakings operating in Lithuania whose principal economic activities are

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5 INVEGA is a financial entity incorporated by the State with the status of national promotional institution since 17 October 2018, which does not pursue any commercial activities.

6 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).

7 As defined in Annex I to Commission Regulation (EU) No 651/2014.

8 As defined in Article 2(18) of Commission Regulation (EU) No 651/2014.

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.

included in the list of economic activities that have been restricted and indirectly restricted during the quarantine[11]. This includes for instance the following sectors: textile, passenger transport, retail, accommodation/restaurants, tourism, culture and entertainment, gambling and betting, rental of vehicles and household goods.

(23) The financial sector is excluded. Furthermore, undertakings may not benefit from Measure B if the planned investment is to be used for the performance of economic activities classified as agriculture, forestry, fishery and /or aquaculture sectors.

2.2.7. Basic elements

(24) The loans will be used to finance costs of investments in (i) tangible (buildings, plants, machinery and equipment) assets[12], including reconstruction, as well as land acquisition, when the investment is directly related to the production of products and/or goods that are planned to be produced and/or to the provision of services; and/or (ii) intangible assets, which are not in physical or financial form (patents, licenses or other intellectual property), as part of an investment project ('eligible costs'). Financial investments are excluded.

(25) The maximum amount of loan per beneficiary in nominal terms is EUR 3 million. Lithuania commits that the maximum individual aid amount that may be granted per undertaking does not exceed 1 % of the total budget available.

(26) Aid intensities may reach 50 % for small enterprises[13] and 40 % for medium enterprises[14] of the eligible costs. Lithuania confirmed that it does not intend to use the possibility of an increased aid intensity in line with regional aid rules.

(27) The duration of the loans cannot exceed 96 months.

(28) Loans are granted at fixed interest rates that remain flat for the duration of the loan. The interest rates notified by Lithuania (and depicted in the table below) result from the summation of the relevant base rate[15] and credit risk margins, subject to the minimum interest rate, all of which are referred to in points 27(a)

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[11] Order No 4-1171/A1-1301 of the Minister of Economy and Innovation of the Republic of Lithuania and of the Minister of Social Security and Labour of the Republic of Lithuania of 30 December 2020 'On the approval of the list of economic activities that are restricted and indirectly restricted during the quarantine'. The quarantine has been declared from 16 March 2020 until 16 June 2020 and from 7 November 2020 until 30 June 2021.

[12] See also the exceptions referred to in recital (33).

[13] Within the meaning of Annex I to the GBER.

[14] Within the meaning of Annex I to the GBER.

[15] The relevant base rates for Lithuania under point 27(a) Temporary Framework are -0.31% on 1 January 2020 and -0.49% at the moment of notification (1 January 2022). Lithuania decided to use the more conservative (higher) base rate for 1 January 2020. For more, see reference_rates_base_rates2022_02_en.pdf (europa.eu).

and 27(b) of the Temporary Framework and the relevant Commission guidance, to which Lithuania referred.[16]

Duration of the loan	**Up to 12 months**	**13 to 36 months**	**37 to 72 months**	**73 to 84 months**	**85 to 96 months**
Interest rates (as notified)	0.10 %	0.19 %	0.69 %	1.64 %	1.83 %
Base rate in Lithuania	-0.31 %	-0.31 %	-0.31 %	-0.31 %	-0.31 %
Credit risk margins	0.41 %	0.50 %	1.00 %	1.95 %	2.14 %
Credit risk margins defined in relevant Commission guidance[17]	0.25 %	0.43-0.48 %	0.73-0.92 %	1.95 %	2.14 %

(29) Loans under Measure B cannot be converted into other forms of aid.

(30) Beneficiaries can submit an application for aid until 30 November 2022.

(31) Aid may only be granted on the basis of a written application submitted before works on the investment have started. Aid will only concern investments made after approval of the aid measure by the Commission.

(32) Lithuania also explained that the aid is not channeled through credit institutions or other financial institutions, as loans will be provided directly by INVEGA and not by financial intermediaries.

(33) The loans cannot be used to purchase (or build, if relevant) agricultural land, certain categories of vehicles, immovable property (for the purpose of selling or otherwise transferring it to other persons rather than using it in own activities) and residential immovable property.

(34) Only one loan may be granted to one beneficiary for the funding of eligible costs of one investment project. One beneficiary will be able to receive several loans for several investment projects. The ceiling of EUR 3 million will apply to the overall amount of loans per beneficiary (assessed at group level). Lithuania also confirmed that cumulation with other aid for the same eligible costs under section 3.13 of the Temporary Framework is excluded.

