

# Temporary Frameworks to support the economy in the context of the coronavirus outbreak and Ukraine crisis

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## MAIN LEGAL BASES TO IMPLEMENT AID IN COVID & UKRAINE CONTEXT

### 4 main legal bases possible:

- **General measures that do not constitute state aid** (i.e. deferral of payments of VAT or social contributions for all undertakings in a MS)
  - **Non selective aids**
- **107.2.b - aid to make good damage caused by extraordinary events**  
Without prior analysis
- **Article 107.3 b - aid to remedy a serious disturbance in the economy of a MS**  
With prior analysis of the Commission
- **107.3.c - aid to facilitate the development of certain economic activities**

↑  
Most frequent  
Legal base  
used



## The notion of an undertaking in difficulty

Definition in Article 2.18 of the GBER 17 June 2014 n°651/2014

A firm is in difficulty when one of the following circumstances applies:

- 1) When more than **50%** of its **capital** has disappeared (except SME < 3 years)
- 2) When company is subject to **collective insolvency proceedings** or eligible for such proceedings
- 3) Undertaking that has received rescue aid and has not yet reimbursed the loan or has received restructuring aid and is still subject to a restructuring plan
- 4) **Non SME** undertaking that meets these 2 criteria for 2 years
  - the undertaking's **book debt to equity ratio** is greater than **7,5 and**
  - the undertaking's **EBITDA interest coverage ratio** is below **1,0**.



## Aid to undertakings in difficulty before Covid crisis

Several possibilities:

- Use “**de minimis**” regulations (except SGEI DM Rg):
  - General de minimis regulation 1407/2013 extended until end of 2023 by amending regulation 2020/972
  - Fishery and aquaculture de minimis regulation 717/2014
  - Agriculture de minimis regulation 2019/2014
- Use **GBER** exempted aid scheme for **startups** or **natural disasters**
- **Notify** to EC aid scheme based on the Guidelines on State aid for **rescuing and restructuring** undertakings in difficulty (OJEU 31/07/2014)
  - **Rescuing aid** – emergency aid during the first **6 months** (debt only)
  - **Restructuring aid** – long term aid after restructuring plan up to **10 years** (all forms of aid)

**All these possibilities still apply during Covid 19 crisis... and after**



## 2020 Temporary framework for state aid in the Covid context (1)

- Covid crisis context in early 2020
- 6 communications adopted by the commission in 20 months
- **Temporary Framework Com.** 19 March 2020 (OJEU 20 March 2020)
- **1° Amendment** of the temporary framework Com. 3 April 2020
- **2° Amendment** of the temporary framework Com. 13 May 2020
- **3° Amendment** of the temporary framework Com. of 29 June 2020
- **4° Amendment** of the temporary framework com. of 13 october 2020
- **5° Amendment** of the temporary framework com. of 28 january 2021
- **6° Amendment** of the temporary framework com of 24 november 2021
- **7° Amendment** of the temporary framework com of 7 november 2022
- Globally the same construction as the 2008 framework
- No exemption - obligation to notify aid schemes to EC
- **14 categories** of aid that States may use by notification procédure
- More than **1300** EC decisions on Covid state aid since 12 March
- Ex: about 50 decisions adopting aid schemes in France



## 2020 Temporary framework for state aid in the Covid context (2)

- The possibilities offered by the modified framework Introduced by the **First, Second Third Fourth fifth and Sixth** Communications - no new aid in the fourth communication (amendments)
  - Limited Amount of aid (**Measure 3.1**)
  - Public guarantees on loans (**Measure 3.2**)
  - Subsidised interest rates for loans (**Measure 3.3**)
  - Loans and guarantees channelled through financial institutions (**Measure 3.4**)
  - Short-term export credit insurance (**Measure 3.5**)
  - Aid for R&D projects linked to Covid-19 (**Measure 3.6**)
  - Investment aid for testing and upscaling infrastructure (**Measure 3.7**)
  - Investment Aid for production of Covid 19-relevant products (**Measure 3.8**)
  - Aid in form of deferral of taxes and contributions (**Measure 3.9**)
  - Aid in form of wage subsidies for employees to avoid lay-offs (**Measure 3.10**)
  - Recapitalisation measures (**Measure 3.11**)
  - Aid in the form of support for uncovered fixed costs (**Measure 3.12**)
  - Investment support towards a sustainable recovery (**Measure 3.13**)
  - Solvency support (**Measure 3.14**)
- Until June 30 2022
- Until december 31 2023
- Until december 31 2023



## 2020 Temporary framework for state aid in the Covid context (3)

### Measures that can be cofinanced in ESI Funds programs today :

- Until December 31 2023
- Investment support towards a sustainable recovery (**Measure 3.13**)
- Solvency support (**Measure 3.14**) -> incentive for private investments into equity, quasi equity, subordinated debt...



## Investment support towards a sustainable recovery (3.13)

- Non repayable Grants, tax grants, interest rates loans or guarantees...

