MEMO/08/795

Brussels, 17th December 2008

State aid: Commission adopts temporary framework for Member States to tackle effects of credit squeeze on real economy – frequently asked questions

(see also IP/08/1993)

What are the main objectives of the temporary aid measures?

The temporary aid measures pursue three objectives:

- first, to ensure sufficient bank lending to companies
- second, to allow companies with liquidity problems due to the crisis to benefit from temporary relief through a limited grant, and - third, to encourage companies to continue investing for a sustainable future, including the development of green products.

Which measures are covered by the new framework?

The Commission Communication outlines a number of new measures as well as the temporary modification of some existing instruments.

As regards the new measures, the Commission has put in place the possibility for Member States to grant:

- a lump sum of aid up to €500,000 per company for the next two years, to relieve them from current difficulties
- new aid for guarantees in the form of a reduction of the premium to be paid
- new aid in the form of subsidised interest rates applicable to all types of loans
- new aid in the form of an interest-rate reduction for investment loans related to products which significantly improve environmental protection

Concerning the adaptation of existing guidelines, the following simplifications have been put in place:

- a temporary derogation from the 2006 risk capital guidelines in order to increase the tranche of finance per target SME (from €1.5 million to €2.5 million) and a reduction of the minimum level of private participation (from 50% to 30%).
- simplification of the requirements of the export credit Communication to use the exemption that allows non-marketable risks to be covered by the state.

Until when will it be possible to apply these measures?

Member States can put in place these measures from today until 31 December 2010.

Why are these measures only temporary?

The Commission expects the financial markets, and hence the provision of lending to businesses, to go back to normal in the foreseeable future. Therefore, the new measures addressing the exceptional circumstances in the financial markets are limited in time and expire in principle at the end of 2010.

In addition, the measures are based on Article 87(3)(b) of the EC Treaty, that allows state aid to remedy a serious disturbance in the economy of a Member State. This provision provides for an exception from the general prohibition of state aid and therefore needs to be interpreted strictly.

What happens after 31 December 2010 when the Framework expires?

The purpose of the new measures is to address the exceptional and transitory problems of companies to obtain financing. Those problems should have disappeared by the end of 2010. If they go on, the Commission will assess whether the special aid measures need to be extended beyond December 2010. The reports which Member States will submit will be relevant for the Commission's assessment.

Why has the Commission chosen these aid instruments and not others?

The Commission considers that the aid instruments it is allowing are the best measures to achieve the ultimate objective of facilitating companies' access to finance while avoiding unfair competitive advantages for particular companies.

Are there special rules for certain sectors?

There is no need to single out a sector and the Communication makes no such distinction, apart from the exclusion of fisheries and agriculture from the limited amount of aid that can be granted without notification. What we need is a European response to a problem that affects the whole economy in Europe.

Are the measures also applicable to companies in difficulty?

There are a number of companies which, although they have sound business plans and good prospects, find themselves cut off from financing due to the drying up of the lending market.

Therefore, companies which were not in difficulties on 1 July 2008 – that is before the start of the credit squeeze – will be able to receive support under the new measures. For those companies whose difficulties date from before the credit squeeze and which, therefore, must address their structural problems, the Rescue and Restructuring Guidelines provide the best tool to ensure long-term viability.

Should Member States notify these measures?

Schemes yes, individual grants of aid no*.* The Commission will ensure swift decisions if the notifications are complete and the conditions of the Framework are closely mirrored in the national scheme. Member States are not obliged to notify all individual aid. They can notify a scheme, and once the scheme is approved, Member States can grant individual aid immediately without notification.

How will the Commission ensure fast decisions in this field?

Rapid decisions will be possible if Member States ensure that their aid schemes comply with the rules set out in the Framework and supply all relevant information promptly.

Moreover, the Commission already has put in place a fast track procedure for urgent crisis measures.

Finally, the Commission is currently working on proposals to streamline its common state aid procedures. This simplification package should, in particular, enshrine joint commitments by the Commission and Member States to faster and more predictable procedures at each step of a state aid investigation and allow quick decisions on straightforward cases.

Are the adaptations of existing aid schemes also subject to the notification obligation?

Yes, such adaptations would constitute important modifications of existing schemes and consequently a notification is required.

Why can the notification obligation not be simply abandoned?

The notification obligation results directly from the Treaty and cannot be modified by the Commission. In any event, Member States may notify one scheme covering all the possible measures. When such a scheme has been authorised by the Commission, individual aid may be granted without further individual notifications.

Why not simply decide that state aid control does not apply during the crisis?

During a financial and/or economic crisis, state aid control is all the more necessary because there can be greater temptation for Member States to grant aid that would risk putting out of business companies in other Member States, thereby making the crisis worse. State aid control also avoids subsidy races, which would tend to penalise smaller Member States which lack the deep pockets of larger Member States.

Is it possible to combine these measures with other aid measures?

The measures can be combined with other compatible aid or Community funds as long as the maximum aid intensities contained in the relevant Guidelines or Block Exemptions Regulations are respected.

If a company has already received a de minimis aid, can it receive a new aid of €500 000?

No. If a company has already received a *de minimis* aid of € 200 000, it can only receive a new aid limited to € 300 000.

Would it be possible to extend the period of applicability of these measures?

The rules outlined in the Framework are valid until 31 December 2010. However, after consulting Member States the Commission may, if necessary, consider an extension on the basis of important competition policy or economic considerations.