(35) The applicants will have to fill in ‘do no significant harm’ checklists, which will be prepared on the basis of the guiding principles for the ‘do no significant harm’ assessment provided in the Commission Notice on Technical guidance on the

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[16] The credit risk margins provided in point 27(a) of the Temporary Framework are not directly applicable in this case because they are not flat for the duration of the loan and concern only loans with durations of up to 6 years. The published guidance (tables B and D) takes into account these differences, in line with the possibility offered by point 27(b) of the Temporary Framework. While the published guidance refers to guarantees, it has been applied by the Commission also to credit risk margins for loans, using as proxy the situation where the guarantee covers 90 % of the loan.

[17] While the credit risk margins in the guidance are provided for each possible year, Lithuania intends to apply in some cases the same rate to multiple years. For instance, only one rate is notified for durations of 2 and 3 years. This is the reason why there are several credit risk margins depicted in some of the columns in the table for this row.

application of 'do no significant harm' under the Recovery and Resilience Facility Regulation[18].

2.2.8. *Cumulation*

(36) The Lithuanian authorities confirm that aid granted under Measure B may be cumulated with aid under the *de minimis* Regulation[19] or the General Block Exemption Regulation (GBER) provided the provisions and cumulation rules of those Regulations are respected.

(37) The Lithuanian authorities confirm that aid granted under Measure B 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. The Lithuanian authorities confirm that, in case of cumulation, the total aid amount may never exceed 100 % of the eligible costs.

2.2.9. *Monitoring and reporting*

(38) The Lithuanian 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 Measure B 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 granting[20]).

3. ASSESSMENT

3.1. Lawfulness of measures A and B

(39) By notifying Measures A and B before putting them into effect, Lithuania has respected its obligations under Article 108(3) TFEU.

3.2. Existence of State aid

(40) 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.

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[18] Commission Notice Technical guidance on the application of 'do no significant harm' under the Recovery and Resilience Facility Regulation, OJ C 58, 18.2.2021, p. 1.

[19] Commission Regulation (EU) No 1407/2013.

[20] Referring to information required in Annex III to the GBER. The nominal value of the underlying instrument shall be inserted per beneficiary.

3.2.1. Measure A

(41) The initial aid scheme under Measure A constitutes State aid within the meaning of Article 107(1) TFEU for the reasons set out in recitals (30) to (35) of the initial decision. The amendments referred to in recital (4) do not affect this conclusion. The notified measure to reintroduce the scheme also does not affect that conclusion. The Commission therefore refers to the assessment of the initial decisions and concludes that the initial aid scheme, as amended, constitutes State aid within the meaning of Article 107(1) TFEU.

3.2.2. Measure B

(42) Measure B is imputable to the State, since it is administered by the Ministry of Economy and Innovation of Lithuania and it is based on an order of the Minister of Economy and Innovation (recitals (14) and (15)). It is financed through State resources, since it is financed by the general budget of Lithuania.

(43) Measure B confers an advantage on its beneficiaries in the form of soft loans i.e. loans with an advantageous interest rate (recital (28)). It thus confers an advantage on those beneficiaries which they would not have had under normal market conditions.

(44) The advantage granted under Measure B is selective since it is awarded only to certain undertakings (in particular undertakings whose principal economic activities are included in the list of economic activities that have been restricted and indirectly restricted during the quarantine) and excludes large undertakings, the financial sector and economic activities classified as agriculture, forestry, fishery and /or aquaculture sectors (see recitals (22) and (23)).

(45) Measure B 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.

(46) In view of the above, the Commission concludes that Measure B constitutes aid within the meaning of Article 107(1) TFEU. The Lithuanian authorities do not contest that conclusion.

3.3. Compatibility

(47) Since the notified 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.

3.3.1. Compatibility of the reintroduction of the initial aid scheme SA.60379 (Measure A)

(48) The Commission considers that a limited reintroduction of the initial scheme is appropriate to ensure that national support measures effectively help affected undertakings during the COVID-19 pandemic. The notified amendments specified in recital (6) do not affect the compatibility assessment made under the initial decision.

(49) In particular, the Commission notes that although the overall cap for the loan principal has been significantly increased from EUR 100 000 per borrower to EUR 5 million per borrower, or EUR 10 million for a group of companies, as described under recital (6)(a), the loan amounts cannot exceed two times the annual wage bill for 2019 (or latest year available), or 25% of the total turnover of the beneficiary in 2019. The scheme as amended thus complies with point 27(d) of the Temporary Framework.

