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<p>In the published version of this decision, some information has been omitted, pursuant to articles 30 and 31 of Council Regulation (EU) 2015/1589 of 13 July 2015 laying down detailed rules for the application of Article 108 of the Treaty on the Functioning of the European Union, concerning non-disclosure of information covered by professional secrecy. The omissions are shown thus [...]</p>	<p style="text-align: center;">PUBLIC VERSION</p> <p style="text-align: center;">This document is made available for information purposes only.</p>
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**Subject: State Aid SA.102928, SA.102943, SA.102951, SA.102969, SA.102989, SA.103007, SA.103011, SA.103018, SA.103036, SA.103039, SA.103044, SA.103049, SA.103078, SA.103100, SA.103106, SA.103118, SA.103139, SA.103140, SA.103157, SA.103158, SA.103160, SA.103165
Extension of allocation period of the European Guarantee Fund**

Excellencies,

1. PROCEDURE

- (1) By decision of 14 December 2020¹ (“the initial decision”), the Commission approved four aid measures (Measures A-D) to be implemented by the European Investment

¹ State Aid SA.58218, SA.58219, SA.58221, SA.58222, SA.58224-SA.58230, SA.58232, SA.58233, SA.58235-SA.58239, SA.58242-SA.58244 – Pan-European Guarantee Fund in response to COVID-19,

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Bank Group² (“the EIBG”) under the Pan-European Guarantee Fund (“the Fund” or “EGF”) established in response to the COVID-19 pandemic. The objective of the Fund is to help ensure that small and medium-sized enterprises (“SMEs”)³ and large companies in the Member States participating in the Fund (“the final beneficiaries”) have sufficient liquidity available to withstand the economic impact of the pandemic. An overall description of the Fund can be found in section 2 of the initial decision.⁴

- (2) By decision of 19 November 2021⁵ (“the amendment decision”), the Commission approved amendments to Measures A-D and approved aid in the form of a guarantee on mini-bonds as another aid measure under the Fund (“the Basket Bonds product”). A more detailed description of the Basket Bonds product can be found in section 2.5 of the amendment decision.
- (3) By electronic notifications in May 2022, Belgium (12 May, SA.102951), Bulgaria (11 May, SA.102943), Denmark (23 May, SA.103100), Germany (27 May, SA.103158), Ireland (17 May, SA.103039), Greece (13 May, SA.102989), Spain (24 May, SA.103118), France (12 May, SA.102969), Croatia (27 May, SA.103165), Italy (27 May, SA.103160), Cyprus (17 May, SA.103007), Lithuania (18 May, SA.103044), Luxembourg (17 May, SA.103011), Malta (25 May, SA.103139), the Netherlands (19 May, SA.103078), Austria (17 May, SA.103036), Poland (10 May, SA.102928), Portugal (23 May, SA.103106), Slovenia (17 May, SA.103018), Slovakia (18 May, SA.103049), Finland (25 May, SA.103140) and Sweden (26 May, SA.103157) (“the participating Member States”) notified an extension of the allocation period of the Fund (“the amendment”) pursuant to Article 108(3) of the Treaty on the Functioning of the European Union⁶ (“TFEU”).
- (4) The participating Member States agree that the Commission assesses their notifications jointly in the present decision.

OJ C 84, 12.3.2021, p. 4. Note that Slovenia joined the Fund later, approved by decision of 16 April 2021, State Aid SA.58241 (2021/N) – Slovenia – Pan-European Guarantee Fund in response to COVID-19, OJ C 214, 04.06.2021, p. 1. Any reference made to the initial decision and the participating Member States shall apply in respect of Slovenia as well.

² The EIBG consists of the European Investment Bank (“EIB”) and the European Investment Fund (“EIF”).

³ As defined in Annex I of General Block Exemption Regulation (“GBER”, 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.), the Agricultural Block Exemption Regulation (“ABER”, 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, 1.7.2014, p.1.) and Fisheries Block Exemption Regulation (“FIBER”, 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, 24.12.2014, p. 37) respectively.

⁴ The terms used in the present decision shall mean the same as defined in the initial decision, unless otherwise specified.

⁵ State Aid SA.100052, SA.100071, SA.100119, SA.100123, SA.100139, SA.100149, SA.100153, SA.100167, SA.100183, SA.100191, SA.100196, SA.100203, SA.100220, SA.100232, SA.100253, SA.100283, SA.100335, SA.100382, SA.100383, SA.100392, SA.100414, SA.100424 – Amendments to the Pan-European Guarantee Fund in response to COVID-19, OJ C 60, 04.02.2022, p. 7.

⁶ OJ C 202, 7.6.2016, p. 47.

