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Subject: State Aid SA.103403 (2022/N) – Italy
TCF: Loan guarantees for SMEs and small mid-caps

Excellency,

1. PROCEDURE

(1) By electronic notification of 20 June 2022, Italy notified aid in the form of limited amounts of aid and liquidity support in the form of guarantees ("*Fondo di garanzia per le PMI"*, the "measure") under the Temporary Crisis Framework for State aid measures to support the economy following the aggression against Ukraine by Russia (the "Temporary Crisis Framework")[1]. Italy submitted additional information on 1 July, 5 July, 9 July and 13 July 2022.

(2) Italy 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[2] and to have this Decision adopted and notified in English.

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1 Communication from the Commission on the Temporary Crisis Framework for State aid measures to support the economy following the aggression against Ukraine by Russia (OJ C 131 I, 24.3.2022, p. 1), as amended by Commission Communication (OJ C 280/1, 21.7.2022, p. 1).

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) Italy considers that the Russian aggression against Ukraine, the sanctions imposed by the European Union (EU) and its international partners and the counter-measures taken by Russia ("the current crisis") so far affects the real economy. The current crisis created significant economic uncertainties, disrupted trade flows and supply chains and led to exceptionally large and unexpected price increases, especially in natural gas and electricity, but also in numerous other input and raw materials and primary goods. In Italy, macroeconomic uncertainties[3] and risks to corporate financial stability have increased. The marked rise in consumer price growth expectations by enterprises is likely to negatively affect their investment and employment decisions and change their financing choices.[4] These adverse conditions add to the already difficult conditions that Italian firms have experienced over 2021, mainly due to increasing energy prices and supply-chain problems.[5] Thus, the measure aims to remedy the liquidity shortages faced by undertakings that are directly or indirectly affected by the serious disturbance of the economy caused by the Russian aggression against Ukraine, the sanctions imposed by the EU or by its international partners, as well as by the economic counter measures taken so far by Russia.

(4) Italy 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 1, 2.1 and 2.2 of the Temporary Crisis Framework.

2.1. The nature and form of aid

(6) The measure provides aid in the form of guarantees on loans and direct grants to cover the premiums on those guarantees.

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[3] According to preliminary estimates released by the Italian National Institute of Statistics (ISTAT), GDP declined in the first quarter of 2022 with -0.2% over the previous quarter while the registered inflation was +5.7 for the overall index.

[4] According to indications from the Survey of Industrial and Service Enterprises (INVIND), conducted by the Bank of Italy between February and May 2022, 55% of the respondents expect that the conflict will lead to negative repercussions on their business in the current year. Estimates of Confindustria Study Center indicate that the if the energy price increases registered in early March persist through 2022, the incidence of energy costs on total production costs will increase by 77% for the total Italian economy, up from 4.6% in pre-pandemic period and 8.2% in 2021.

[5] Data from the Bank of Italy's Survey of Industrial and Service Enterprises (SONDTEL), conducted between September and October 2021, show that about 60% of firms operating in the industry sectors and 20% of firms operating in the services sectors have experienced problems in sourcing production inputs in the first nine months of 2021. Among firms that experienced difficulties, more than 80% reported a significant increase in the price of intermediate goods and about 70% indicated an unavailability of those goods, including longer delivery times from suppliers or delays caused by problems in transportation and logistics.

2.2. Legal basis

(7) The legal basis for the measure consists of:

(a) Article 1, paragraph 55 of Law No. 234 of December 30, 2021, as amended by Article 3, paragraph 4-bis of Decree-Law No. 228 of December 30, 2021, and most recently by Article 16 of Decree-Law No. 50 of May 17, 2022; and,

(b) Decree of the Minister of Economic Development of May 13, 2021 approving the Operational Provisions of the Italian Guarantee Fund for SMEs.

2.3. Administration of the measure

(8) The Italian Ministry for Economic Development is the granting authority. The measure will be administered by the Central Guarantee Fund for SMEs (the "Fund"), a public instrument under the supervision of the Ministry for Economic Development and the Ministry of Economy and Finance.