(50) Aid under the scheme can only be granted until 30 June 2022, as described in recital (6)(b). The reintroduced scheme as amended thus complies with point 27(c) of the Temporary Framework.

(51) The amended duration of the loans to three years, as described in recital (6)(c), fulfils the requirement in point 27(c) of the Temporary Framework.

(52) The authorities have confirmed that the reintroduced scheme as amended allows certain beneficiaries to obtain a second subsidised interest rate loan, which is described in recital (6)(d). However the cumulative outstanding loan amounts cannot exceed the ceilings that were described in recital (49). The reintroduced scheme as amended thus complies with point 26bis of the Temporary Framework.

(53) The amendment in the eligibility conditions described in recital (6)(e) are not linked to any of the points of section 3.3 of Temporary Framework and does not have an impact on the compatibility assessment.

(54) Apart from the notified amendments, Lithuania confirms that Measure A does not introduce further amendments to the initial aid scheme, as amended, and that all other conditions of that scheme are unaltered.

(55) The Commission therefore considers that the notified Measure A 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.

3.3.2. Compatibility of Measure B

(56) Pursuant to Article 107(3)(c) TFEU, the Commission may declare compatible with the internal market "*aid to facilitate the development of certain economic activities or of certain economic areas, where such aid does not adversely affect trading conditions to an extent contrary to the common interest*".

(57) When it amended the Temporary Framework on 18 November 2021, the Commission sought to provide options for Member States, to avoid a repetition of the post-crisis investment drop that occurred in the Union in the wake of the 2008 crisis, with the potential to hold back long-term growth. Investment support measures under section 3.13 of the Temporary Framework seek to overcome the negative economic effects of the crisis, including a widening of the investment gap. Measure B, which concerns all undertakings affected by restrictions during the quarantine in Lithuania, aims at supporting private investment in assets as a stimulus to overcome an investment gap accumulated in parts of the economy due to the crisis. It has been designed to meet the requirements of section 3.13 of the Temporary Framework. The Commission assesses the compatibility of Measure B

based on Article 107(3)(c) TFEU, in light of section 3.13 of the Temporary Framework.

(58) The Commission accordingly considers that Measure B facilitates the development of certain economic activities (recital (22)), which are important for economic recovery, is appropriate and necessary to address the economic consequences arising from the crisis induced by the COVID-19 pandemic. In particular:

- The aid is granted on the basis of a scheme (recitals (13) and (22)) and the maximum individual aid amount that may be granted per undertaking does not exceed 1 % of the total budget of the scheme (recitals (25) and (16)). Measure B therefore complies with point 89(a) of the Temporary Framework.

- The aid finances investments in tangible and intangible assets, excluding financial investments (recital (24)). Costs related to purchasing land may be included only in as far as they are part of an investment for production of goods or provision of services (recital (24)). Measure B therefore complies with point 89(b) of the Temporary Framework.

- Measure B applies to the whole territory of the Member State but certain economic sectors are excluded (recital (22)). Limiting the benefit of the scheme to undertakings whose principal economic activities were restricted during the quarantine constitutes a relevant proxy to target specific economic areas of particular importance for the economic recovery. Therefore, given the fact that Lithuania plans to support up to 500 undertakings (recital (20)) and that those limits are based on objective and appropriate criteria (undertakings having suffered from restrictions during the quarantine), those limits are designed broadly and do not lead to an artificial limitation of eligible investments or potential beneficiaries that would result in targeting only a small number of undertakings. Measure B therefore complies with point 89(c) of the Temporary Framework.

- The aid intensity may not exceed 50 % for small enterprises and 40 % for other SMEs (recital (26)). Measure B therefore complies with point 96, first and second sentences (as the aid is in the form of loans) of the Temporary Framework.

- The overall aid granted may not exceed EUR 3 million per undertaking in nominal terms (recital (25)). Measure B therefore complies with point 89e of the Temporary Framework.

- The aid is granted in the form of repayable instruments (loans) but Measure B does not provide for a possibility for conversion (recital (29)). The first condition laid down in point 89(f) of the Temporary Framework (second sentence) thus does not apply. The loans have a maximum duration of eight years (recital (27)), thus Measure B complies with the second condition laid down in point 89(f) of the Temporary Framework (third sentence).

- Aid may not be granted under Measure B to medium enterprises that were already in difficulty on 31 December 2019 (recital (20)). 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[21] or restructuring aid[22] (recital (20)). Measure B therefore complies with point 92 of the Temporary Framework.

