EUROPEAN COMMISSION

Brussels, 12.5.2021
C(2021) 3523 final

SENSITIVE[*]: *COMP Operations*

Subject: **State Aid SA.62341(2021/N) – Greece**
COVID-19: Subsidies for SMEs ("Gefyra II")

Excellency,

1. PROCEDURE

(1) By electronic notification of 22 April 2021, Greece notified aid in the form of limited amounts of aid (the "measure") under the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak (the "Temporary Framework").[1]

(2) Greece 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.

2. DESCRIPTION OF THE MEASURE

(3) Greece considers that the COVID-19 outbreak affects the real economy. The measure forms part of an overall package of measures and aims to ensure that sufficient liquidity remains available in the market, to counter the liquidity shortage faced by undertakings because of the outbreak to ensure that the

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[1] Communication from the Commission - Temporary framework for State aid measures to support the economy in the current COVID-19 outbreak (OJ C 91I, 20.3.2020, p. 1), as amended by Commission Communications C(2020) 2215 (OJ C 112I, 4.4.2020, p. 1), C(2020) 3156 (OJ C 164, 13.5.2020, p. 3), C(2020) 4509 (OJ C 218, 2.7.2020, p. 3), C(2020) 7127 (OJ C 340I, 13.10.2020, p. 1) and C(2021) 564 (OJ C 34, 1.2.2021, p. 6).

[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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disruptions caused by the outbreak do not undermine the viability of the undertakings and thereby to preserve the continuity of economic activity during and after the outbreak.

(4) In order to halt the spread of COVID outbreak, the Greek government has imposed strict restrictions in social and business activity. The compulsory closure of enterprises with the subsequent significant effect on both demand and supply had already had a severe impact on economic activity since the beginning of the pandemic outbreak. As restrictions remain in effect since then, or have been reintroduced, the impact on the economic activity has continued to increase.

(5) The objective of the measure, which corresponds to a scheme is to provide liquidity to COVID-19 stricken debtors for the servicing of their debts, ensuring their access to finance aiming at safeguarding them against the risk of default and allowing them to preserve their economic activity and therefore, to recover following the pandemic outbreak. In addition, by putting the measure into effect, Greece aims at mitigating the adverse effects following the end of the debt moratoria that were granted to borrowers in the context of the pandemic outbreak.

(6) Greece 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.

(7) The compatibility assessment of the measure is based on Article 107(3)(b) TFEU, in light of sections 2 and 3.1 of the Temporary Framework. With regard though to the latter, according to Greece as the aid is not in the form of guarantees or loans, section 3.4 of the Temporary Framework would not be applicable.

2.1. The nature and form of aid

(8) The measure provides aid in the form of limited amounts of aid. In particular, the Greek authorities provide grants to cover parts of the instalments of financial debt, which are conditional upon the beneficiaries' compliance with certain conditions.

2.2. Legal basis

(9) The legal bases for the measure are the following:

- Law 4790/2021 "State subsidy for the repayment of business loans for COVID-19 affected borrowers" (Articles 64-77) (GG' A' 48);
- Law 4314/2014 (GG' A' 265), on the management, control and implementation of development interventions for the Programme period 2014-2020;

as well as a series of acts and decisions within the framework of pandemic response, including:

- Legislative Act March 20th 2020 (GG' A' 68), on emergency measures to address the consequences of the spread of coronavirus, to support society and entrepreneurship and to ensure the smooth functioning of the market and public administration;

- Legislative Act March 11th 2020 (GG' A' 55), on emergency measures to address the consequences of coronavirus and the need to prevent its widespread;

- Legislative Act March 14th (GG' A' 64), on emergency measures to address the consequences of the spread of coronavirus;

- Joint Ministerial Decision 19024/17-3-2020 (GG' B' 915), imposing a temporary ban on the operation of private undertakings and other public gathering places, within the entire territory, for the period from 18.3.2020 to 31.3.2020, with the aim to limit the dispersion of the coronavirus COVID-19;

- Joint Ministerial Decision 22824/04-04-2020 (GG' B' 1168) extending previous joint ministerial Decision;

- Joint Ministerial Decision 24406/10-04-2020 (GG' B' 1299), imposing a temporary ban on the operation of private undertakings and other public gathering places, within the entire territory, for the period from 12.4.2020 to 27.4.2020, with the aim to limit the dispersion of the coronavirus COVID-19;

- Joint Ministerial Decision 3060/16-01-2021 (GG' B' 89), on emergency measures to protect public health against the spread of coronavirus within the entire territory from Monday 18 January 2021 until Monday 25 January 2021;

- Joint Ministerial Decision 4992/23-01-2020 (GG' B' 186), on emergency measures to protect public health against the spread of coronavirus within the entire territory from Monday 25 January 2021 until Monday 1 February 2021.