2.4. Budget and duration of the measure

(9) The estimated budget of the measure is EUR 2.9 billion, of which around EUR 39 million will correspond to grants covering the guarantee premiums. The total volume of new loans that will be guaranteed under the measure is estimated to be EUR 21 billion.

(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 2022.

2.5. Beneficiaries

(11) The beneficiaries of the measure are all undertakings with up to 499 employees[6] and self-employed persons operating in Italy. The Italian authorities have committed that only undertakings that are affected by the crisis will be granted aid under this measure. However, credit institutions and other financial institutions are excluded as eligible final beneficiaries.

(12) Aid is granted under the measure through credit institutions and mutual guarantee institutions.

(13) Italy confirms that the aid under the measure is not granted to undertakings under sanctions adopted by the EU, including but not limited to: (i) persons, entities or bodies specifically named in the legal acts imposing those sanctions; (ii) undertakings owned or controlled by persons, entities or bodies targeted by sanctions adopted by the EU; or (iii) undertakings active in industries targeted by

[6] Those undertakings do not meet the definition of SMEs, 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).

sanctions adopted by the EU, insofar as the aid would undermine the objectives of the relevant sanctions.

(14) Italy confirms that the measure may not in any way be used to undermine the intended effects of sanctions imposed by the EU or its international partners and will be in full compliance with the anti-circumvention rules of the applicable regulations[7]. In particular, natural persons or entities subject to the sanctions will not benefit directly or indirectly from the measure.

2.6. Sectoral and regional scope of the measure

(15) The measure is open to all sectors except the financial sector. It applies to the whole territory of Italy.

2.7. Basic elements of the measure

(16) The measure provides aid to the eligible beneficiaries (recital (11)) in the form of (a) guarantees under Section 2.2 of Temporary Crisis Framework, and (b) limited amounts of aid under Section 2.1 of the Temporary Crisis Framework. The two elements of the measure are described below.

2.7.1. Guarantees under Section 2.2 of the Temporary Crisis Framework

(17) The measure incorporates two types of guarantees covered under Section 2.2 of the Temporary Crisis Framework:

(a) Direct guarantees, which are provided to cover the losses of credit institutions, in relation to loans; and,

(b) Counter-guarantees, which cover the losses on guarantees issued by mutual guarantee institutions[8] provided to credit institutions on their loans.

(18) The direct guarantees and the counter-guarantees and the underlying loans will have the following features:

(a) The guarantees and counter-guarantees will only be available on new individual loans issued by credit institutions for investment or working capital needs until the maturity of the underlying loan, which is limited to a maximum of eight years;

(b) The guarantees and counter-guarantees will be granted until 31 December 2022;

(c) The maximum loan amounts must not exceed the greater of the following:

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[7] For example, Article 12 of Council Regulation (EU) No 833/2014 of 31 July 2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine (OJ L 229, 31.7.2014, p. 1).

[8] The mutual guarantee institutions are also known as the "*confidi*", which are regulated by Law n. 326 of 24 November 2003 and authorised to operate following registration under Article 4 of *Provvedimento della Banca d'Italia*, 14 May 2009.

- 15% of the average total annual turnover of the last three closed accounting periods as shown in the relevant financial statements or tax returns. When the beneficiaries of the measure are newly established enterprises that do not hold three closed annual accounts, the applicable cap will be calculated based on the undertaking's duration of existence at the moment of the aid application by the undertaking;

- 50% of the costs incurred for energy in the 12 months preceding the month of submission of the application for aid. When the beneficiaries of the measure are newly established enterprises that do not have records for the entirety of the preceding twelve months, the applicable cap provided by point 47(e)(ii) will be calculated based on the undertaking's duration of existence at the moment of the aid application by the undertaking;

- An increased amount to cover the liquidity needs from the moment of granting for the coming 12 months for SMEs and 6 months for small mid-caps. Those increased amounts may only be available to enterprises that (i) are experiencing severe disruptions in their supply chains; or (ii) are facing sharply rising prices of energy, raw materials or semi-finished goods as a result of the conflict; or (iii) are experiencing a sharp decline in turnover due to high exposures to conflict-related markets; or (iv) have pending payments from Russia or Ukraine; or, (v) are experiencing increased cybersecurity costs or are highly exposed to cyber-attacks. The liquidity needs will be established through self-certification by the beneficiary.

