



# **Communication**

## **Temporary framework for State aid measures**

9 January 2009



## Current situation

- Financial crisis is affecting the **real economy** (businesses and jobs).
- High risk aversion on the part of banks → **credit squeeze**.
- All **companies** are affected and especially **SMEs**.
- Negative impact at **short-medium term** for EU companies and at **long term** on EU investments in the future.  
In particular, in a sustainable growth economy.
- **Existing State aid possibilities** are **not sufficiently used** by MS.



## Objective of the Communication

- **Part of « European Economic Recovery Plan ».**
- In view of the current situation, there is a need for **additional State aid measures** but they have to be well targeted.
- To **facilitate companies' access to finance**, thereby:
  - Ensuring continuity in their activities.
  - Encouraging companies to continue investing in the future, in particular in a sustainable growth economy.



## Main principles of the Communication

- Recall the **existing aid** instruments.
- +
- **Propose additional aid measures** → Based on Art. 87(3)(b) → **Limited in time** (31.12.2010)
- **Applicable** to all sectors, **SMEs and large companies**.



# Measures



Compatible **limited amount of aid**



Aid in the form of **guarantees**



Aid in the form of **subsidised interest rate**



Aid for the **production of green products**



## **Other measures**

- Temporary derogation of risk capital guidelines.
- Simplification of the requirements to use the "escape clause" contained in the export credit Communication.



## Compatible limited amount of aid

Not an increase of *de minimis* threshold →

New aid of **EUR 500 000** per undertaking

- Aid may be granted until **31.12. 2010**.
- Prior to the granting, **MS shall verify** that any possible *de minimis aid* received + the new aid **will not exceed the threshold of EUR 500 000** during the period 1.01.2008-31.12. 2010.



## Compatible limited amount of aid

- **Only** applicable to **aid schemes**.
- Firms active in the **fisheries sector** and in **some agricultural activities** are not eligible.  
*(But applicable to the transport sector)*
- **Excluded: export aid** or aid favouring **domestic products**.
- The measure **only** applies to **firms** which were **not in difficulty on 1 July 2008**.



## Definition of firms in difficulty

- **Firms** which were **not in difficulty** on **1 July 2008**, on the basis of:
  - ❑ **For large companies** → Definition of R&R Guidelines (Art.1.7)
  - ❑ **For SMEs** → Definition of General Block Exemption Regulation (point 2.1)



## Aid in the form of guarantees

- **Reduction of the annual guarantee premium** to be paid during **a period of two years following the granting of the guarantee** in relation to both investment and working capital loans. *[max. 90% of the loan]*
- **Loan** must not exceed the **total annual wage bill** of the beneficiary for 2008.  
For **companies created after 1.01.2008** → the estimated amount for the first two years in operation.
- Guarantee premium is calculated in accordance with the **safe-harbour** provisions of the '**Notice on guarantees**'.



## Aid in the form of guarantees

- **Reduction** of up to:
  - 25% for SMEs
  - 15% for large companies
  
- This **reduction can also be applied** for **new guarantees** granted on the basis of **methodologies** already **accepted** by a **Commission** decision.
  
- The measure **only** applies to **firms** which were **not in difficulty on 1 July 2008**.



## Aid in the form of subsidised interest rate

- Commission allows **MS** to **grant loans** at an **interest rate** which is below the one calculated on basis of the « *Communication on interest rate* ».
- Methodology based on the **Central Bank Overnight Rates**.
- This **method** shall **apply** to **contracts** concluded until **31.12. 2010**.
- The **reduction applies** for **interest payments** until **31.12. 2012**.
- The measure **only** applies to **firms** which were **not in difficulty on 1 July 2008**.



## Aid for the production of green products

- **Interest rate reduction for investment loans.**
  - ✓ **Loans** should be **granted before 31.12.2010**.
  - ✓ For **financing of new products** which significantly **improve environmental protection**.
  
- Starting point to **calculate the aid** is the **reference rate** of the beneficiary calculated in accordance with the « *subsidised interest rate* » methodology. Then, **reduction** of up to:
  - 25% for large companies
  - 50% for SMEs



## Aid for the production of green products

- **Reduction** applied for a period of **two years** following the **granting** of the **loan**.
- The measure **only** applies to **firms** which were **not in difficulty on 1 July 2008**.



## Other measures

### ➤ Temporal derogation to Risk Capital guidelines

❑ Presumed market failure for SME over period of 12 months: *EUR 1.5 million → EUR 2.5 million*

❑ Level of private participation: *50% → 30%*

**Until 31.12. 2010**



## Other measures

### ➤ **Communication on short-term export credit insurance**

- Simplification of the requirements to use the « **escape clause** » which allows to cover marketable risks with public support.
- Currently, MS should demonstrate the lack of private market to cover these costs by providing evidence from:

- **2 large international private export-credit insurers**      Until 31.12.2010      → **1 international or 1 national export-credit insurers**

- **1 national credit insurer**      → **4 national exporters certify the refusal from insurers to cover a specific operation**



## Cumulation

- ***De minimis* + compatible limited amount of aid** →  
max. EUR 500 000 for the period of 1.01.08 – 31.12.2010.
- ***De minimis* + rest of the measures contained in the Communication** →  
*de minimis* granted after 1.01.08 shall be deducted from the aid granted.
- **Temporary aid measures** can be **cumulated** with other compatible aid provided that the **maximum aid intensities** are **respected**.



## Notification requirements



New measures should be notified



The Commission will ensure swift adoption of decisions



Need for clear and complete notifications + Early contacts with the Commission



## Final provisions



Applicable from its adoption.



Valid until 31.12. 2010.



# Guarantee measure: SMEs

Reduction of safe-harbour rates by 25%

Standard and Poor's	Annual safe-harbour premium (OLD)	Premium (NEW)
AAA	0.4%	<b>0,3%</b>
AA + AA AA –	0.4%	<b>0,3%</b>
A + A A –	0.55%	<b>0,41%</b>
BBB + BBB BBB –	0.8%	<b>0,6%</b>
BB + BB	2.0%	<b>1,5%</b>
BB – B +	3.8%	<b>2,85%</b>
B B –	6.3%	<b>4,73</b>



## Guarantee measure: SMEs

Medium-sized company with 250 employees  
and rating B

- ▶ Total annual wage bill\*: € 9 mio
- ▶ Maximum guaranteed amount (90%): € 8,1 mio
- ▶ Safe-harbour (OLD) = 6,3%
- ▶ Premium (NEW) = 4,73%
- ▶ Aid element compatible under 87(3)(b):  
 $(6,3\% - 4,73\%) * € 8,1 \text{ mio} = \underline{€ 127.170}$

\* Assuming average wage costs of € 3.000 (including social charges) per month per employee



## Guarantee measure: Large companies



Until now safe-harbour rates not applicable.



Temporary framework allows for application of safe-harbour rates reduced by 15%.



In particular interesting for companies with low collateralization.



## Guarantee measure: Large companies

Large company with 5.000 employees and rating BB and low collateralization

- ▶ Total annual wage bill\*: € 180 mio
- ▶ Maximum guaranteed amount (90%): € 162 mio
- ▶ Reference rate top-up = 4,0%
- ▶ Premium (NEW) = 1,7%
- ▶ Implicit aid element compatible under 87(3)(b):  
 $(4,0\% - 1,7\%) * € 162 \text{ mio} = \underline{€ 3,7 \text{ mio}}$

\* Assuming average wage costs of € 3.000 (including social charges) per month per employee