EUROPEAN COMMISSION

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Subject: **State Aid SA.64415 (2021/N) – Slovakia**
COVID-19: State aid scheme to safeguard liquidity for travel agencies

Excellency,

1. PROCEDURE

(1) By electronic notification of 6 August 2021, Slovakia notified aid in the form of subsidised interest rates (State aid scheme to safeguard liquidity for travel agencies, the "measure") under the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak (the "Temporary Framework").[1] Slovakia submitted additional information on 20, 30 and 31 August and 8 September 2021.

(2) Slovakia exceptionally agrees to waive its rights deriving from Article 342 of the Treaty on the Functioning of the European Union ("TFEU"), in conjunction with

1 Communication from the Commission - 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).

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Article 3 of Regulation 1/1958[2] and to have this Decision adopted and notified in English.

2. DESCRIPTION OF THE MEASURE

(3) Slovakia 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 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) Following the COVID-19 outbreak, the Slovak authorities have taken a number of measures in the form of recommendations and bans on citizens and businesses, suspending unnecessary activities and restricting movement in order to reduce the spread of the virus. The Slovak Government has *inter alia* adopted the following resolutions:

a) in the period from 24 October to 1 November 2020, Resolution of the Government of Slovakia no. 678/2020 (290/2020 Coll.) of 22 October 2020, effective from 23 October 2020;

b) in the period from 2 November to 8 November 2020, Resolution of the Government of Slovakia No. 693/2020 (298/2020 Coll.) of 28 October 2020, effective from 29 October 2020;

c) in the period from 9 November to 14 November 2020, Resolution of the Government of Slovakia No. 704/2020 (306/2020 Coll.) of 4 November 2020, effective from 5 November 2020;

d) in the period from 19 December to 29 December 2020, Resolution of the Government of Slovakia No. 804/2020 (386/2020 Coll.) of 16 December 2020, effective 17 December 2020;

e) in the period from 30 December 2020 to 10 January 2021, Resolution of the Government of Slovakia No. 807/2020 (427/2020 Coll.) of 29 December 2020, effective from 29 December 2020;

f) in the period from 8 February 2021 to 19 March 2021, Resolution of the Government of Slovakia No. 77/2021 (49/2021 Coll.) of 5 February 2021, effective from 6 February 2021;

g) in the period from 20 March 2021 to 28 April 2021, Resolution of the Government of Slovakia No. 160/2021 (104/2021 Coll.) of 17 March 2021, effective from 20 March 2021;

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

h) in the period from 29 April 2021 to 28 May 2021, Resolution of the Government of Slovakia No. 215/2021 (160/2021 Coll.) of 26 April 2021, effective from 29 April 2021.

(5) The restrictive measures laid down in the above-mentioned legal bases have a significant impact on the functioning of businesses active in the tourism sector. The obligation to close certain establishments or otherwise restrict activities, as well as the introduction of a temporary absolute ban on recreational travel, have led to a significant financial loss for many of those businesses. According to the Slovak Association of Travel Agencies, the decrease in revenues of travel agencies was in the range of 80 to 100 % compared to the same period in 2019. According to the Statistical Office of Slovakia, only 51 000 people travelled with a travel agency abroad in 2020, while in 2019 approx. 692 000 people did so. In 2020, residents in Slovakia spent only 339 000 days abroad, while in 2019 it was up to 5 million days.

(6) According to the Slovak authorities, the purpose of the measure is to bridge the temporary lack of liquidity of travel agencies that were required to repay customers whose bookings were cancelled, not realised or changed. Also, the Slovak authorities indicate that the cancellation of trips was due to travel restrictions and the subsequent absolute ban on travel for recreational purposes pursuant to measures taken by the Slovak authorities.

(7) Slovakia 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.

(8) The compatibility assessment of the measure is based on Article 107(3)(b) TFEU, in light of sections 2 and 3.3 of the Temporary Framework.

2.1. The nature and form of aid

(9) The measure is a scheme that provides aid in the form of subsidised interest rates on loans.

2.2. Legal basis

(10) The legal basis for the measure is Act No. 67/2020 Coll[3], on certain extraordinary measures in the financial field in connection with the spread of the dangerous contagious human disease COVID-19, as amended by Act No. 279/2021 Coll[4]. The measure is developed on the basis of the Slovak scheme to provide liquidity for travel agents in the context of the COVID-19 pandemic, points 15.1 and 16.1 of which specifically foresee that the measure shall not be effective until approved by the Commission.

[3] Of 2 April 2020.

[4] Of 2 July 2021.

2.3. Administration of the measure

(11) The aid grantor is the Ministry of Finance of Slovakia.