(d) The direct guarantees and the counter-guarantees will cover up to 90% of the losses of credit institutions on eligible loans. For direct guarantees, the losses must be sustained proportionally and under the same conditions by the financial intermediary and the Fund. For counter-guarantees, the losses must be sustained proportionally and under the same conditions by the mutual guarantee institution and the Fund.

(e) As the size of the loan decreases, the guaranteed amount decreases proportionally.

(f) For loans with a maximum maturity of six years and a guarantee coverage of 80% to 90% of the losses of credit institutions, the guarantee premiums are as defined in point 47(b) of the Temporary Crisis Framework. For counter-guarantees, the applicable guarantee coverage will be the product of the direct guarantee and counter-guarantee coverages. For loans with lower guarantee coverages or longer maturities, Italy wishes to apply the guarantee premium modulations pursuant to point 47(c) of the Temporary Crisis Framework. The guarantee premiums, which will be applied on a progressive basis per annum, are as defined in Tables 1 and 2 for loans with a maximum maturity of up to 6 years and with maturities of 7 or 8 years, respectively.

(g) The maximum guaranteed amount may not exceed EUR 5 million per beneficiary.

Table 1 - Guarantee premiums for loans with up to 6 years of maturity, in basis points

Type of beneficiary	Coverage	1st year	2nd – 3rd year	4th -6th year
SMEs	**≤ 60%**	15	15	35
	> 60% and ≤ 80%	15	30	80
	> 80% and ≤ 90%	25	50	100
Small mid-caps	**≤ 60%**	15	35	135
	> 60% and ≤ 80%	30	80	175
	> 80% and ≤ 90%	50	100	200

Table 2 - Guarantee premiums for loans with 7 or 8 years of maturity, in basis points

Type of beneficiary	Coverage	1st year	2nd – 3rd year	4th – 6th year	7th – 8th year
SMEs	**≤ 60%**	15	15	90	170
	> 60% and ≤ 80%	50	80	135	230
	> 80% and ≤ 90%	75	100	150	250
Small mid-caps	**≤ 60%**	15	90	215	315
	> 60% and ≤ 80%	80	130	240	340
	> 80% and ≤ 90%	100	150	250	350

(19) For direct guarantees, credit institutions must declare to the Fund how they will transfer the advantages deriving from the guarantee of the Fund to the final beneficiary companies in the form of (i) higher volumes of financing; (ii) lower required collateral or private guarantees on the portion of the loan that is not covered by the Fund guarantee; or, (iii) lower interest rates.

(20) For counter-guarantees, the mutual guarantee institutions must reduce the guarantee premiums they charge to final beneficiaries. In the absence of a counter-guarantee, the guarantee premium charged by mutual guarantee institutions must be equivalent to an administrative cost (i.e. personnel costs, processing costs) and a credit risk component. When a counter-guarantee covers a proportion of the losses of mutual guarantee institutions, the mutual guarantee institution may only charge administrative costs on that proportion of the total premium it charges. Moreover, the credit institutions must declare to the Fund how they will transfer the advantages deriving from the counter-guarantee, as described in recital (19).

(21) The exact amount of advantages passed on to the final beneficiaries from the Fund’s direct and counter-guarantees must be communicated to the final beneficiaries of the measure, prior to the loan disbursement.

(22) The mobilisation of the guarantees and counter-guarantees is linked to specific conditions contained in the operating provisions of the Fund approved by Decree of the Minister of Economic Development of May 13, 2021. Those conditions are known and accepted by the credit institutions that transmit the guarantee application.

2.7.2. *Limited amounts of aid under Section 2.1 of the Temporary Crisis Framework*

(23) The Fund provides the undertakings that benefit from guarantees on loans, as described in Section 2.7.1, may benefit from a grant that is equivalent to the present value of unpaid premiums, i.e. the difference between the present value of future premium payments as defined under recital (18)(f) and the premiums that the beneficiary agrees to pay at the moment the guarantee is granted.