- (5) The participating Member States all exceptionally agree to waive their rights deriving from Article 342 TFEU, in conjunction with Article 3 of Regulation 1/1958⁷ and to have this decision adopted and notified in English.

2. DESCRIPTION OF THE AMENDMENT

- (6) The participating Member States notified the amendment to the duration of the period during which contracts under Measures A-D⁸ and the Basket Bonds product can be signed between financial intermediaries and final beneficiaries for the underlying financing (the “allocation period”)⁹. The initial decision set 31 December 2021 as the latest date until which aid under the authorised measures could be granted¹⁰. The amendment decision set a new date of 30 June 2022 for Measures A-D and the Basket Bonds product. The amendment notified by participating Member States is a change of this date to 31 December 2022 for the allocation period¹¹, while the EIBG will not sign any new guarantee agreements with financial intermediaries.¹²
- (7) Apart from the notified amendments, the participating Member States confirm that no further amendments are proposed to Measures A-D and the Basket Bonds product and that all other conditions of those measures remain unaltered.

2.1. Current economic situation

- (8) The participating Member States submit that due to the exceptional circumstances and impact emanating from the COVID-19 outbreak and considering the Fund’s objectives, the proposed prolongation of the allocation period is necessary to allow financial intermediaries to continue channelling the Fund’s support to the real economy, thereby maximising its impact and outreach.
- (9) The participating Member States also submit that the amendment does not change the Fund’s objective “*to respond to the economic impact of the COVID-19 pandemic outbreak by ensuring that eligible entities and primarily SMEs in the participating Member States have sufficient liquidity available and access to finance to weather the rapidly unfolding crisis, and are able to continue their development in mid/long term*”.

⁷ Regulation No 1 determining the languages to be used by the European Economic Community, OJ 17, 6.10.1958, p. 385.

⁸ See section 3 of the initial decision for the detailed description of the four approved measures.

⁹ For supply chain operations under Measure D, this means that financial intermediaries will have to sign contracts with the buyers (obligors) no later than 31 December 2022.

¹⁰ Recital (22) of the initial decision specified that “Aid may be granted under the measures as from their approval until no later than 31 December 2021. In particular, any contract between the final beneficiaries and financial intermediaries must be signed no later than 31 December 2021 and the respective guarantee must be granted no later than 31 December 2021.”

¹¹ The amendment will be implemented for the already signed agreements with financial intermediaries in particular through an amendment of the respective agreement or a letter introducing the extended allocation period.

¹² The Commission notes that based on the information communicated by EIBG services, in principle no further extensions of the allocation period (as defined by the initial decision, the amendment decision and the current decision) would be envisaged.

- (10) According to calculations by EIBG's economics department, submitted by the participating Member States, the EU economy is not yet back to the pre-crisis trend of economic growth. At the end of 2021, real GDP in the EU was slightly above its level at the end of 2019. However, it was still more than three percentage points below its pre-crisis trend. In particular, corporate investment significantly decreased during the COVID-19 outbreak, and started to recover in the middle of 2021. However, the level of corporate investments was still below its pre-crisis level at the end of 2021 and there are high uncertainties linked to the current economic situation in 2022.

2.2. Implementation and deployment of the Fund

- (11) The participating Member States further submit that, as already described in the initial decision¹³, the set-up, operationalisation and deployment of the Fund were realised amid challenges. These stemmed from the necessary time to operationalise the mandate of the Fund, entailing complex and time-consuming steps, including the establishment of the Fund as well as the set-up and approval of a monitoring and control framework. In addition, the Fund features an overall complex product mix, with novel reporting and monitoring elements to be complied with by final recipients, intermediaries and ultimately by the EIBG, in order to ensure consistency with the framework agreed. In particular, the Fund's distinctive features compared to EIBG's standard products included, among others: the Fund-related transparency clauses, setting up internal tools to deploy and report on the product utilisation, and the necessary instructions and guidance to the branch network of financial intermediaries. Lending officers in hundreds of branches notably needed to be trained and guided on new features including the cumulation with other State aid measures and checks for loan amounts.
- (12) During the 13-month signature period, running between 14 December 2020 and 31 December 2021, the EIBG signed 201 guarantee contracts with financial intermediaries, amounting to EUR 17.4 billion of the Fund's resources. Initially it was expected to mobilise investments of up to EUR 157 billion to final recipients across all 22 participating Member States. Of these, 24 guarantee contracts are being deployed by the intermediaries in at least two participating Member States each (called "multi-country" transactions). As regards Measure D in particular, 54% of total volumes according to the guarantee agreements were signed in the second quarter of 2021, 12% in the third quarter and 33% in the fourth quarter. Overall, the Fund's guarantee contracts signed stand for 76% of the total Fund's volumes expected to be deployed and represent the majority of the Fund's resources.¹⁴
- (13) As regards Measures A-C, implemented by the EIF, the participating Member States submit that these measures target primarily underlying financing of smaller volumes to smaller final recipients, posing additional challenges to the financial intermediaries in disseminating, through their branches, the necessary processes and tools to apply the Fund's rules. In addition, EIF implements the Fund also via counter-guarantees, primarily through national promotional banks (NPBs). According to the participating Member States, working through NPBs is an important and complementary mode of

¹³ Most notably, in recitals (108) and (113) of the initial decision.

