EUROPEAN COMMISSION

Brussels, 24.6.2020
C(2020) 4334 final

SENSITIVE[*]: *COMP Operations*

Subject: State Aid SA.57252(2020/N) – Italy – Regione Friuli Venezia Giulia - Modifications to COVID-19 Regime Quadro

Excellency,

1. PROCEDURE

(1) After prenotification contacts, Italy notified a modification measure for the implementation of the aid scheme SA.57021 (2020/N), "Regime Quadro COVID-19", which the Commission had approved on 21 May 2020 under the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak, as amended ("the Temporary Framework").[1]

(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.

[*] Handling instructions for SENSITIVE information are given at https://europa.eu/!db43PX

[1] Communication from the Commission - Temporary framework for State aid measures to support the economy in the current COVID-19 outbreak, 19 March 2020, OJ C 91I, 20.3.2020, p. 1-9, as amended by Communication from the Commission C(2020) 2215 final of 3 April 2020 on the Amendment of the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak, OJ C 112I , 4.4.2020, p. 1–9 and by Communication from the Commission C(2020) 3156 final of 8 May 2020 on the Amendment of the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak, OJ C 164, 13.5.2020, p. 3–15. The numbering of paragraphs and footnotes of the Temporary Framework referred to in this decision follows the informal consolidated version published on the DG Competition website: https://ec.europa.eu/competition/state_aid/what_is_new/TF_consolidated_version_as_amended_3_april_and_8_may_2020_en.pdf.

[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) By this notification, the Italian authorities wish to modify the implementation of the approved aid scheme SA.57021 (2020/N) "Regime Quadro COVID-19" ("the Regime Quadro), approved by Decision C(2020) 3482 final of 21 May 2020 ("the Regime Quadro Decision"), for the Region Friuli Venezia Giulia in certain aspects related to sections 3.2 and 3.3 of the Temporary Framework in order to adapt them to the regional context ("the modification measure")[3].

(4) All the other conditions of the existing aid scheme remain unchanged and as described in the Regime Quadro Decision.

2.1. The nature and form of aid

(5) The modification measure aims at introducing some modification to the Regime Quadro in order to adapt the granting of guarantees on loans and subsidised interest rates to the regional context.

2.2. Legal basis

(6) The legal basis for the measure is the draft – Regional Government Resolution adopting the Region Friuli Venezia Giulia "Modifications to COVID-19 Regime Quadro". The resolution will be formally finalised as soon as this decision will be adopted.

2.3. Administration of the measure

(7) The Regional Administration, local authorities and Chambers of Commerce, Industry and Crafts, of the territory of Friuli Venezia Giulia Region are responsible for administering the measure.

2.4. Budget and duration of the measure

(8) The modification which the Italian authorities wish to implement compared to the approved aid scheme Regime Quadro does not imply any change in the budget.

(9) Aid may be granted under the measure as from its approval until no later than 31 December 2020.

(10) The regional implementation of the Regime Quadro Decision may be co-financed by the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and/or the European Maritime and Fisheries Fund, as amended by the Coronavirus Response Investment regulations, or even the European Union Solidarity Fund, when implemented at various administrative levels. The Italian authorities confirm that the rules applicable under these funds will be respected.

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[3] Footnotes 10 and 12 of the Regime Quadro Decision recalls that in order to access any of the options provided by point 25(b), 25(d)(iii), 25(e), 27(b), 27(d)(iii) or 27(e) of the Temporary Framework, the granting authority shall notify such aid to the Commission.

2.5. Beneficiaries

(11) The final beneficiaries of the measure, the number of which is estimated at 3000, are undertakings of all sizes (i.e. large enterprises and SMEs) which have an operating unit on the territory of the Friuli Venezia Giulia region.

(12) Aid may not be granted to undertakings that were already in difficulty within the meaning of the General Block Exemption Regulation (“GBER”)[4] on 31 December 2019.