(12) The measure is administered by the Slovak Guarantee and Development Bank, a. s., ("the Slovak Development Bank"). The Slovak Development Bank is a bank according to the Act No. 483/2001 Coll. on banks[5]. It was incorporated as a joint stock company based on the Slovak Commercial Code and its sole shareholder is Slovakia represented by the Ministry of Finance.

(13) The Slovak Development Bank will only provide administrative services as back-office function for the provider of the measure, i.e., the Ministry of Finance of Slovakia. The Slovak authorities confirmed that the Slovak Development Bank will not act in its role as a bank, but will merely assist the State in channelling the funds under the measure to the beneficiaries, retaining no financial advantage whatsoever. The creditor of the loans is Slovakia represented by the Ministry of Finance, not the Slovak Development Bank.

2.4. Budget and duration of the measure

(14) The estimated budget of the measure is EUR 65 million.

(15) Aid may be granted under the measure from the notification of the Commission's decision approving the measure until no later than 31 December 2021.

2.5. Beneficiaries

(16) The beneficiaries of the measure are travel agencies, SMEs and large enterprises[6] active in Slovakia. Only entities that are authorised to perform the activities of a travel agency[7] specified in the call for applications for the provision of loans may be beneficiaries. Financial institutions are excluded as eligible final beneficiaries. Slovakia estimates that there will be approximately 82 beneficiaries of the measure.

(17) Aid may not be granted under the measure to medium[8] and large enterprises that were already in difficulty within the meaning of the General Block Exemption Regulation ("GBER")[9] on 31 December 2019. Aid may be granted to micro and small enterprises that were in difficulty within the meaning of the GBER on 31

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5 Based on Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 OJ L 176, 27.6.2013, p. 1.

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 NACE code 79120.

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

9 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.

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[10] or restructuring aid.[11]

(18) The Slovak Development Bank has no direct or indirect ownership or influence relationship with any of the potential beneficiaries.

2.6. Sectoral and regional scope of the measure

(19) The measure is open to travel agencies. It applies to the whole territory of Slovakia.

2.7. Basic elements of the measure

(20) Aid under this measure is provided in the form of public loans with preferential interest rates in accordance with Section 3.3 of the Temporary Framework – for investment and working capital needs of the beneficiaries.

(21) The loan contracts will be concluded between the Ministry of Finance of Slovakia and the beneficiary and must be signed no later than 31 December 2021.

(22) The maturity period of the loan under the measure will be four years from the drawdown of the loan. The term "drawdown" refers to the drawing of the funds based on the concluded and enforceable contract. The moment of the drawdown will be the transfer of the funds to the beneficiary. From the signature of the loan contract, drawing a loan is possible from September 2021 onwards until 31 March 2022 at the latest.

(23) The amount of the loan that a travel agency may be granted under the measure will be calculated as the total value of the vouchers that the travel agency had issued before 31 August 2021 for trips (partially) paid by the consumers which had to be cancelled due to the COVID-19 outbreak[12], regardless whether those vouchers were used by the consumers to book other trips with that travel agency in the future ("replace trips") or whether they were converted into cash i.e., the situation when the consumers received cash reimbursement for the (partially) paid and cancelled trips.

(24) In any event, the overall amount of the loan may not exceed 25 % of the total turnover of the beneficiary in 2019.

(25) The interest rates of the loans are set in accordance with point 27(b) of the Temporary Framework as a fixed (flat-rate) interest rate for the entire maturity period of the loans: 0.49 % p.a. for SMEs and 1.01 % p.a. for large enterprises. This is equal to or higher than the base rate (1-year IBOR or equivalent as

[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.

[12] According to the Slovak authorities, cancelled trips in the context of the measure means trips that should have taken place in the period between 12 March 2020 and 31 August 2021.

published by the Commission)[13] available at the moment of notification plus a modulated flat credit margin as adjusted according to the loan maturity in accordance with point 27(b) of 0.94 % for SMEs, and 1.46 % for large enterprises[14]. In particular, with a 1-year IBOR at the moment of notification of -0.45 % for Slovakia, the interest rate for SMEs will be -0.45 + 0.94 = 0.49 % and for large enterprises it will be -0.45 + 1.46 = 1.01 %.

(26) The repayment of principal and interest of the loan will be deferred by a grace period of 12 months from the drawing of the loan (the "grace period"). The loans will be repaid in maximum six regular variable semi-annual instalments over a period of three years following the end of the grace period; the total duration of the loan will hence be of maximum four years.

(27) After the grace period, interest is capitalised (i.e., added to the principal) and a minimum repayment schedule is set, where the interest is added to the principal and divided by six (i.e., to the maximum number of instalments). The result will represent the six equal semi-annual instalments (the "minimum amount"). The minimum amount of the instalments to be paid back by the travel agencies will hence represent 1/6 of the loan principal plus interest.

