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Subject: State Aid SA.106681 (2023/N) – Bulgaria
TCTF: Aid to support the liquidity of farmers to overcome the negative economic impact of Russian aggression against Ukraine

Excellency,

1. PROCEDURE

- (1) By electronic notification of 10 March 2023, Bulgaria notified aid in the form of limited amounts of aid (TCTF: „Помощ в подкрепа на ликвидността на земеделски стопани за преодоляване на негативното икономическо въздействие на руската агресия срещу Украйна“, “the measure”) under the Temporary Crisis and Transition Framework for State aid measures to support the economy following the aggression against Ukraine by Russia (the “Temporary Crisis and Transition Framework”)¹. On 13 March 2023, Bulgaria submitted complementary information.
- (2) Bulgaria 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 on the Temporary Crisis and Transition Framework for State aid measures to support the economy following the aggression against Ukraine by Russia, C(2023) 1711 final (OJ C 101, 17.3.2023, p. 3). This Temporary Crisis and Transition Framework replaces the Temporary Crisis Framework adopted on 28 October 2022 (OJ C 426, 9.11.2022, p. 1), which already replaced the Temporary Crisis Framework adopted on 23 March 2022 (OJ C 131I, 24.3.2022, p. 1), as amended on 20 July 2022 (OJ C 280, 21.7.2022, p. 1) (“the Temporary Crisis Framework”). The Temporary Crisis Framework was withdrawn with effect from 9 March 2023.

His Excellency Nikolay Milkov
Minister of Foreign Affairs
Ministry of Foreign Affairs of the Republic of Bulgaria
2, Aleksandar Zhendov Str.
BG - 1113 SOFIA

Article 3 of Regulation 1/1958² and to have this Decision adopted and notified in English.

2. DESCRIPTION OF THE MEASURE

- (3) Bulgaria 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. According to the Bulgarian authorities, the current crisis has 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 fertilisers, highly relevant for the agricultural sector. Those effects taken together have caused a serious disturbance of the economy in all Member States and have had a particularly serious impact on the Bulgarian agriculture. According to the Bulgarian authorities, the current crisis has drastically affected the production in primary agricultural production, which is characterised by high labour intensity and a short period of realisation and storage, such as in the case of fruits and vegetables, rose oil, meat and dairy products. Production costs continued to rise and in 2022 marked a significant increase compared to those reported in 2021. Farmers and livestock breeders are forced to spend more for feeding their animals, which leads to an increase in production costs, and hence to an increase in the cost of the manufactured product. 2022 also saw an increase in the prices of the main production components used in the crop sub-sector, such as mineral fertilisers and plant protection preparations. Along with the increase in the above-mentioned costs, the increase in cost of consumables related to primary production, such as the costs of electricity, water, heating and fuels, continues to be reported. The prices of agricultural products depend on a number of factors, both on the supply side of the market (for example, production volume and production costs) and on the demand side, the most serious factor here being the income of consumers³. Thus, the measure aims at remedying the liquidity shortage faced by agricultural undertakings that are directly or indirectly affected by the current crisis.
- (4) Bulgaria 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.

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

³ According to data from the Bulgarian National Statistical Institute (NSI), the total index of production costs for the prices of inputs and services used in agricultural production for 2022 compared to 2021 is 135.2. In particular, there was a noticeable increase in the prices of: seed and planting material (16.3%), electricity and fuels (28.9%), mineral fertilisers (108.2%), plant protection products (38.9%), veterinary medicinal products (10.8%) and direct feeds (29.1%)

That overall increase in prices by 35.2% has a direct negative impact on the activity of agricultural holdings and their level of stability and liquidity. Farmers continue to face extreme difficulties in carrying out their core business, the continued rise of input prices and the specifics of these sub-sectors in the short term posing a risk of shrinking existing production or even bankruptcies.

- (5) The compatibility assessment of the measure is based on Article 107(3)(b) TFEU, in light of Sections 1 and 2.1 of the Temporary Crisis and Transition Framework.