(24) The present value of the future premium payments must be calculated on the guaranteed amount of the residual debt of the loan, applying the premiums shown in The maximum guaranteed amount may not exceed EUR 5 million per beneficiary.

(25) Table 1 and Table 2, discounted to the date on which the guarantee is granted, using the discount rate calculated in accordance with the 2008 Communication from the Commission on the revision of the method for setting the reference and discount rates[9].

(26) Italy confirms that aid under the measure may be granted only to undertakings affected by the current crisis. Beneficiaries will have to provide a self-certification where they declare that they are affected by the crisis.

(27) Italy confirms that aid granted to undertakings active in the processing and marketing of agricultural products[10] is conditional on not being partly or entirely passed on to primary producers and 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, methanization or composting by the undertakings concerned.

(28) The aid amount under the measure does not exceed EUR 500 000 per undertaking at any given point in time. The overall aid amount does not exceed EUR 62 000 per undertaking active in the primary production of agricultural products[11] and EUR 75 000 per undertaking active in the fishery and aquaculture sectors[12]. All figures are gross, that is, before any deduction of tax or other charges.

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9 Communication from the Commission on the revision of the method for setting the reference and discount rates (OJ C 14, 19.1.2008, p. 6).

10 As defined in Article 2(6) and Article 2(7) of Commission Regulation (EC) 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 on the Functioning of the European Union (OJ L 193, 1.7.2014, p. 1).

11 As defined in Article 2(5) of Commission Regulation (EC) 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 on the Functioning of the European Union (OJ L 193, 1.7.2014, p. 1).

12 As defined in Article 2(1) of Commission Regulation (EU) No 717/2014 of 27 June 2014 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid in the fishery and aquaculture sector (OJ L 190, 28.6.2014, p. 45).

(29) For aid granted in the agriculture, fishery and aquaculture sector, Italy further confirms that:

(a) aid to undertakings active in the primary production of agricultural products will not be fixed on the basis of the price or quantity of products put on the market; and

(b) aid to undertakings active in the fishery and aquaculture sector does not concern any of the categories of aid referred to in points (a) to (k) of Article 1(1) Commission Regulation (EU) No 717/2014[13].

(30) Where an undertaking is active in several sectors to which different maximum amounts apply in accordance with points 41(a) and 42(a) of the Temporary Crisis Framework, it will be ensured, by appropriate means such as separation of accounts, that for each of those activities the relevant ceiling is respected and that the overall maximum amount of EUR 500 000 is not exceeded per undertaking. Where an undertaking is active exclusively in the sectors covered by point 42(a) of the Temporary Crisis Framework, the overall maximum amount of EUR 75 000 is not exceeded per undertaking.

2.8. Cumulation

(31) The Italian authorities confirm that aid granted under the measure may be cumulated with aid under *de minimis* Regulations[14] or the General Block Exemption Regulation[15] or with aid under the Agricultural Block Exemption Regulation[16] or with aid under the Fisheries Block Exemption Regulation[17], provided the provisions and cumulation rules of those Regulations are respected.

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13 Commission Regulation (EC) No 717/2014 of 27 June 2014 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid in the fishery and aquaculture sector (OJ L 90, 28.6.2014, p. 45).

14 Commission Regulation (EU) No 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid (OJ L 352, 24.12.2013, p. 1), Commission Regulation (EU) No 1408/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid in the agriculture sector (OJ L 352, 24.12.2013 p. 9), Commission Regulation (EU) No 717/2014 of 27 June 2014 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid in the fishery and aquaculture sector (OJ L 190, 28.6.2014, p. 45) and Commission Regulation (EU) No 360/2012 of 25 April 2012 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid granted to undertakings providing services of general economic interest (OJ L 114, 26.4.2012, p. 8).

15 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 of 26.6.2014, p. 1).

16 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 on the Functioning of the European Union (OJ L 193, 1.7.2014, p. 1).

17 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

(32) The Italian authorities confirm that aid under the measure may be cumulated with other forms of Union financing, provided that the maximum aid intensities indicated in the relevant Guidelines or Regulations are respected.

