



Brussels 15.03.2022
C(2022) 1686 final

PUBLIC VERSION

This document is made available for
information purposes only.

Subject: State Aid SA.101868 (2022/N) – Lithuania
Loans to ensure the liquidity of economic entities active in agriculture
and aquaculture during the outbreak of Covid-19

Excellency,

1. PROCEDURE

- (1) By electronic notification of 8 February 2022, Lithuania notified a measure (the “notified measure”) reintroducing and amending the following aid scheme (the “initial aid scheme”), which the Commission had already approved (“the initial decision”) under the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak¹ (the “Temporary Framework”):

Submeasure L ”Loans granted at reduced interest rates to economic entities acting in the field of production, processing and marketing of agricultural and aquacultural products” was approved as part of SA.57823 (2020/N), Commission Decision C(2020) 4941 final of 14.07.2020 (“COVID-19: Temporary State Aid to economic entities active in agriculture and aquaculture facing economic difficulties during the outbreak of Covid-19”) and was amended in case SA.58903 (2020/N), Commission Decision C(2020) 7174 final of 14.10.2020; SA.60073 (2020/N), Commission Decision C (2020) 9406 final of 17.12.2020; and in case

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), C(2021) 564 (OJ C 34, 1.2.2021, p. 6), and C(2021) 8442 (OJ C 473, 24.11.2021, p. 1).

Mr.Gabrielius Landsbergis
Užsienio Reikalų Ministerija
J.Tumo-Vaižganto Str. 2
LT-01108 Vilnius
Lietuvos Respublika

SA.63099 (2021/N), approved by Commission decision C(2021) 3966 final of 28.05.2021. The initial aid scheme expired on 31 December 2021. By email of 28 February 2022, the Lithuanian authorities provided further information regarding the notified measure.

- (2) Lithuania 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 NOTIFIED MEASURE

- (3) The objective of the initial aid scheme was to preserve the continuity of economic activities during and after the COVID-19 pandemic. It was designed to ensure that undertakings continue to have access to the necessary liquidity to overcome the current economic difficulties.
- (4) The notified measure re-introduces and amends sub-measure L of the initial aid scheme, as amended. Under the notified measure:
 - (a) aid will be granted from the notification of the Commission’s approval until no later than 30 June 2022 (loans are signed by 30 June 2022 at the latest);
 - (b) the budget for the period from the Commission’s approval decision until 30 June 2022 will not exceed EUR 25 000 000 (increasing the total budget of the entire sub-measure L of the initial decision, as amended, from EUR 134 818 000 to EUR 159 818 000);
 - (c) one loan may be granted per beneficiary for the duration of the notified measure indicated in recital 4(a)³. The overall amount of all loans and cumulation maxima set out, respectively, in recitals (30)-(31) and (43)-(45) and (48)-(49) of the initial decision remain the same under the notified measure;
 - (d) loans will be limited to maximum 72 months;
 - (e) it is clarified that for working capital needs the following specific costs are included: wage and related taxes (for a maximum period of six months); fuel and electricity for farm use; fertilizers; plant protection products; propagating material (seeds of field, garden and horticultural agricultural plants, planting and other material intended for the propagation of certain varieties of plants, etc.); growing medium and utensils for germination and cultivation of plants; feed and/or their additives; materials for the preparation of feeding stuffs; spare parts for agricultural machinery and /or

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

³ Under sub-measure L of the initial aid scheme only one loan was allowed in the period of 2020-2021.

agricultural equipment⁴; biological assets⁵ (except productive, breeding and draught animals and perennial orchards, bushes, berry plants, ornamental plants); veterinary measures (veterinary biocides, veterinary tools, substances, etc.); products purchased by agricultural cooperative companies (cooperatives) from their members⁶; other expenses necessary for the continuation of the economic activity (rent of land under contracts; goods and services necessary for the continuation of the economic activity);

- (f) the loans may be granted at reduced interest rates that are at least equal to the base rate available at the moment of notification⁷, plus the credit risk margins set in the table of point 27(a) of the Temporary Framework⁸, where in any case the minimum all in interest rate (base rate plus the credit risk margins) for SMEs and large enterprises is at least 10bps per year. The fixed annual interest varies from 0.1 % to 1.51 % depending on the duration of the loan contract that is signed until 30 June 2022 and the size of the undertaking:

(A) loans granted to micro, small and medium-sized undertaking:

- maturity up to 12 months: 0.1 %;
- maturity from 13 months to 36 months: 0.1 %;
- maturity from 37 months to 72 months: 0.51 %

(B) loans granted to large undertakings:

- maturity up to 12 months: 0.1 %
- maturity from 13 months to 36 months: 0.51 %
- maturity from 37 months to 72 months: 1.51 %.

- (5) The legal basis for the notified measure is the Draft amendment of the order of Minister of Agriculture of the Republic of Lithuania July 16 2020 No. 3D-539

⁴ Spare parts for agricultural machinery and/or agricultural equipment is eligible if spare parts are classified in the borrower's accounts as current assets, i.e. their acquisition cost is lower than the minimum value of fixed tangible assets established on the farm.