¹⁴ As explained in recital (21) of the initial decision, the remaining share of the Fund is used to implement financing activities such as equity and quasi-equity products and a securitisation product, the latter of which has been assessed in State Aid SA.63422 – SA.63443 (2021/N) – Synthetic securitisation product under the Pan-European Guarantee Fund in response to the COVID-19 crisis, OJ C 477, 26.11.2021, p. 3.

delivery for the Fund, because its support is enhanced and enhances in turn the NPB support. Furthermore, the financing is channelled through experienced NPBs who are complementary to commercial banks in their targeting. However, the counter-guarantee can take longer to implement, especially if containing new requirements, because the intermediary NPB needs to implement the instrument in turn via financial intermediary banks. The participating Member States also consider that following the start of the allocation period at the end of 2021, the inclusions started ramping up materially only in the first quarter of 2022 and a majority of financial intermediaries are now deploying the financing at steady pace.

- (14) The participating Member States further submit that according to projections developed by the EIBG the impact of an extension of the allocation period, compared to a situation where the allocation period ends on 30 June 2022 or a situation where the measures concerned are implemented in compliance with the *de minimis* Regulation¹⁵, can be described as follows:
- (a) In the scenario of the allocation period ending on 30 June 2022 or relying on the *de minimis* Regulation, the Fund's resources expected to be allocated to Measures A-D and the Basket Bonds product would reach up to EUR [...] billion. The corresponding expected investments mobilised to final recipients would amount up to EUR [...] billion. This would result in EUR [...] billion of the Fund's resources remaining eventually unutilised with respect to these products.
 - (b) Conversely, the scenario of an extension could bring the utilisation of the Fund's resources dedicated to these products up to EUR [...] billion, with corresponding expected investments mobilised to final recipients of up to EUR [...] billion. More specifically for SMEs, the extension would lead to an increase of the nominal expected investment mobilised to SMEs of approximately EUR 18 billion, from EUR [...] billion to EUR [...] billion.
- (15) In summary, the participating Member States submit that the amendment could improve the utilisation of the Fund's resources dedicated to Measures A-D and the Basket Bonds product by circa 31%, with a potential similar impact on the expected investment mobilised. The impact in expected investment mobilised is expected to exceed EUR [...] billion (of which EUR 18 billion benefiting SMEs), therefore providing a sizeable boost in the economic recovery of companies in the participating Member States. Considering the country distribution of the Fund's resources committed, as well as the feedback from financial intermediaries consulted with regard to the benefits of an extension, the resulting increase in the use of the Fund's resources is expected to have a similar impact across all participating Member States.

2.3. Cumulation, monitoring and reporting

- (16) The participating Member States confirm that the amendment does not affect the provisions concerning cumulation (as described in recitals (75) to (81) of the initial decision), monitoring and reporting (as described in recital (82) of the initial

¹⁵ 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. 1–8.

decision), which will continue to apply to Measures A-D and the Basket Bonds product.

3. ASSESSMENT OF THE AMENDMENT

3.1. Lawfulness of the amendment

- (17) By notifying the extension of the allocation period before putting it into effect, the participating Member States have respected their obligations under Article 108(3) TFEU.

3.2. Existence of aid

- (18) In section 4.2 of the initial decision, the Commission assessed and concluded that Measures A-D constitute aid within the meaning of Article 107(1) TFEU to the final beneficiaries and to the financial intermediaries and it could not be excluded that they constitute aid to the Fund (see recitals (84) to (102) of the initial decision). The extension of the allocation period of Measures A-D does not alter this conclusion.
- (19) In section 3.1 of the amendment decision, the Commission assessed and concluded that the Basket Bonds product constitutes aid within the meaning of Article 107(1) TFEU to the final beneficiaries and to the financial intermediaries, that it could not be excluded that it constitutes aid to the Fund and to third parties involved in the management of the special purpose vehicles and that it does not constitute aid at the level of the special purpose vehicles (see recitals (65) to (87) of the amendment decision). The extension of the allocation period of the Basket Bond product does not alter these conclusions.