(33) The Italian authorities confirm that aid under the measure may be cumulated with aid approved by the Commission under the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak[18] (COVID-19 Temporary Framework) and the aid under the measure may be cumulated with those measures provided the respective cumulation rules are respected.

(34) The Italian 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 Crisis Framework, provided the provisions in those specific sections are respected.

(35) The Italian 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 2.1 of the Temporary Crisis Framework, the overall maximum cap per undertaking, as set out in points 41(a) and 42(a) of that framework, will be respected.

(36) The Italian authorities confirm that for the same underlying loan principal, aid granted under section 2.2 of the Temporary Crisis Framework will not be cumulated with aid granted under section 2.3 of that framework or with aid granted under sections 3.2 or 3.3 of the COVID-19 Temporary Framework. For different loans, aid granted under section 2.2 may be cumulated with aid granted under section 2.3 provided the overall amount of loans per beneficiary does not exceed the ceilings set out in point 47(e) of the Temporary Crisis Framework.

(37) The Italian authorities confirm that when the overall amount of the loan is calculated on the basis of liquidity needs of the beneficiary (point 47(e)(iii) of the Temporary Crisis Framework), the same beneficiary cannot cover with guarantees under the notified aid measure the liquidity needs already covered by aid measures approved by the Commission under the COVID-19 Temporary Framework.

(38) A beneficiary may benefit in parallel from multiple schemes under section 2.2 provided the overall amount of loans per beneficiary does not exceed the ceilings set out in point 47(e) of the Temporary Crisis Framework.

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compatible with the internal market in application of Articles 107 and 108 of the Treaty on the Functioning of the European Union (OJ L 369, 24.12.2014, p. 37).

18 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).

2.9. Monitoring and reporting

(39) The Italian authorities confirm that they will respect the monitoring and reporting obligations laid down in section 3 of the Temporary Crisis Framework (including the obligation to publish relevant information on each individual aid above EUR 100 000 granted under the measure 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[19]).

3. ASSESSMENT

3.1. 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.

(41) The measure is imputable to the State, since it is based on a legislative act and a Decree of the Minister for Economic Development (recital (7)) and administered by the Fund (recital (8)), which is a public instrument under the supervision of the Italian Ministry for Economic Development and the Italian Ministry of Economy and Finance. It is financed through State resources, since it is financed by public funds.

(42) The measure confers an advantage on its beneficiaries in the form of direct grants and guarantees on loans (recital (16)). The measure thus relieves those beneficiaries of costs which they would have had to bear under normal market conditions.

(43) The advantage granted by the measure is selective, since it is awarded only to certain undertakings with up to 499 employees and self-employed persons operating in Italy, excluding the financial sector (recital (11)).

(44) 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.

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

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19 Referring to information required in Annex III to Commission Regulation (EU) No 651/2014 and Annex III to Commission Regulation (EU) No 702/2014 and Annex III to Commission Regulation (EU) No 1388/2014. For guarantees, the nominal value of the underlying instrument must be inserted per beneficiary.

3.2. Compatibility

(46) 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.

(47) 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*".

(48) By adopting the Temporary Crisis Framework on 23 March 2022, the Commission acknowledged (in section 1) that the military aggression against Ukraine by Russia, the sanctions imposed by the EU or its international partners and the counter measures taken, for example by Russia have created significant economic uncertainties, disrupted trade flows and supply chains and led to exceptionally large and unexpected price increases, especially in natural gas and electricity, but also in numerous other input and raw materials and primary goods, including in the agri-food sector. Those effects taken together have caused a serious disturbance of the economy in all Member States, including in the economy of Italy. 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 if it serves to remedy the liquidity shortage faced by undertakings that are directly or indirectly affected by the serious disturbance of the economy caused by the Russian military aggression against Ukraine, the sanctions imposed by the EU or by its international partners, as well as the economic counter measures taken so far, for example by Russia.

(49) The measure aims at facilitating the access of undertakings to external finance at a time when a wide range of economic sectors are affected, the normal functioning of markets is severely disturbed leading to severe disturbances of the real economy of Member States, including in the economy of Italy.