2.6. Sectoral and regional scope of the measure

(13) The modification measure is open to undertakings from all sectors. However, credit institutions and other financial institutions such as financial intermediaries are excluded as eligible final beneficiaries. The sectors of primary production of agricultural products, processing of agricultural products into agricultural products and non-agricultural products, marketing of agricultural products, forestry, fishery and aquaculture are also excluded.[5] The modification measure applies and is limited to the territory of the Friuli Venezia Giulia region.

2.7. Basic elements of the modification measure

- ***Modifications with respect to guarantees on loans (article 4 of the draft Regional Government Resolution)***

(14) The modification measure states that aid may be granted in the form of guarantees on loans following the conditions set out in recital (19) of the Regime Quadro Decision.

(15) However, the modification measure provides for an option which is not envisaged under the Regime Quadro, allowing the beneficiaries as decribed in recital (16) to establish the maximum amount of the loan principal according to point 25(d) (iii) of the Temporary Framework through self-certification of their liquidity needs for both investment and working capital loans, for the coming 18 months.

(16) The Italian authorities introduce the possibility of self-certification of the liquidity needs according to point 25(d)(iii) of the Temporary Framework only to SMEs[6] that are not required to prepare and publish financial statements (essentially individual companies and partnerships) and micro companies (including also corporations). They note that these entities usually apply simplified accounting. This implies that the turnover figures are not always accurate. Moreover, individual or family-run businesses as well as micro

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4 As defined in Article 2(18) of 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.

5 The sectors of primary production of agricultural products, processing of agricultural products into agricultural products and non-agricultural products, marketing of agricultural products, forestry, fishery and aquaculture are covered by Decision C(2020)2624 final of 21.04.2020 on case SA 57005.

6 As defined in Annex I of the Commission Regulation (EU) No 651/2014 of 17 June 2014 .

companies often do not have significant wage bills. As a consequence the liquidity needs may not be reflected by these indicators and self-certification may be the only appropriate and reliable means to determine the liquidity needs of these businesses. The submissions by the beneficiaries regarding the amount of the liquidity needs will be verified during the application procedure.

- ***Modifications with respect to subsidised interest rates for loans (article 5 of the draft Regional Government Resolution)***

(17) The modification measure states that aid may be granted in the form of subsidised interest rates for loans following the conditions set out in recital (20) of the Regime Quadro Decision.

(18) However, unlike the Regime Quadro Decision, the modification measure allows for the following modulation to the loan maturity and the level of the credit risk margins in line with point 27(b) and (c) of the Temporary Framework:

a) the loan contracts may be granted for a maximum of eight years;

b) the loans may be granted at reduced interest rates which are at least equal to the base rate (1-year IBOR or equivalent as published by the Commission[7]) applicable on 1 January 2020 plus a flat credit risk margin to be used for the entire duration of the loan, as set-out in the table below:

	Duration of the loans in years		
Type of recipient	*Flat credit risk margin for loans <3years*	*Flat credit risk margin for loans ≥ 3 < 6 years*	*Flat credit risk margin for loans ≥ 6 ≤ 8 years*
SMEs	*50bps*	*100bps*	*250bps*
Large enterprises	*100bps*	*190bps*	*350bps*

(19) In addition, the modification measure provides for an option which is not envisaged under the Regime Quadro, allowing the beneficiaries, as described in recital (16), to establish the maximum amount of the loan principal through self-certification of their liquidity needs for the coming 18 months as laid down in point 27(d)(iii) of the Temporary Framework. The justification provided is the same as illustrated in recital (16) above.

[7] Base rates calculated in accordance with the Communication from the Commission on the revision of the method for setting the reference and discount rates (OJ C 14, 19.01.2008, p.6.) and published on the website of DG Competition at https://ec.europa.eu/competition/state_aid/legislation/reference_rates.html.

3. ASSESSMENT

3.1. Lawfulness of the measure

(20) By notifying the modification measure before putting it into effect, the Italian authorities have respected their obligations under Article 108(3) TFEU.

3.2. Existence of State aid

(21) 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.

(22) The existence of aid within the meaning of Article 107(1) TFEU was established in the Regime Quadro Decision. The notified modifications do not alter this finding. The Commission therefore refers to the assessment contained in recitals (31) to (36) of the the Regime Quadro Decision.