(10) Greece states in the notification that no aid will be granted before the Commission has given its approval to the measure.

2.3. Administration of the measure

(11) The Special Secretariat for Private Debt Management of the Ministry of Finance is the granting authority, responsible for administering the measure. The managing authority of the Operational Programme Entrepreneurship, Competitiveness and Innovation ('EPANEK'), acting under the supervision of the Ministry of Development, is in charge for budgetary issues, since the measure is co-financed by the European Regional Development Fund ("ERDF").

2.4. Budget and duration of the measure

(12) The estimated budget of the measure is up to EUR 793 million, of which EUR 615 million are estimated to be granted to performing loans and EUR 178 million to non-performing loans ("NPLs"). The perimeter of eligible loans is estimated to be EUR 24.6 billion, of which EUR 10.4 billion represent performing loans and EUR 14.2 billion NPLs.

(13) The measure will be co-financed by the ERDF. Aid may be granted under the measure as from the notification of the Commission's approval until no later than 31 December 2021.

(14) The Greek authorities commit to ensure compliance with the rules governing the ERDF when administering the measure.

2.5. Beneficiaries

(15) The final beneficiaries of the measure are undertakings active in Greece. However, financial institutions are excluded as eligible final beneficiaries. In addition, eligible beneficiaries must:

(a) Carry out an active business activity at the time of the application;

(b) Be micro-, small- or medium-sized enterprises (SMEs);[3] and

(c) Be considered as "COVID-19 stricken" undertakings.

(16) With regard to the condition set out in recital (15)(c), "COVID-19 stricken" undertakings eligible to benefit from the scheme, include the following categories, subject to having experienced a revenue reduction of 20% or more in 2020 when compared with the corresponding revenue for the year 2019:

(a) Undertakings that have been characterised as COVID-19 stricken based on their business activity code ("KAD") in accordance with the relevant Ministerial Decisions; or

(b) Partners in partnerships or owners of limited liability companies, the operation of which has been suspended or have been characterised as COVID-19 stricken based on their KAD provided that the required revenue reduction of at least 20% affects both their own revenue and the company revenue.[4] or

(c) Legal persons active in the commercial exploitation of real estate assets that have received reduced rent in accordance with relevant Ministerial decisions; or

(d) Beneficiaries or recipients of the aid in the form of the Repayable Advance Scheme in accordance with the Ministerial decisions[5]; or

(e) Undertakings that have included their employees in the "Cooperation" Program of the Hellenic Republic provided under Joint Ministerial decision no. 23103/478/2020 (GG' B' 2274, Official Gazette, B '2274).

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[3] 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.

[4] This occurs when a natural person owning a company holds a business loan collateralised with their personal assets but which is utilised for the company.

[5] The scheme, designed under the Temporary Framework aims at providing support to COVID-19 affected companies. The scheme was initially approved by Commission decision of 7 April 2020 in SA.56815 (2020/N), and subsequently amended, see Commission decision of 31 July 2020 in SA.58047 (2020/N).

(17) Beneficiaries of the temporary primary residence protection scheme (SA.58555(2020/N) and Law 4714/2020 are not eligible under the measure for the same loan.

(18) The beneficiaries should further fulfil additional debt-related and means-tested eligibility criteria (recital (31)).

(19) Aid will not be granted under the measure to medium[6] enterprises that were already in difficulty within the meaning of the General Block Exemption Regulation ("GBER")[7], the Agricultural Block Exemption Regulation (ABER)[8] or the Fisheries Block Exemption Regulation (FIBER)[9], on 31 December 2019, or if they were in difficulty on 31 December 2019, they must no longer be in difficulty at the time of the granting of the aid. Aid may be granted to micro and small enterprises that were in difficulty within the meaning of the GBER, ABER or FIBER on 31 December 2019, provided that those enterprises, at the moment of granting the aid, are not subject to collective insolvency procedure under national law and they have not received rescue aid[10] or restructuring aid[11].