2.1. The nature and form of aid

- (6) The measure provides aid on the basis of a scheme in the form of direct grants.

2.2. Legal basis

- (7) The legal bases for the measure are Article 11, paragraph 2, point 1, and Article 12, paragraph 1, point 2, of the Law on Assistance to Agricultural Producers⁴ and the draft of the State aid scheme "Aid to support the liquidity of farmers to overcome the negative economic impact of Russian aggression against Ukraine"⁵.

2.3. Administration of the measure

- (8) The State Fund "Agriculture" is responsible for administering the measure.

2.4. Budget and duration of the measure

- (9) The estimated budget is BGN 213 million (aprox. EUR 108 905 170⁶), financed from the State budget.
- (10) Aid may be granted under the measure as from the notification of the Commission's decision approving the measure⁷ until no later than 31 December 2023.

2.5. Beneficiaries

- (11) The final beneficiaries of the measure are micro, small and medium-sized enterprises⁸ active in some sectors of the primary production of agricultural products (large and small ruminants, horses, beehives, fruit and vegetables, nuts, oleaginous rose, rice, cultivated mushrooms and tobacco), that are affected by the current crisis. The estimated number of beneficiaries is more than 50 000.
- (12) Bulgaria 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;

⁴ Член 11, алинея 2, точка 1 и член 12, алинея 1, точка 2 от Закона за подпомагане на земеделските производители.

⁵ Схема за държавна помощ „Помощ в подкрепа на ликвидността на земеделски стопани за преодоляване на негативното икономическо въздействие на руската агресия срещу Украйна“.

⁶ Exchange rate used for the calculation: EUR 1 = BGN 1.9558 (10 March 2023) https://www.ecb.europa.eu/stats/policy_and_exchange_rates/euro_reference_exchange_rates/html/euro_fxref-graph-bgn.en.html

⁷ As provided in point 5 of Section I of the draft of the State aid scheme "Aid to support the liquidity of farmers to overcome the negative economic impact of Russian aggression against Ukraine", which constitutes the national legal basis.

⁸ 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).

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

- (13) Bulgaria 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 regulations⁹. 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

- (14) The measure is open to undertakings active in the primary agricultural sector, specifically the sectors mentioned in recital (11). It applies to the whole territory of Bulgaria. Bulgaria confirms that credit institutions or other financial institutions are excluded from being beneficiaries of the aid.

2.7. Basic elements of the measure

- (15) The measure aims to mitigate the direct social and economic negative consequences on Bulgarian agriculture of the current crisis, to ensure the continuity of economic activities and jobs and to provide sufficient liquidity for the beneficiaries due to the economic situation created by the current crisis. The support will help affected farmers to recover from the effects of the current crisis and avoid the risks of abandonment of production with implications for food security.
- (16) The financial compensation is granted in the form of a lump sum per hectare of land or per livestock unit¹⁰. For the purposes of calculating crop/livestock unit rates, maps with the costs for cultivating the areas under the different crops and the costs of raising the species of animals that will be supported under the measure, will be used as a base. The scheme will rely on data for the costs for 2021, the coefficients for the increase in 2022, according to the official data of National Statistical Institute (indices of the increase of production costs in agriculture). Thus, the increase in production costs per unit will be calculated, for areas growing different crops and for the different animals covered. These estimated cost increases will be then multiplied by the areas (hectares) and livestock units claimed. After receiving aid applications, the final unit rates per crop/animal will be determined by the administering authority. In order to avoid overcompensation, the rates will not exceed the maximum eligible amount of the increase in costs for the specific crops/animals, according to the currently available official data.
- (17) The individual aid amount for each farmer will be determined by multiplying their areas of crops and/or livestock unit, by the final rates allowed for the respective types of crops and/or livestock unit.

⁹ 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).