3.3. Compatibility of the aid

- (20) Since the amendment involves aid within the meaning of Article 107(1) TFEU, it is necessary to consider whether the extension of the allocation period for the Measures A-D and the Basket Bond product affects their compatibility with the internal market.
- (21) Pursuant to Article 107(3)(b) TFEU, the Commission may declare aid “*to remedy a serious disturbance in the economy of a Member State*” compatible with the internal market.
- (22) As explained in recitals (107)-(108) of the initial decision and in recitals (115)-(116) of the amendment decision, the compatibility of the Measures A-D and the Basket Bond product, respectively, is to be assessed directly under Article 107(3)(b) TFEU.

3.3.1. Compatibility of the prolongation of the allocation period until 31 December 2022 for Measures A-D and the Basket Bond product

- (23) In the initial decision, the Commission recognised the particular nature of the Fund due to the participation of a large number of Member States. Notably, the Commission recognised that (i) sharing risks and losses among several Member States helps to remedy a serious disturbance in the economy of an individual Member State (high losses in one Member State may otherwise affect more significantly the overall fiscal and economic situation of that Member State) and (ii) the setting up of a Fund of this type bears higher administrative complexity than the setting up of pure national schemes. Therefore, the Commission considered a longer timeframe for granting aid under the Fund (i.e. until 31 December 2021), deviating from points 22(d) and 25(c) of the Temporary Framework applicable at the time, appropriate.¹⁶
- (24) The Commission notes that the prolongation of the allocation period until 31 December 2022 for Measures A-D and the Basket Bond product will not imply the signature of any new guarantee agreements with financial intermediaries (recital (6)). The Commission also notes that the prolongation of the allocation period is the consequence of the complex implementation of the measures. That implementation implied negotiations and explanations to ensure that the Fund's distinctive features are complied with at the level of the financial intermediaries and of the final beneficiaries, respectively. In particular, this relates to the Fund's transparency requirements, the determination of the maximum financing amounts and the bespoke rules of the Fund concerning cumulation with other aid measures (recital (11)).
- (25) The Commission further notes that the EIBG signed more than 200 guarantee contracts with financial intermediaries until the end-date of 31 December 2021, representing more than 75% of the Fund's volumes expected to be deployed towards final beneficiaries and also counting for the majority of the Fund's resources. However, as regards Measure D, 45% of these contracts were only signed in the second half of 2021, leaving less time for the financial intermediaries to provide financing to final beneficiaries (recital (12)). As regards Measures A-C, the focus on SMEs implies smaller ticket sizes and thereby a larger number of transactions as well as the likely need to provide more detailed guidance to ensure the Fund's conditions are fully complied with. Finally, EIF's cooperation with NPBs, although crucial in strengthening the potential to provide financing to the final beneficiaries and thus the Fund's impact, undoubtedly added another layer to the implementation process (recital (13)).
- (26) Based on EIBG's projections and the assessment by the participating Member States, the Commission notes that the prolongation of the allocation period until 31 December 2022 for Measures A-D and the Basket Bond product is likely to further mobilise investments to SMEs estimated to amount to EUR 18 billion. Moreover, the Fund's resources would be utilised significantly more, with an expected increase of more than 30% compared to a situation where the allocation period were to end on 30 June 2022 (recitals (14) and (15)).
- (27) Based on the reasons provided in the previous recitals (23) to (26), the Commission considers that the exceptional prolongation of the allocation period until 31 December 2022 is appropriate. Therefore, it does not alter the assessment of the compatibility of

¹⁶ See footnote 13 above.

Measures A-D made in the initial decision and the assessment of the Basket Bonds product's compatibility made in the amendment decision, which therefore remain compatible with the internal market under Article 107(3)(b) TFEU.

3.3.2. *Conclusion of the compatibility assessment*

- (28) The Commission concludes that the notified amendment is compatible with the internal market under Article 107(3)(b) TFEU.

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

- (29) Without prejudice to the possible application of Directive 2014/59/EU on bank recovery and resolution¹⁷ (“BRRD”) and, where applicable, of Regulation (EU) 806/2014 on the Single Resolution Mechanism¹⁸ (“SRMR”), in the event that an institution benefiting from the measures meets the conditions for the application of that Directive or of that Regulation, the Commission notes that it has already assessed the compliance with the intrinsically-linked provisions of the BRRD and, where applicable, the SRMR, with respect to Measures A-D in the initial decision and with respect to the Basket Bonds product in the amendment decision. The amendment does not alter the conclusions set out in the initial decision and amendment decision, respectively.
- (30) The Commission therefore concludes that the amendment does not violate any intrinsically-linked provisions of the BRRD and, where applicable, the SRMR.

¹⁷ OJ L 173, 12.6.2014, p. 190.

¹⁸ OJ L 225, 30.7.2014, p. 1.

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.

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Your request should be sent electronically to the following address:

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Yours faithfully,

For the Commission

Margrethe VESTAGER
Executive Vice-President