(20) The beneficiary must have submitted all tax declarations, must not be bankrupt, nor filed for bankruptcy, must not have been placed in compulsory administration, nor applied for a compulsory administration and generally must not have been subject to any insolvency proceedings under national law, except in the case where a rehabilitation agreement (which qualifies as a pre-insolvency procedure under the national insolvency framework) has been validated and is not subject to legal remedies.

(21) Aid granted under the measure is in the form of partial contributions to the beneficiaries' monthly loan instalments towards credit institutions or other financial institutions. The aid under the measure is granted by the granting authority to the beneficiary into an escrow account created for the dedicated

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6 As defined in Annex I to Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty, OJ L 187, 26.6.2014, p. 1.

7 As defined in 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, 26.6.2014, p. 1.

8 As defined in Article 2(14) of the 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, OJ L 193 of 1.7.2014, p. 1.

9 As defined in Article 3 (5) of the 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 compatible with the internal market in application of Articles 107 and 108 of the Treaty, OJ L 369 of 24 December 2014, p. 37.

10 Alternatively, if they have received rescue aid, they have reimbursed the loan or terminated the guarantee at the moment of granting of the aid under the notified measure.

11 Alternatively, if they have received restructuring aid, they are no longer subject to a restructuring plan at the moment of granting of the aid under the notified measure.

purpose of the measure once the authority has verified that the conditions of the scheme are fulfilled

2.6. Sectoral and regional scope of the measure

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

2.7. Basic elements of the measure

(23) The measure provides for aid in the form of direct grants. Aid under the measure is intended to subsidise loan payment with regard to loans of COVID-19 stricken undertakings in order to enable them to pay their debts. To this purpose, the State support will cover a percentage of the monthly loan instalments of the eligible beneficiaries' debts, for a period of eight months (the "Subsidisation period").

(24) Eligible to the measure are all bank loans relating to the beneficiary's business activity, provided those debts existed on 31 December 2020. . The loans must be held by financial institutions operating in Greece, which fall under the supervision of the Bank of Greece or of the European Central Bank's Single Supervisory Mechanism, including credit institutions that are under special liquidation, specialised NPL management companies, and entities authorised to manage securitised claims, (together the "financial institutions" or "creditors").

(25) Aid under the measure will not be granted later than 31 December 2021.

(26) The aggregate amount of State aid granted under the measure, will not exceed EUR 400 000 (before taxes or other charges) per loan and in any case EUR 1 800 000 per beneficiary, as required under section 3.1 of the Temporary Framework.

(27) Where the beneficiaries are undertakings active in the processing and marketing of agricultural products, the aid is conditional on not being partly or entirely passed on to primary producers[12] 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) With respect to business debts held by eligible beneficiaries, which are active in the sectors of primary production of agricultural products and production of fishery and aquaculture, the total amount of State aid (before taxes and other charges) will not exceed respectively:

(a) EUR 225 000 for undertakings active in the primary agricultural production sector;

(b) EUR 270 000 for undertakings active in the fishery and aquaculture sector.

[12] To this effect, the Greek (draft) law requires beneficiaries to submit a relevant solemn declaration (Article (68)(5)(e) of the draft law).

(29) When an undertaking is active in more than one sector, in which different thresholds apply, then separate accounting should take place, so that it is ensured that there is no violation of the applicable thresholds per activity, that there is no violation of the threshold in the single undertaking, and that in any case, the threshold of EUR 1.8 million is not violated. Where an undertaking is active in the fishery and aquaculture sector and the primary production of agricultural products, the overall maximum amount of EUR 270 000 will not be exceeded per undertaking.

(30) For agricultural, fisheries and aquaculture sector:

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

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

(31) The eligibility of the beneficiary is based on a number of (loan and means) criteria, set forth by the law regulating the measure.[14] The percentage of the monthly instalment to be covered by the measure is defined on the basis of the loan classification and is gradually reduced throughout the Subsidisation period.[15]

(32) The measure provides for a cap on the maximum amount of monthly subsidy per beneficiary which depends on the size of the undertaking as well as the risk category of the loan, as on 31 December 2020, defined as follows:

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13 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 90 of 28.6.2014, p. 45.