¹⁰ [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Livestock_unit_\(LSU\)](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Livestock_unit_(LSU))

- (18) The overall nominal value of the direct grants under the measure will not exceed EUR 250 000 per undertaking, at any given point in time; all figures are gross, that is, before any deduction of tax or other charges.
- (19) The Bulgarian authorities confirm that the aid is not fixed on the basis of the price or quantity of products put on the market, as the amount of aid under the measure for each beneficiary will be based on the costs for cultivating the areas under the different crops and the costs of raising the species of animals that will be supported under the measure, as mentioned in recital (16).
- (20) Where an undertaking is active in several sectors to which different maximum aid amounts apply in accordance with points 61(a) and 62(a) of the Temporary Crisis and Transition Framework, Bulgaria 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 2 million is not exceeded per undertaking. Where an undertaking is active in the sectors covered by point 62(a) of the Temporary Crisis and Transition Framework, the overall maximum amount of EUR 300 000 will not be exceeded per undertaking.

2.8. Cumulation

- (21) The Bulgarian authorities confirm that aid granted under the measure may be cumulated with support under *de minimis* Regulations¹¹ or aid under the Block Exemption Regulations¹² provided the provisions and cumulation rules of those Regulations are respected.
- (22) The Bulgarian 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.
- (23) The Bulgarian authorities confirm that aid under the measure may be cumulated with aid under the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak¹³ (“COVID-19 Temporary Framework”) provided the respective cumulation rules are respected.

¹¹ 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) 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).

¹² 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) and Commission Regulation (EU) 2022/2472 of 14 December 2022 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 327, 21.12.2022, p. 1).

¹³ 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

- (24) The Bulgarian 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 and Transition Framework provided the provisions in those specific sections are respected.
- (25) Bulgaria confirms that for aid granted under Section 2.1 of the previous Temporary Crisis Framework and the Temporary Crisis and Transition Framework, the aid ceilings provided in the respective section of the Temporary Crisis and Transition Framework are respected at any point in time.
- (26) The Bulgarian authorities confirm that if a 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 and Transition Framework, the overall maximum cap per undertaking, as set out in points 61(a) or in 62(a) of that framework, will be respected. Aid granted under the measure and other measures approved by the Commission under Section 2.1 of the Temporary Crisis and Transition Framework which has been reimbursed before granting of new aid under that section will not be taken into account in determining whether the relevant ceiling is exceeded.

2.9. Monitoring and reporting

- (27) The Bulgarian authorities confirm that they will respect the monitoring and reporting obligations laid down in Section 3 of the Temporary Crisis and Transition Framework (including the obligation to publish relevant information on each individual aid above EUR 10 000 granted under the measure on the comprehensive national State aid website or Commission’s IT tool within twelve months from the moment of granting¹⁴).

3. ASSESSMENT

3.1. Lawfulness of the measure

- (28) By notifying the measure before putting it into effect, the Bulgarian authorities have respected their obligations under Article 108(3) TFEU (recital (10)).

3.2. Existence of State aid

- (29) 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.
- (30) The measure is imputable to the State, since it is administered by the State Fund “Agriculture” (recital (8)) and it is based on Article 11, paragraph 2, point 1, and

(OJ C 34, 1.2.2021, p. 6), C(2021) 8442 (OJ C 473, 24.11.2021, p. 1) and C(2022) 7902 (OJ C 423, 7.11.2022, p. 9).

¹⁴ Referring to information required in Annex III to Commission Regulation (EU) 2022/2472.

Article 12, paragraph 1, point 2, of the Law on Assistance to Agricultural Producers and on the draft of the State aid scheme "Aid to support the liquidity of farmers to overcome the negative economic impact of Russian aggression against Ukraine" (recital (7)). It is financed through State resources, since it is financed by public funds (recital (9)).

- (31) The measure confers an advantage on its beneficiaries in the form of direct grants (recital (6)). The measure thus confers an advantage on those beneficiaries which they would not have had under normal market conditions.
- (32) The advantage granted by the measure is selective, since it is awarded only to certain undertakings, i.e. undertakings active in some sectors of the primary production of agricultural products (large and small ruminants, horses, beehives, fruit and vegetables, nuts, oleaginous rose, rice, cultivated mushrooms and tobacco), excluding the financial sector (recital (14)).
- (33) 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.
- (34) Therefore, the Commission concludes that the measure constitutes aid within the meaning of Article 107(1) TFEU. The Bulgarian authorities do not contest that conclusion.