(50) The measure is one of a series of measures conceived at national level by the Italian authorities to remedy a serious disturbance in their economy. The importance of the measure to stimulate lending by private banks to enterprises during the current crisis is widely accepted by economic commentators and the measure is of a scale which can be reasonably anticipated to produce effects across the entire Italian economy. Furthermore, the measure has been designed to meet the requirements of a specific category of aid ("*Limited amounts of aid*" and "*Liquidity support in the form of guarantees*") described in section 2.1 and 2.2 of the Temporary Crisis Framework and the requirements for aid in the form of guarantees and loans channelled through credit institutions or other financial institutions described in point 47(h) of the Temporary Crisis Framework.

(51) 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 relevant conditions of the Temporary Crisis Framework.

(52) The measure meets all the conditions provided for by Section 2.1 of the Temporary Crisis Framework for limited amounts of aid, as described in section 2.7.2:

(a) The aid takes the form of a direct grant to the beneficiary undertaking (recital (23)).

(b) The overall nominal value of the grant will not exceed EUR 500 000 per undertaking; all figures used must be gross, that is, before any deduction of tax or other charges (recital (28)). The measure therefore complies with point 41(a) of the Temporary Crisis Framework.

(c) 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 41(b) of the Temporary Crisis Framework.

(d) Aid will be granted under the measure no later than 31 December 2022 (recital (10)). The measure therefore complies with point 41(c) of the Temporary Crisis Framework.

(e) Aid will be granted only to undertakings affected by the crisis (recital (26)). The measure therefore complies with point 41(d) of the Temporary Crisis Framework.

(f) 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, methanization or composting by the undertakings concerned (recital (27)). The measure therefore complies with point 41(e) of the Temporary Framework.

(g) The overall nominal value of the grant does not exceed EUR 62 000 per undertaking active in the primary production of agricultural products, and EUR 75 000 per undertaking active in the fishery and aquaculture sectors (recital (28)). The measure therefore complies with point 42(a) of the Temporary Crisis Framework.

(h) Aid granted to undertakings active in the primary production of agricultural products must not be fixed on the basis of the price or quantity of products put on the market (recital (29)(a)). The measure therefore complies with point 42(b) of the Temporary Crisis Framework.

(i) Aid granted to undertakings active in the fishery and aquaculture sector does not concern any of the categories of aid referred to in points (a) to (k) of Article 1(1) Commission Regulation (EU) No 717/2014 (recital (29)(b)). The measure therefore complies with point 42(c) of the Temporary Crisis Framework.

(j) Where an undertaking is active in several sectors to which different maximum aid amounts apply in accordance with points 41(a) and 42(a) of the Temporary Crisis Framework, Italy will ensure, by appropriate means such as separation of accounts, that the relevant ceiling is respected for each of those activities and that the overall maximum amount of EUR 500 000 is not exceeded per undertaking (recital (30)). Where an undertaking is active in the sectors covered by point 42(a) of the Temporary Framework, the overall maximum amount of EUR 75 000 is not exceeded per undertaking (recital (30)). The measure therefore complies with point 43 of the Temporary Crisis Framework.

(53) The measure meets all the conditions provided for by Section 2.2 of the Temporary Crisis Framework for guarantees, as described in section 2.7.1:

(a) Guarantees may be granted on new individual loans made to undertakings (recital (18)(a)). The measure therefore complies with point 47(a) of the Temporary Crisis Framework.

(b) The measure sets minimum levels of modulated guarantee premiums for SMEs and small mid-caps on loans with a maturity of up to eight years. Those guarantee premiums are will be applied on a progressive basis per annum for the entire duration of the guaranteed loan and reflect the exceptional nature of longer maturities up to eight years while also accounting for lower coverage ratios compared to those referred in point 47(b) of the Temporary Crisis Framework (recitals (18)(d) and (18)(f)). The Commission observes that the proposed premiums are in line with its case practice and, therefore, the measure complies with point 47(c) of the Temporary Crisis Framework[20].

(c) Guarantees may be granted under the measure by 31 December 2022 at the latest (recital (18)(b)). The measure therefore complies with point 47(d) of the Temporary Crisis Framework.