14 Such criteria differ depending on the loan category and the type of beneficiary.

15 More precisely, for the 1st quarter - after the amount of the instalment has been communicated by the financial institution - the State will subsidise 90% of the monthly loan instalment for performing loans, 80% for NPLs that are not denounced, 50% for denounced loans; for the 2nd quarter - after the amount of the instalment has been communicated by the financial institution - the State will subsidise 80% of the monthly loan instalment for performing loans, 70% for NPLs that are not denounced, 40% for denounced loans; for the last two months - after the amount of the instalment has been communicated - the State will subsidise 70% of the monthly loan instalment for performing loans, 60% for NPLs that are not denounced, 30% for denounced loans.

Table 1: Subsidy caps per type of beneficiary and loan

Maximum amount of monthly subsidy (in €)	Performing loans	NPLs (non denounced)	Denounced NPLs[16]
Self-employed without employees	600	500	300
Micro companies with 1-10 employees	5 000	4 000	2 500
Small companies with 11-50 employees	15 000	12 500	7 500
Medium companies with 51-250 employees	50 000	40 000	25 000

(33) With regard to self-employed beneficiaries, in case the eligible debt has been subject to the provisions of Law 3869/2010 (on debt settlement of over-indebted natural persons; the so-called "Katseli Law"), the beneficiary is required to waive the right to request a State contribution under the aforementioned law, in case their application under the measure at hand is approved.

(34) Eligible beneficiaries must not be subject to an order for recovery of previous unlawful State aid based on a decision of the European Commission or the Court of Justice of the European Union pending against the beneficiary.

(35) Greece will require the debtor to commit to continue paying the loan for a minimum period following the Subsidisation period. This 'monitoring period' will be six months for performing loans, twelve months for NPLs, and 18 months for denounced loans. If the beneficiary fails to meet its payment obligations during either the Subsidisation period or the monitoring period afterwards, Greece will recover (by all legal means) from the defaulted debtor any amounts of the aid paid by the State, with interest.

(36) For all applications concerning NPLs, all eligible debt must be restructured following a mutually accepted and viable agreement between the debtor and the financial institution before the subsidy can be paid. The restructuring agreement must not result in less favourable terms for the debtor than the initial loan agreement and must provide the necessary measures in order to ensure the long-term viability of the restructuring agreement. The relevant measures include a reduction of the interest rate, deletion of the fees on unpaid interest, partial reduction in the capital payments, or a prolongation of the payment period. In any event, the agreement must provide for at least a 10% reduction of the credit risk component of the interest rate for the duration of the Subsidisation period in comparison to the margin that was stipulated in the initial loan agreement, which must be borne by the bank. In addition, the monthly instalments received by the bank during the Subsidisation period, including the subsidy amount, must be

[16] The Bank of Greece by its act 42/30.5/2014 introduced a sub-category of NPLs, called denounced loans, in view of the need of their special monitoring and analysis of the process of their management. Denounced loans are loans whose contract has been terminated by the lender and the denouncement has been properly announced to the debtor.

equivalent to the monthly instalments received by the bank at least during the monitoring period. For performing loans, the banks have to apply the same main terms of the loan agreement (such as the loan principal, the interest rate and the maturity) before the subsidy was granted without the possibility to change them.

(37) With regard to the eligibility of denounced loans, these loans must not have been denounced before 31 December 2018 and the outstanding amount on the denounced loans must not exceed 50% of the outstanding amount of all loans of the beneficiary.

(38) Greece has clarified that the mere fact that an undertaking is not in a position to service a debt for a period exceeding 90 days or even that the loan is denounced does not necessarily imply that an undertaking would qualify as an “undertaking in difficulty” (recital (19)). In particular, notwithstanding the other GBER criteria, the criterion of being placed under national insolvency procedure is not always fulfilled for NPLs. This is particularly explained by the Greek Insolvency Code, which sets as a criterion the “cessation of payments”, the latter requiring a certain threshold of the outstanding debt, in order for the debtor to be considered placed in insolvency.

2.8. Cumulation

(39) The aid ceilings and cumulation maxima fixed under the measure will apply regardless of whether the support for the aided project is financed entirely from State resources or partly financed by the ERDF.