⁵ In accordance with Lithuanian national law (Business Accounting Standard 17, Biological Assets), biological assets are the animals and plants that the enterprise owns, uses and disposes of. Biological assets are characterised by biological changes such as breeding, growing, cultivating and maturing crops or providing other products. In this context, and in accordance with the general criteria set out in the business accounting standards for the classification of assets as non-current and current assets, biological assets shall be classified as non-current and current assets depending on the duration or nature of the economic benefits derived from them. Biological assets that are classified as current assets are considered to be regularly recurring expenditure.

⁶ Products purchased by cooperative companies (cooperatives) from their members are considered under Lithuanian law as regularly recurring expenditure. The main objective of the cooperative companies (cooperatives) is the provision of services to their members. Cooperatives purchase agricultural products from members, sell goods to members and provide them with other services. Funds issued for the acquisition of reserves are to be regarded as funds intended to finance working capital.

⁷-0,49 was the base rate for Lithuania at the moment of the notification (https://ec.europa.eu/competition-policy/system/files/2022-02/reference_rates_base_rates2022_03_en.pdf)

⁸ The required minimum credit risk margin under point 27(a) of the Temporary Framework for SMEs for the 1st year 25 bps, for a 2nd - 3rd year 50 bps and for 4th - 6th year 100bps; for large enterprises for the first year 50bps, for a 2nd - 3rd year 100bps and for the 4th - 6th years 200bps.

“On the Approval of the Scheme of the Financial Incentive Measure "Loans to ensure the Liquidity of Economic Entities, acting in Field of production, processing and marketing of Agricultural and Aquaculture Products, during the COVID-19 outbreak".

- (6) The Lithuanian authorities confirm that no further amendments are proposed to the initial aid scheme, as amended, as part of the notified measure and that all other conditions of sub-measure L are unaltered.

3. ASSESSMENT

3.1 Lawfulness of the measure

- (7) By notifying the measure before putting it into effect, the Lithuanian authorities have respected their obligations under Article 108(3) TFEU.

3.2 Existence of State aid within the meaning of Article 107(1) TFEU

- (8) 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.
- (9) The initial aid scheme constituted State aid within the meaning of Article 107(1) TFEU for the reasons set out in recitals (52)-(57) of the initial decision. The amendments referred to in recital (1) did not affect that conclusion. The notified measure does equally not affect that conclusion. The Commission therefore refers to the assessment of the initial decisions and concludes that the notified measure constitutes State aid within the meaning of Article 107(1) TFEU.

3.3 Compatibility

- (10) The initial aid scheme is compatible with the internal market pursuant to Article 107(3)(b) TFEU, since they meet the conditions of sections 2, 3.3 and 3.4 of the Temporary Framework for the reasons set out in the recitals (58)- (69) of the initial decision. The amendments referred to in recital (1) did not affect the outcome of that assessment as confirmed in the respective Commission decisions thereon. The Commission therefore refers to the respective assessment of the initial decision.
- (11) The Commission considers that the re-introduction for a limited period of time of the initial aid scheme, as amended, is appropriate to ensure that national support measures effectively help affected undertakings during the COVID-19 pandemic. The notified measure does not affect the conclusion of the compatibility assessment made under the initial decision and confirmed under the amendments specified in recital (1). In particular, the Commission notes that aid under the scheme can only be granted until 30 June 2022 (as described in recital **Error! Reference source not found.**(a)) and limited to maximum six years (as described

in recital 4(d)). The notified measure thus complies with point 27(c) of the Temporary Framework.

- (12) The initial decision accepted to set fixed interest rates based on the duration of the loan and the size of the beneficiary. As described in recital (4)(f) the applicable interest rates for loans granted under the measure are equal to the base rate available at the moment of notification plus a credit margin of set in the table of point 27(a) of the Temporary Framework, where in any case the minimum all in interest rate (base rate plus the credit risk margins) for SMEs and large enterprises is at least 10 bps per year. The measure therefore complies with point 27(a) of the Temporary Framework.
- (13) Loans granted under the measure relate to working capital needs (recital (4)(e)). The measure therefore complies with point 27(f) of the Temporary Framework.
- (14) The cumulation rules set out in point 26bis of the Temporary Framework are respected, as the overall amount of loans per beneficiary does not exceed the thresholds set out in in point 27(d) of the Temporary Framework (recital (4)(c)).
- (15) The measure does not alter the safeguards in relation to possible indirect aid in favour of the credit institutions or other financial institutions to limit undue distortions to competition that have already accepted in the initial decision. The notified measure therefore complies with points 28 to 31 of the Temporary Framework.
- (16) Lithuania confirms that the notified measure does not introduce further amendments to the initial aid scheme, as amended, and that all other conditions of that aid scheme are unaltered.
- (17) The Commission therefore considers that the notified 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 notified measure, 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