(d) The measure limits the duration of the guarantees to a maximum of eight years (recital (18)(a)). Those guarantees cover up to 90% of the loan principal and losses stemming from the loans are sustained proportionally and under the same conditions by the credit institutions and the State (for direct guarantees) and by the mutual guarantee institutions and the State (for counter-guarantees) (recital (18)(d)). Furthermore, when the size of the loan decreases over time, the guaranteed amount decreases proportionally (recital (18)(e)). The measure therefore complies with point 47(f) of the Temporary Crisis Framework.

(e) The maximum loan amount per beneficiary covered by guarantees granted under the measure is limited in line with points 47(e)(i) and (ii) of the Temporary Crisis Framework. The maximum amount of loan per beneficiary may be increased to cover future liquidity needs for beneficiaries that are particularly affected by the aggression, limited only to beneficiaries experiencing (i) severe disruptions in supply chains, (ii) sharp increases in the prices of energy, raw materials or semi-finished goods, (iii) sharp declines in turnover due to exposures to conflict-related markets, (iv) pending payments from Russia or Ukraine, or (v) increased cybersecurity costs or cyber-attacks risks (recital (18)(c)). Therefore, the

[20] For a summary of the case practice relevant for point 47 (c) of the Temporary Crisis Framework, see https://ec.europa.eu/competition-policy/system/files/2022-07/summary_of_case_practice_on_modulation_under_point_47c_50c_TCF.pdf.

use of this provision is appropriately justified. The Member State's authorities confirm that the same beneficiary cannot cover with guarantees under the notified aid measure the liquidity needs already covered by aid measures approved by the Commission under the COVID-19 Temporary Framework (recital (33)). The measure therefore complies with point 47(e) of the Temporary Crisis Framework.

(f) Guarantees granted under the measure relate to investment and working capital loans (recital (18)(a)). The measure therefore complies with point 47(g) of the Temporary Crisis Framework.

(g) The measure introduces safeguards in relation to the possible indirect aid in favour of the credit institutions or other financial institutions to limit undue distortions to competition. For direct guarantees, credit institutions must declare how they will transfer the advantages in the form of higher volumes of financing, lower required collateral or private guarantees, or lower interest rates (recital (19)). For counter-guarantees, mutual guarantee institutions must reduce the guarantee fees charged to ultimate beneficiaries corresponding to the counter-guaranteed portion of the guarantee and may only charge the administrative costs (recital (20)). In addition, in either case, the exact amount of advantages from the Fund's direct or counter-guarantees must be communicated to the beneficiaries (recital (21)). The safeguards thus ensure that those institutions, to the largest extent possible, pass on the advantages of the measure to the final beneficiaries. The measure therefore complies with point 47(h) of the Temporary Crisis Framework.

(h) The cumulation rules set out in point 46 of the Temporary Crisis Framework are respected (recital (36)).

(i) The mobilisation of the guarantees and counter-guarantees is contractually linked to specific conditions, which are known and accepted by the credit institutions that transmit the guarantee application (recital (22)).

(54) The Italian authorities confirm that, pursuant to point 32 of the Temporary Crisis Framework, 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)).

(55) The Italian authorities confirm that, pursuant to point 33 of the Temporary Crisis Framework, the aid under the measure will not be granted to undertakings under sanctions adopted by the EU, including but not limited to: a) persons, entities or bodies specifically named in the legal acts imposing those sanctions; b) undertakings owned or controlled by persons, entities or bodies targeted by sanctions adopted by the EU; or c) undertakings active in industries targeted by sanctions adopted by the EU, insofar as the aid would undermine the objectives of the relevant sanctions (recital (13)).

(56) The Italian authorities confirm that the monitoring and reporting rules laid down in section 3 of the Temporary Crisis Framework will be respected (recital (39)). The Italian 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 Crisis Framework, the COVID-19 Temporary Framework and the cumulation rules of the relevant Regulations are respected (recitals (31) to (33)).

(57) 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 Crisis 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

CERTIFIED COPY
For the Secretary-General

Martine DEPREZ
Director
Decision-making & Collegiality
EUROPEAN COMMISSION