(40) The Greek authorities confirm that aid granted under the measure may be cumulated with aid under the *de minimis* Regulations[17] or the applicable Block Exemption Regulations[18] provided the provisions and cumulation rules of those Regulations are respected.

(41) The Greek authorities confirm that aid under the notified 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.

(42) The Greek 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 Framework provided the provisions in those specific sections are respected.

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[17] 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).

[18] GBER, ABER and FIBER.

(43) The Greek 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 3.1 of the Temporary Framework, the overall maximum cap per undertaking, as set out in points 22(a) and 23(a) of that framework, will be respected. Aid granted under the measure and/or other measures approved by the Commission under section 3.1 of the Temporary Framework which has been reimbursed before 31 December 2021 shall not be taken into account in determining whether the relevant ceiling is exceeded.

2.9. Monitoring and reporting

(44) The Greek authorities confirm that they will respect the monitoring and reporting obligations laid down in section 4 of the Temporary Framework (including the obligation to publish relevant information on each individual aid above EUR 100 000 granted under the measure and EUR 10 000 in the primary agriculture and in the fisheries sectors on the comprehensive national State aid website or the Commission's IT tool within twelve months from the moment of granting[19]).

3. ASSESSMENT

3.1. Existence of State aid

(45) 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.

(46) The measure is imputable to the State, since it is administered by the public authority EPANEK (recital (11)) and it is based on Law 4790/2021, which was enacted following its vote by the Hellenic Parliament (recital (9)). It is financed through State resources, since it involves public funds (recital (11)(13)).

(47) The measure confers an advantage on its beneficiaries in the form of direct grants (recital (23)), which they would not have had under normal market conditions. The measure may also confer an indirect advantage to financial institutions, insofar it reduces the likelihood of their performing loans becoming NPLs, and – as regards NPLs –improves the perspectives of such loans becoming performing (albeit at the expense of accepting certain concessions as part of the restructuring of such loans).

(48) The advantage granted by the measure is selective, since it is awarded only to SMEs stricken by the COVID-19 outbreak who held eligible loans on 31 December 2020, excluding the financial sector (recitals (15) to (20)).

[19] Referring to information required in Annex III to the GBER and Annex III to the ABER and Annex III to the FIBER.

(49) The measure is liable to distort competition, since it strengthens the competitive position of its beneficiaries. It also affects trade between Member States, since the beneficiaries are active in sectors in which intra-Union trade exists.

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

3.2. Compatibility

(51) 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.

(52) 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*".

(53) 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*".

(54) The measure aims to provide liquidity to COVID-19 stricken businesses and facilitate the servicing of their bank loans at a time when the normal functioning of markets is severely disturbed by the COVID-19 outbreak and that outbreak affects the wider economy and leads to severe disturbances of the real economy of Member States.

(55) The measure is one of a series of measures conceived at national level by the Greek authorities to remedy a serious disturbance of their economy. The importance of providing liquidity to borrowers after the expiry of the debt moratoria (recital (5)) and incentivising the durable restructuring of NPLs are widely accepted by economic commentators and the measure is of a scale that can be reasonably anticipated to produce effects across the entire Greek economy. Furthermore, the measure has been designed to meet the requirements of a specific category of aid ("*Aid in limited amounts in the form of direct grants*") described in section 3.1 of the Temporary Framework.

(56) Aid under Section 3.1 of the Temporary Framework in the form of grants does not set any further conditions with regard to the use of the aid by the beneficiary. It is not excluded that the final recipients may use the grants to also cover instalments of their business loans. It is therefore not excluded that the Member State may set such use as an additional condition for providing that grant.

(57) As the measure is tied to loan repayment, it may confer an indirect advantage on financial institutions (recital (47)). As regards indirect aid to financial institutions, Section 3.4 of the Temporary Framework applies in the case of loans or guarantees provided under the Temporary Framework that are channelled through

financial intermediaries. That section normally does not concern grants, except when the grants are destined to support the repayment of loans granted by financial institutions.[20] Point 31 of the Temporary Framework requires that the financial intermediaries, to the largest extent possible, pass on the advantages of the public guarantee or subsidised interest rates on loans to the final beneficiaries. Section 3.4 can nonetheless be applied by analogy, given that the considerations of Section 3.1 apply a fortiori to the direct support granted in the present case.[21] The Commission observes that Section 3.4 of the Temporary Framework aims to ensure that aid granted to the borrower through credit institutions will not result in an undue indirect advantage to the latter.