- Aid may be granted under Measure B until 31 December 2022 and aid will only concern investments made after approval of the aid measure by the Commission e (recitals (17) and (31)). Measure B therefore complies with point 93 of the Temporary Framework.

- The beneficiary must have submitted a written application for the aid to the Lithuanian authorities before works on the investment have started (recital (31)). Measure B therefore has an incentive effect pursuant point 94 of the Temporary Framework.

- The applicable interest rates for loans are fixed for the entire duration of the loan (flat rates) and equal to the base rate (1 year IBOR or equivalent as published by the Commission) available on 1 January 2020 plus credit risk margins. For loans with a maturity of up to six years, these credit risk margins are at least equal to[23] the minimum levels set out in point 27(a) of the Temporary Framework. In addition, as regards loans with a longer duration (from 73 to 96 months), the longer duration is off-set by higher credit risk margins. The flat credit risk margins, as indicated in the table in recital (28), are considerably higher than the credit risk margins allowed under paragraph 27(a), taking into account the modulation resulting from the flat rate and the longer duration. For example, for a 7-years loan to an SME, the credit risk margin will be 195 basis points ("bps") for the whole duration of the loan as opposed to 25 bps for the first year, 50 bps for the second and third year and 100 bps for the fourth to sixth year as indicated in the table in paragraph 27(a) of the Temporary Framework. The measure therefore complies with points 27(a) and 27(b) of the Temporary Framework. Since the debt instruments at stake are not subordinated, the conditions mentioned in point 27 bis, first and second sentences, are not applicable. Points 29, 30, and 31 of the Temporary Framework are also respected since INVEGA, which is a financial entity incorporated by the State with the status of national promotional institution since 17 October 2018, does not pursue any commercial activities and operates solely as a pass-through of the aid directly to the borrowers (recital (15)). Lithuania also confirmed that cumulation with other aid under section 3.13 is excluded (recital (34)). Measure B therefore complies with the third and fourth sentences of point 96.

[21] 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.

[22] Alternatively, if they have received restructuring aid, they have reimbursed the loan or terminated the guarantee at the moment of granting of the aid under the notified measure.

[23] Rates under Measure B, which apply for the entire duration of the loan, are even higher than the minimum levels set out in point 27(a) of the Temporary Framework (which are progressive rates).

(59) The Lithuanian authorities confirm that the aid under Measure B 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 that actually occurred in the initial establishment of the beneficiary in the EEA (recital (11)).

(60) The Lithuanian authorities confirm that the monitoring and reporting rules laid down in section 4 of the Temporary Framework will be respected (recital (38)). The Lithuanian authorities further confirm that the aid under Measure B may only be cumulated with other aid provided that the specific provisions in the sections of the Temporary Framework and the cumulation rules of the relevant Regulations are respected; they also confirm that the total aid amount cannot exceed 100 % of the eligible costs (recitals (36) and (37)).

(61) Measure B will facilitate the development of certain economic activities, which are important for economic recovery because they were targeted by restrictive measures during the quarantine. Measure B will have positive effects on the development of these activities as it will contribute to a reduction of the investment gap that could hamper long term economic growth. Measure B will however strengthen the financial situation of certain undertakings (recital (22)) operating in sectors where there is cross border competition; it will thus have negative effects on competition and trade (recital (45)). In weighing the positive effects of the aid against its negative effects on competition and trade (point 90 of the Temporary Framework), the Commission has paid particular attention to the fact that Measure B will not support activities in breach of the ‘do no significant harm principle’ (recital (35)). In addition, the measure was designed to meet the conditions laid down in section 3.13 of the Temporary Framework: as the measure is necessary, proportionate and appropriate to achieve its objective, it is unlikely to have undue negatives effects on competition and trade and such effects are limited to the minimum necessary. In particular, aid under section 3.13 can only finance investment costs relating to tangible and intangible assets, it benefits a broad range of beneficiaries, aid amounts are capped and maximum aid intensities are lower when the size of the undertaking increases. Furthermore, Measure B is granted in the form of loans, which have lower distortive effects than cash grants, and the only beneficiaries are SMEs.

(62) The Commission has taken due consideration that Measure B facilitates the development of certain economic activities and of the positive effects of that measure on supporting the recovery from the health crisis provoked by the COVID-19 pandemic when balancing those effects against the potential negative effects of the measure on the internal market. The Commission considers that the positive effects of that measure outweigh its potential negative effects on competition and trade.

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) and Article 107(3)(c) 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

CERTIFIED COPY
For the Secretary-General

Martine DEPREZ
Director
Decision-making & Collegiality
EUROPEAN COMMISSION