3.3. Compatibility

(23) Since the modification measure concerns aid within the meaning of Article 107(1) TFEU, it is necessary to consider whether that modification of the measure is compatible with the internal market.

(24) 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*".

(25) By adopting the Temporary Framework on 19 March 2020, the Commission acknowledged (in Section 2) that "*the COVID-19 outbreak affects all Member States and that the containment measures taken by Member States impact undertakings*". 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, to remedy the liquidity shortage faced by undertakings and ensure that the disruptions caused by the COVID-19 outbreak do not undermine their viability, especially of SMEs*".

(26) In its Regime Quadro Decision, the Commission concluded that the scheme Regime Quadro was compliant with the compatibility conditions set out by the Temporary Framework. The compatibility analysis as set out in recitals (37) to (57) of the Regime Quadro Decision includes the analysis of guarantees on loans, subsidised interest rates for loans and specific rules for aid channelled through financial intermediaries, respectively under Sections 3.2. and 3.3 of the Temporary Framework, as set out in recitals (45) to (47) of that decision.

(27) The regional modulations introduce alterations to the Regime Quadro as described in recitals (14) to (19). These modifications are in line with the conditions of the Temporary Framework.

(28) First, the modification measure meets the conditions provided for by the Temporary Framework for the calculation of the maximum amount of the loan underlying guarantees under Section 3.2, point 25(d) and of the subsidised loans under Section 3.3, point 27(d) of the Temporary Framework. Indeed, the calculation of the maximum amount of the loan may be based on points 25 (d)(iii) and 27(d)(iii) as it is appropriately justified by the reference to the characteristics of certain types of undertakings, which need to recur to self certification as they do not have significant wage bills or their turnover figures are not accurate (recital (16)). The measure therefore complies both with points 25(d)(iii) and 27(d)(iii) of the Temporary Framework.

(29) Second, the modification measure notified by Italy meets the conditions provided for the modulation of loans by Section 3.3, point 27(b) and (c) of the Temporary Framework for subsidised interest rates for loans:

- the applicable interest rates for loans granted under the measure are equal to the base rate (1-year IBOR or equivalent as published by the Commission) applicable on 1 January 2020 plus an annual flat credit risk margin for the entire duration of the loan, as described in recital (18)b). The annual flat credit risk margin under the scheme is higher than the minimum credit risk margin provided for in paragraph 27(a) of the Temporary Framework, for longer durations even considerably higher. Therefore, the modulation complies with paragraph 27(b) of the Temporary Framework;

- as regards the duration of the loan, paragraph 27(c) of the Temporary Framework only allows for loans with a duration of six years, unless the loan maturity and the level of credit risk margins are modulated according to the conditions set out in paragraph 27(b) of the Temporary Framework. Therefore, the loan maturity beyond a six-year period is allowed, provided that the longer duration is off-set by higher credit risk margins. The maximum duration of loans allowed under the scheme is eight years, (recital (18)a)). The scheme foresees a flat credit risk margin, as indicated in the table in recital (18)b), considerably higher than the credit risk margins allowed under paragraph 27(a) of the Temporary Framework. For example, for a 7-year loan to an SME, the credit risk margin will be of 250bps for the whole duration of the loan as opposed to 25bps for the first year, 50 bps for the second and third year and 100bps for the fourth to sixth year as indicated in the table in paragraph 27(a) of the Temporary Framework. The scheme therefore complies with paragraph 27(c) of the Temporary Framework.

(30) Apart from the modifications referred to above, there are no other alterations to the approved aid scheme Regime Quadro. As the modifications are in line with the Temporarary Framwork, they do not affect the compatibility analysis of the approved aid scheme as set out in the Regime Quadro Decision.

(31) The Commission therefore considers that the modification measure does not alter the assessment 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 Framework.

4. CONCLUSION

The Commission has accordingly decided not to raise objections to the modification of 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,

Jordi AYET PUIGARNAU
Director of the Registry
EUROPEAN COMMISSION