(58) 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 conditions of the Temporary Framework. In particular:

(a) The aid takes the form of direct grants (recital (8)).

(b) The overall nominal value of direct grants shall not exceed EUR 1 800 000 per undertaking; all figures used must be gross, that is, before any deduction of tax or other charges (recital (26)). The measure therefore complies with point 22(a) of the Temporary Framework.

(c) The overall value of the grants does not exceed EUR 270 000 per undertaking active in the fishery and aquaculture sector or EUR 225 000 per undertaking active in the primary production of agricultural products (before any deduction of tax or other charges) (recital (28)). The measure therefore complies with point 23(a) of the Temporary Framework.

(d) Aid is granted under the measure on the basis of a scheme with an estimated budget as indicated in recital (12). The measure therefore complies with point 22(b) of the Temporary Framework.

(e) Aid may not be granted under the measure to medium[22] enterprises that were already in difficulty on 31 December 2019 (recital (19)). The measure therefore complies with point 22(c) of the Temporary Framework. Aid may be granted to micro and small enterprises that were in difficulty on 31 December 2019, if those enterprises, at the moment of granting the aid, are not subject to collective insolvency procedure under national law and they have not received rescue aid[23] or restructuring aid[24].

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[20] See, for example, recitals (6) and (50) of Commission Decision of 10 April 2020, Poland: *COVID-19 – Interest rate subsidy scheme* (SA.56979 (2020/N)); recitals (8) and (34) of Commission Decision of 26 October 2020, Croatia: *COVID-19 - Amendment to SA.56957 (2020/N) – State aid measures to support companies experiencing liquidity shortages*, (SA 58782 (2020/N)); recital (94) of Commission Decision of 12 November 2020, Greece: *COVID-19 temporary primary residence protection scheme*, (SA.58555 (2020/N)).

[21] The Commission recalls that this is already accepted in a previous similar scheme, State Aid SA.58555(2020/N) – Greece: COVID-19: Temporary primary residence protection scheme.

[22] As defined in Annex I to the GBER.

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

The measure therefore complies with point 22(c)bis of the Temporary Framework.

(f) Aid will be granted under the measure no later than 31 December 2021 (recital(13)). The measure therefore complies with point 22(d) of the Temporary Framework.

(g) 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 22(e) of the Temporary 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 (30)). The measure therefore complies with point 23(b) of the Temporary 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 Article 1, paragraph (1)(a) to (k) of Commission Regulation (EU) No 717/2014 (recital (30)). The measure therefore complies with point 23(c) of the Temporary Framework.

(j) Where an undertaking is active in several sectors to which different maximum aid amounts apply in accordance with points 22(a) and 23(a) of the Temporary Framework, Greece 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 1.8 million is not exceeded per undertaking. Where an undertaking is active in the sectors covered by point 23(a) of the Temporary Framework, the overall maximum amount of EUR 270 000 is not exceeded per undertaking (recital (29)). The measure therefore complies with point 23bis of the Temporary Framework.

(k) The measure introduces several safeguards in relation to the possible indirect aid in favour of the credit institutions or other financial institutions to limit undue distortions to competition. The measure provides grants that cover a proportion of the instalment payments of eligible borrowers (recital (31)), subject to specific caps (recital (32)) and for a limited duration of eight months (recital (23)), thus leaving the credit risk, for the unaided portion of the loan, on the part of the financial institution. For performing loans, the main terms of the loan agreement (such as the loan principal, the interest rate and the maturity) are not

[24] Alternatively, if they have received restructuring aid, they are no longer subject to a restructuring plan at the moment of granting of the aid under the notified measure.