(28) However, the amount that the travel agencies will effectively be required to pay back in each installment may actually be higher than the minimum amount, calculated as described above. In this sense, the concrete amount of each instalment (the "concrete amount") (except for the first and the last instalment) will in fact represent:

(i) the aggregate value of all replace trips booked by the consumers with their vouchers that have effectively taken place in the six-month period preceding the relevant semi-annual instalment, plus

(ii) advance payments that the travel agency made towards third parties (e.g., hotels) for cancelled trips and which the travel agency received back from such third parties in the six-month period preceding the relevant semi--annual instalment, plus

(iii) advance payments that the travel agency made towards third parties (e.g., hotels) for cancelled trips and which the travel agency did not receive back from such third parties but which the travel agency made use of[15] in the six-month period preceding the relevant semi-annual instalment.

(29) As such, should this concrete amount be higher than the minimum amount, then the travel agencies will repay this concrete amount for the relevant semi-annual

[13] Base rates calculated in accordance with the Commission's Communication on the revision of the method for setting the reference and discount rates (OJ C 14, 19.1.2008, p. 6).

[14] The modulated flat credit margins as adjusted according to the loan maturity in accordance with point 27(b) of the Temporary Framework are derived, by analogy, from the Commission's case practice, summarized on the Commission's website: https://ec.europa.eu/competition-policy/system/files/2021-03/summary_of_case_practice_on_modulation_under_point_25%28b%29_of_TF.pdf.

[15] E.g., a situation in which the travel agency no longer requested reimbursement of the advance payments made towards third parties (e.g., to the hotels) but sent another one of its customers to use the pre-paid services in the account of the already made advance payments.

instalment. Should this concrete amount be lower, then the travel agencies will repay the minimum amount for the relevant semi-annual instalment.

(30) The first instalment is due six months after the end of the grace period and will represent the sum of the minimum amount, as calculated above, plus an amount comprising: (i) all replaced trips booked by the consumers with their vouchers and which have effectively taken place in the period from 1 July 2021 to the end of the grace period, plus (ii) advance payments made by travel agencies to third parties (e.g. hotels) and received back from such third parties, plus (iii) advance payments made by travel agencies to third parties (e.g. hotels) and which the travel agency did not receive back from such third parties but which it made use of in the same period from 1 July 2021 to the end of the grace period.

(31) After each instalment (calculated as the minimum amount or the concrete amount, as applicable), the minimum instalment calendar mentioned in recital (27) will be updated for the remaining number of instalments serving as a benchmark for the minimum amount of the next instalment. This process will not apply to the last instalment, which will represent the balance of the amount due after all previous instalments have been made.

2.8. Cumulation

(32) The Slovak authorities confirm that aid granted under the measure may be cumulated with aid under *de minimis* Regulations[16] or the GBER provided the provisions and cumulation rules of those Regulations are respected.

(33) The Slovak 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.

(34) The Slovak authorities confirm that aid granted under section 3.3 of the Temporary Framework will not be cumulated with aid granted for the same underlying loan principal under section 3.2 of that framework and *vice versa*. Aid granted under section 3.2 and section 3.3 of the Temporary Framework may be cumulated for different loans provided the overall amount of loans per beneficiary does not exceed the ceilings set out in point 25(d) or in point 27(d).

(35) A beneficiary may benefit in parallel from multiple schemes under section 3.3 of the Temporary Framework provided the overall amount of loans per beneficiary does not exceed the ceilings set out in point 27(d).

2.9. Monitoring and reporting

(36) The Slovak 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

[16] 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.

000 granted under the measure on the comprehensive national State aid website or Commission's IT tool within 12 months from the moment of granting[17]).

3. ASSESSMENT

3.1. Lawfulness of the measure

(37) The Slovak authorities have confirmed that aid under the measure will not be granted until approved by the Commission, as stated in points 15.1. and 16.1. of the State aid scheme to provide liquidity for travel agents in the context of the COVID-19 pandemic, which specifically define that the measure shall not be effective until approved by the Commission. In this regards, by notifying the measure before putting it into effect[18], the Slovak authorities have respected their obligations under Article 108(3) TFEU.

3.2. Existence of State aid

(38) 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.

(39) The measure is imputable to the State, since it is granted by the Ministry of Finance of Slovakia with the measure being administered by the Slovak Guarantee and Development Bank and it is based on the legal basis described in recital (10). It is financed through State resources, since it is financed directly from the State budget.

(40) The measure confers an advantage on its beneficiaries in the form of subsidised interest rates for loans (recital (20)). The measure thus relieves those beneficiaries of costs that they would have had to bear under normal market conditions.

(41) The advantage granted by the measure is selective, since it is awarded only to certain undertakings, in particular to travel agencies, excluding the financial sector (recital (16)).

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

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[17] Referring to information required in Annex III to GBER.