### Beneficiaries:

- All enterprises
- Undertakings in difficulty **except** Medium and Large undertakings already in difficulty on 31/12/2019 also eligible

### Eligible costs:

- Investment costs; only the costs of investments in tangible and intangible assets
- Investments shall not do significant harm to environmental objectives (taxonomy)

### Intensity :

- **15%** large **25%** Medium **35%** small enterprises
- In assisted areas : aid intensity may be increased by the aid intensity in the regional aid map

### Amount of aid:

- 10 M€ outside assisted areas
- Regional aid maximum amount + 10 M€ in assisted areas

**Until 31/12/2023**



## The UKRAINE & Crisis temporary Framework

- Adopted by the Commission **23 march 2022**
- **1<sup>st</sup> amendment 21 July 2022**
- **2nd amendment 28 oct 2022**
  - **7** state aid measures
  - in the context of the Ukrainian crisis
  - All forms of aid possible
- **3rd Amendment 17 mars 2023** transformed into a **Temporary Crisis and Transition Framework** for State Aid measures to support the economy following the aggression against Ukraine by Russia
- **4<sup>th</sup> Amendment 21 November 2023** – several changes and



## The Crisis and transition temporary Framework

- Limited amount of aid **2 M€** per undertaking (**measure 2.1**)
- Liquidity support in the form of guarantees (**measure 2.2**)
- Liquidity support in the form of subsidised loans (**measure 2.3**)
- Aid for additional costs due to exceptionally severe increases in natural gas and electricity prices (**Measure 2.4**)
- Aid for accelerating the rollout of renewable energy storage - REPOWER EU (**measure 2.5**)
- Aid for decarbonisation of industrial production (**measure 2.6**)
- Aid for additional reduction of electricity consumption (**measure 2.7**)
- Aid for accelerated investments in sectors strategic for the transition towards a net-zero economy (**measure 2.8**)



## Limited amount of aid (2.1)

### Beneficiaries:

- aid granted to undertakings affected by the crisis
- Aid granted by **31.06.2024**

### Amount of aid:

- Total aid up to **2,25 M€** (general case)
- Total aid up to **280 k€** (agricultural production)
- Total aid up to **335 k€** (fisheries and aquaculture)

Limited Amount of Aid  
is not De Minimis Aid  
Previous De minimis Aid shall  
not be included in 2 M€  
(except on same eligible costs)

No eligible costs – no incentive effect – no rates – no sectors excluded

### Forms of aid:

- Direct grants, tax and payment advantages or other forms such as repayable advances, guarantees, loans and equity repayable advances, loans, guarantees : No GGE calculation.
- The total of the loan, guarantee, or equity intervention must be  $\leq$  the ceiling amount.



## Guarantees on loans (2.2)

- Guarantees for investment credits or working capital loans

### Beneficiaries:

- All enterprises affected by the current crisis
- No cumulation with Covid 19 guarantees or loans or 2.3 Ukraine loans measure

### Guaranteed amount:

- **90%** of the loans if identical State/Bank loss sharing
- **35%** of the loans if losses are charged to the State in priority

### Duration of the guarantee:

- Guarantees granted until **31/12/2023** - Duration: max **6 years** (duration can be modulated)

### Amount of guarantees:

- Capped at **15%** of average turnover over the last 3 years, Or
- **50 %** of energy costs over the **12 months** Or
- highest amounts possible with appropriate justification to cover liquidity needs for the coming **12 months** for SMEs and **6 months** for Large Enterprises

### Guarantee premiums:

- Undertakings must pay the following  
Time-progressive premiums

GUARANTEES PREMIUMS			
UNDERTAKINGS SIZE	YEAR 1	YEARS 2 - 3	YEARS 4 - 6
SME	0,25%	0,50%	1,00%
LARGE ENTERPRISE	0,50%	1,00%	2,00%



## Public loans (2.3)

- Loans for investment credits or working capital needs

### Beneficiaries:

- Undertakings in difficulty **except** Medium and Large undertakings already in difficulty on 31/12/2019 - Healthy companies also eligible

### Duration of the loan:

- Loans granted until **30/12/2023** - Duration: max **6 years** (duration can be modulated)

### Amount of loans:

- Capped at double annual wage bill - or capped at **25%** of 2019 turnover
- Or capped at 18 months liquidity needs (SME) or 12 months liquidity needs (LE)

### Interest rates:

- 1<sup>st</sup> Oct 2022 Base rates + margin
- Base rate = **1,03** for MS in Euro zone
- Plus following credit risk margins

CREDIT RISK MARGIN			
UNDERTAKING SIZE	YEAR 1	YEARS 2 - 3	YEARS 4 - 6
SME	0,25%	0,50%	1,00%
LARGE ENTERPRISE	0,50%	1,00%	2,00%

## Cumulation rules

- Temporary aid measures may be cumulated with one another.**
- Temporary aid measures may be **cumulated with aid under de minimis** regulations provided the provisions and cumulation rules of this regulation are respected:
  - If aids are on **different eligible costs** -> no rule to apply
  - If aids are on **same eligible costs** -> TF aid intensities must be respected
- Temporary aid measures may be **cumulated with aid under GBER** provided the provisions and cumulation rules of this regulation are respected:
  - If aids are on **different eligible costs** -> no cumulation rule to apply
  - If aids are on **same eligible costs** -> GBER aid intensities must be respected



## Crisis and transition temporary Framework

### Reporting and monitoring:

- Information on individual aids above:
  - **100 k€** (general sectors)
  - or **10 k€** (agriculture and fisheries sectors)
- Shall be published on Transparency Award Module (TAM) within 12 months after from the moment of granting
- <https://webgate.ec.europa.eu/competition/transparency/public?lang=en>
- MS must submit annual reports to the Commission for each aid scheme approved
- MS must maintain for **10 years** detailed records regarding aid provided



## Thank You!

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