subject to change (recital (36)).This implies that the financial institutions are not in a position to renegotiate such terms in their favour and to draw any direct benefits from the loans as a consequence of the measure. For NPLs, including denounced loans, the eligible debt must be restructured following a mutually accepted agreement between the debtor and the financial institution before the grant can be paid (recital (36)). This agreement must provide for at least a 10% reduction of the credit risk component of the interest rate borne by the bank, for the duration of the Subsidisation period and may include other measures that provide further benefits to the debtor. To ensure that the benefit of the subsidy remains principally with the borrower, in a lasting manner, the monthly instalments received by the bank, including the subsidy amount, must not change during the Subsidisation and monitoring periods. These safeguards make sure that the scheme results in a durable restructuring outcome, reducing the debt liabilities of borrowers, while ensuring that the entire amount of the subsidy is used to improve their disposable incomes. The scheme will thus address the liquidity needs of the final beneficiaries and bridge potential cliff effects after the termination of the debt moratoria in Greece. In addition, the remaining indirect advantages are not expected to have meaningful aggregate effects on the financial institutions, given that the overall budget of the measure is limited, especially for NPLs.[25] Altogether, these safeguards ensure that the financial institutions, to the largest extent possible, pass on the advantages of the measure to the final beneficiaries. The measure therefore complies with points 28 to 31 of the Temporary Framework.

(59) The Greek authorities confirm 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 (recital (6)).

(60) The Greek authorities confirm that the monitoring and reporting rules laid down in section 4 of the Temporary Framework will be respected (recital (44)). The Greek 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 Framework and the cumulation rules of the relevant Regulations are respected (recitals (39) to (43)).

(61) The Greek authorities also confirm that the rules under ERDF will be respected (recital (14)).

(62) 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 Framework.

[25] The expected total amount of subsidy for performing loans represents 5.9% of the volume of the outstanding eligible debt. The same ratio is much lower for NPLs (1.2%), and especially for denounced NPLs (0.9%).

4. COMPLIANCE WITH INTRINSICALLY LINKED PROVISIONS OF DIRECTIVE 2014/59/EU AND REGULATION (EU) 806/2014

(63) Without prejudice to the possible application of Directive 2014/59/EU on bank recovery and resolution ("BRRD")[26] and of Regulation (EU) 806/2014 on the Single Resolution Mechanism ("SRMR"),[27] in the event that an institution benefiting from the measure meets the conditions for the application of that Directive or of that Regulation, the Commission notes that the measure does not appear to violate intrinsically linked provisions of the BRRD and the SRMR.

(64) In particular, aid granted by Member States to non-financial undertakings as final beneficiaries under Article 107(3)(b) TFEU in line with the Temporary Framework, which is channelled through credit institutions or other financial institutions as financial intermediaries, may also constitute an indirect advantage to those institutions.[28] Nevertheless, any such indirect aid granted under the measure does not have the objective of preserving or restoring the viability, liquidity or solvency of those institutions. The objective of the measure, as also evidenced by its limited duration and budget, is to remedy the liquidity shortage faced by undertakings that are not financial institutions and to ensure that the disruptions caused by the COVID-19 outbreak do not undermine the viability of such undertakings. As a result, aid granted under the measure does not qualify as extraordinary public financial support under Article 2(1)(28) BRRD and Article 3(1)(29) SRMR.

(65) Moreover, as indicated in recital (58)(k) above, the measure introduces safeguards in relation to any possible indirect aid in favour of the credit institutions or other financial institutions to limit undue distortions to competition. Such safeguards ensure that those institutions, to the largest extent possible, pass on the advantages provided by the measure to the final beneficiaries.

(66) The Commission therefore concludes that the measure does not violate any intrinsically linked provisions of the BRRD and the SRMR.

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[26] OJ L 173, 12.6.2014, p. 190.

[27] OJ L 225, 30.7.2014, p. 1.

[28] Points 6 and 29 of the Temporary Framework.

5. 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.

If this letter contains confidential information which should not be disclosed to third parties, please inform the Commission within fifteen working days of the date of receipt. If the Commission does not receive a reasoned request by that deadline, you will be deemed to have agreed to the disclosure to third parties and to the publication of the full text of the letter in the authentic language on the Internet site: http://ec.europa.eu/competition/elojade/isef/index.cfm.

Your request should be sent electronically to the following address:

European Commission,
Directorate-General Competition
State Aid Greffe
B-1049 Brussels
Stateaidgreffe@ec.europa.eu

Yours faithfully,

For the Commission

Margrethe VESTAGER
Executive Vice-President

CERTIFIED COPY
For the Secretary-General

Martine DEPREZ
Director
Decision-making & Collegiality
EUROPEAN COMMISSION