[18] The explanatory memorandum of the Act No. 67/2020 Coll. on certain extraordinary measures in the financial field in connection with the spread of the dangerous contagious human disease COVID -19, as amended by Act No. 279/2021 Coll. (Section 2, point 2.1. letter c) sets that the assistance may only be provided after the approval of the European Commission of the scheme. Furthermore, the sections 15 point 15.1. and section 16 point 16.1. of the scheme specifically stipulate that the state aid can be provided only after the scheme is notified to and approved by the European Commission

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

3.3. Compatibility

(44) 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.

(45) 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*".

(46) 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*".

(47) The measure aims (recital (6)) at bridging the temporary lack of liquidity of the travel agencies (required to reimburse all payments due to customers whose bookings were cancelled or modified as a result of travel restrictions) at a time when the normal functioning of markets is severely disturbed by the COVID-19 outbreak and that outbreak is affecting the wider economy and leading to severe disturbances of the real economy of Member States.

(48) The measure is one of a series of measures conceived at national level by the Slovak authorities to remedy a serious disturbance in their economy. The importance of the measure to preserve employment and economic continuity is widely accepted by economic commentators and the measure is of a scale that can be reasonably anticipated to produce effects across the entire Slovak economy. Furthermore, the measure has been designed to meet the requirements of a specific category of aid ("*Aid in the form of subsidised interest rates for loans*") described in section 3.3 of the Temporary Framework.

(49) 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:

- The measure sets a flat rate interest rate for the entire duration of the loans, using the flexibility provided for under point 27(b) of the Temporary Framework. That interest rate is set as an all-in interest rate (base rate plus credit risk margins) at 0.49 % for SMEs and 1.01 % for large enterprises during the entire duration of the loan. As explained in recital (25), this is equal to or higher than the base rate (1-year IBOR or equivalent as published by the Commission)[19] available at the moment of notification plus a modulated flat credit margin as adjusted according to the loan maturity in accordance with point 27(b) of 0.94 % for SMEs, and 1.46 % for large enterprises[20]. In particular, with a 1-year IBOR at the moment of notification of -0.45 % for Slovakia, the interest rate for SMEs will be -0.45 + 0.94 = 0.49 % and for large enterprises it will be -0.45 + 1.46 = 1.01 %. The measure therefore complies with point 27(b) of the Temporary Framework.

- The loan contracts must be signed by 31 December 2021 at the latest and are limited to a maximum of 4 years (recitals (15) and (22)). The measure therefore complies with point 27(c) of the Temporary Framework. The limited delay in time between the signing of the contract and the drawdown (which can occur at the latest in March 2022, according to recital (22)) is reasonable and hence does not affect the assessment of the measure under the Temporary Framework.

- The maximum loan amount per beneficiary cannot exceed 25 % of the total turnover of the beneficiary for 2019 (recital (23)), in line with point 27(d) of the Temporary Framework.

- Loans granted under the measure relate to investment and working capital needs (recital (20)). The measure therefore complies with point 27(f) of the Temporary Framework.

- Aid may not be granted under the measure to medium[21] and large enterprises that were already in difficulty on 31 December 2019 (recital (17)). The measure therefore complies with point 27(g) 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[22] or restructuring aid[23] (recital (17)). The measure therefore complies with point 27(g)bis of the Temporary Framework.

- The cumulation rules set out in point 26bis of the Temporary Framework are respected (recitals (33) to (35)).

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[19] Base rates calculated in accordance with the Commission's Communication on the revision of the method for setting the reference and discount rates (OJ C 14, 19.1.2008, p. 6).

[20] The modulated flat credit margins as adjusted according to the loan maturity in accordance with point 27(b) of the Temporary Framework are derived, by analogy, from the Commission's case practice, summarized on the Commission's website: https://ec.europa.eu/competition-policy/system/files/2021-03/summary_of_case_practice_on_modulation_under_point_25%28b%29_of_TF.pdf.

[21] As defined in Annex I to GBER.

[22] 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.

[23] 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.

(50) The Slovak 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 (7)).

(51) The Slovak authorities confirm that the monitoring and reporting rules laid down in section 4 of the Temporary Framework will be respected (recital (36)). The Slovak 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 (recital (32)).

(52) 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.

4. CONCLUSION

The Commission has accordingly decided not to raise objections to the aid on the grounds that it is compatible with the internal market pursuant to Article 107(3)(b) of the Treaty on the Functioning of the European Union.

The decision is based on non-confidential information and is therefore published in full on the Internet site: http://ec.europa.eu/competition/elojade/isef/index.cfm.

Yours faithfully,

For the Commission

Margrethe VESTAGER
Executive Vice-President

CERTIFIED COPY
For the Secretary-General

Martine DEPREZ
Director
Decision-making & Collegiality
EUROPEAN COMMISSION