3.3. Compatibility

- (35) 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.
- (36) 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”*.
- (37) By adopting the Temporary Crisis and Transition Framework, the Commission acknowledged (in Section 1) that the military aggression against Ukraine by Russia, the sanctions imposed the EU or its international partners and the counter measures taken 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 agricultural sector. Those effects taken together have caused a serious disturbance of the economy in all Member States, including in the economy of Bulgaria. 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.
- (38) The measure aims at providing liquidity to certain undertakings active in the primary production of agricultural products 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 Bulgaria.

- (39) The measure is one of a series of measures conceived at national level by the Bulgarian authorities to remedy a serious disturbance in the Bulgarian economy. The importance of the measure to ensure sufficient liquidity of the beneficiaries that face cost increases of fertilisers, fuel, and other production inputs is widely accepted by economic commentators and the measure is of a scale which can be reasonably anticipated to produce effects across the entire Bulgarian economy. Furthermore, the measure has been designed to meet the requirements of a specific category of aid (“*Limited amounts of aid*”) described in Section 2.1 of the Temporary Crisis and Transition Framework.
- (40) 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 and Transition Framework. In particular:
- the aid takes the form of direct grants (recital (6));
 - the overall nominal value of the grants does not exceed EUR 250 000 per undertaking active in the primary production of agricultural products; all figures used are gross, that is before any deduction of tax or other charges (recital (18)). If the beneficiary receives aid on several occasions under the measure or aid under other measures approved by the Commission under Section 2.1 of the Temporary Crisis and Transition Framework, the overall maximum cap per undertaking, as set out in points 61(a) or 62(a) of that framework, will be respected (recital (24)). The measure therefore complies with point 62(a) of the Temporary Crisis and Transition Framework;
 - aid is granted under the measure on the basis of a scheme (recital (6)) with an estimated budget, as indicated in recital (9). The measure therefore complies with point 61(b) of the Temporary Crisis and Transition Framework;
 - aid will be granted under the measure no later than 31 December 2023, as indicated in recital (10). The measure therefore complies with point 61(c) of the Temporary Crisis and Transition Framework;
 - aid will be granted only to undertakings affected by the current crisis (recitals (3), (11) and (15)). The measure therefore complies with point 61(d) of the Temporary Crisis and Transition Framework;
 - aid granted is not fixed on the basis of the price or quantity of products put on the market (recital (19)). The measure therefore complies with point 62(b) of the Temporary Crisis and Transition Framework;
 - where an undertaking is active in several sectors to which different maximum aid amounts apply in accordance with points 61(a) and 62(a) of the Temporary Crisis and Transition Framework, Bulgaria 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 2 000 000 is not exceeded per undertaking (recital (20)). Where an undertaking is active in the sectors covered by point 62(a) of the Temporary Crisis and Transition Framework, the overall maximum amount of EUR 300 000 will not be exceeded per undertaking (recital (20)). The

measure therefore complies with point 63 of the Temporary Crisis and Transition Framework.

- (41) Bulgaria confirms that, in accordance with point 95 of the Temporary Crisis and Transition Framework, overall aid granted under Section 2.1 of the previous Temporary Crisis Frameworks and the Temporary Crisis and Transition Framework will not exceed the aid ceilings provided in the respective section of the Temporary Crisis and Transition Framework at any point in time (see recital (25)).
- (42) The Bulgarian authorities confirm that, pursuant to point 51 of the Temporary Crisis and Transition 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)).
- (43) The Bulgarian authorities confirm that, pursuant to point 52 of the Temporary Crisis and Transition 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 (recitals (12) and (13)).
- (44) The Bulgarian authorities confirm that the monitoring and reporting rules laid down in Section 3 of the Temporary Crisis and Transition Framework will be respected (recital (27)). The Bulgarian 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 and Transition Framework and the cumulation rules of the relevant Regulations are respected (recitals (21) to (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 Crisis and Transition 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