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**Subject: State Aid SA.57066 (2020/N) – Lithuania  
COVID-19: Direct grants to cover interest on loans of SMEs active in road freight transport**

Excellency,

**1. PROCEDURE**

- (1) By electronic notification of 17 April 2020, Lithuania notified the aid scheme “Partial Loan Interest Compensation for those performing road freight transport activities” (the “measure”) under the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak (“the Temporary Framework<sup>1</sup>”). By email of 22 April 2020, Lithuania submitted supplementary information on the measure.
- (2) The Lithuanian authorities confirm that the notification does not contain confidential information.
- (3) Lithuania exceptionally agrees to waive its rights deriving from Article 342 TFEU, in conjunction with Article 3 of Regulation 1/1958,<sup>2</sup> and to have this Decision adopted and notified in English.

**2. DESCRIPTION OF THE MEASURE**

- (4) Lithuania considers that the COVID-19 outbreak has started to affect the real economy. The measure forms part of an overall package of measures and aims to

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<sup>1</sup> Communication from the Commission - Temporary framework for State aid measures to support the economy in the current COVID-19 outbreak, 19 March 2020, OJ C 91I, 20.3.2020, p. 1-9.

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

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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 small and medium-sized enterprises (“SMEs”).

- (5) Lithuania notes that road freight transport is a key sector for the Lithuanian economy. According to data collected from the Bank of Lithuania and the Department of Statistics of Lithuania, in 2019 the road freight sector accounted for 7.9 % of the total added value created in Lithuania and for the largest surplus in the State’s balance during the fourth quarter of the year. The sector also accounted for 32% of all export services and employed approximately 9% of the country’s total workforce. The overall direct and indirect contribution of the sector to the country’s GDP in 2017 was estimated at approximately 16-24.5 %.
- (6) Lithuania states that SMEs active in road freight transport<sup>3</sup> reported a 50-90 % decrease in revenue as a result of the COVID-19 outbreak, due to declining cargo volumes, closed terminals, declining number of orders, etc. Lithuania, therefore, considers that the liquidity issues of these companies are particularly acute.
- (7) Many of these SMEs have financial liabilities towards credit institutions (loans or financial leases). Companies facing financial difficulties caused by COVID-19 can agree with their banks to defer the payment of instalments on the principal of existing loans (or financial leases)<sup>4</sup>. However, the interest on these instalments would still be due. In order to alleviate the financial burden of these SMEs and help them maintain financial stability, Lithuania deems it essential to reimburse the interest they have to pay to their banks during the deferral period.
- (8) The measure is expressly based on Article 107(3)(b) of the Treaty on the Functioning of the European Union (“TFEU”), as interpreted by Section 2 of the Temporary Framework.

## **2.1. The nature and form of aid**

- (9) The measure provides aid in the form of direct grants intended to support the liquidity needs of SMEs active in road freight transport, a sector particularly affected by the COVID-19 outbreak.
- (10) The grants will only cover interest on loans for which an agreement has been reached between the financial institution and the undertaking applying for aid to fully defer the payment of the principal of the loans (the “deferral agreement”). The financial institution and the applicant for the aid must have entered into such an agreement between 16 March 2020 and 31 December 2020 at the latest. The grants will reimburse the amount of interest paid on these loans during the actual period covered by the deferral agreement, for a maximum period of 6 months. The payment of the aid will be made to the applicant and not to the financial institution which has entered into the deferral agreement with the applicant.

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<sup>3</sup> SMEs active in road freight transport employ 5% of the total workforce in Lithuania.

<sup>4</sup> In the present decision the terms “loans” and “financial leases” will be used interchangeably.

## **2.2. National legal basis**

- (11) The legal basis for the measure is the order of the Ministry of Economy and Innovation of the Republic of Lithuania amending Order No.4-187 “regarding approval of Description No. 1 of the Financing Conditions of the Projects of the Joint Measure No. J03-IVG-T ‘Partial Compensation of Interest’ of Priority 3 ‘Enhancing the Competitiveness of Small and Medium Sized Enterprises’ and Priority 4 ‘Promoting Energy Efficiency and Renewable Energy Production and Use’ of the Operational Programme for the European Union Structural Funds’ Investments in 2014-2020”, and in particular Annex 6 to this order. Annex 6 establishes the conditions for the “partial compensation of interest for persons engaged in carriage of goods by road” granted under section 3.1 of the Temporary Framework.

## **2.3. Administration of the measure**

- (12) The Lithuanian Ministry of Economy and Innovation is responsible for granting the aid and the national promotional institution “INVEGA” will be the authority responsible for administering the measure<sup>5</sup>.
- (13) The call for applications for aid under the measure will set out in detail the conditions to receive the aid, the procedure to follow and documents to submit to apply for the aid, the commitments to be taken by the aid beneficiaries and the controls and reports to be done by INVEGA.

## **2.4. Budget and duration of the measure**

- (14) The Lithuanian authorities confirm that no more than EUR 5 000 000 in aid will be granted under the measure. The aid will be financed through the European Union’s structural funds, in particular the European Regional Development Fund (“ERDF”).
- (15) The Lithuanian authorities confirm that all rules applicable under the ERDF will be respected.
- (16) Aid may be granted under the measure as from its approval until 31 December 2020.

## **2.5. Beneficiaries**

- (17) The beneficiaries of the measure are SMEs<sup>6</sup> active in Lithuania in road freight transport. Lithuania estimates that up to 1 000 undertakings will benefit from the measure.

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<sup>5</sup> The guarantee institution UAB “Investiciju ir verslo garantijos” (INVEGA) was established by the Republic of Lithuania Government Resolution No. 887 of 11 July 2001 on Small and Medium-sized Business Development (for more detail, please consult the webpage: <https://invega.lt/en/about-invega/>). The main objectives of the operations of INVEGA are the provision of financial services and the implementation and administration of financial and other support measures for SMEs.

<sup>6</sup> As defined in Annex I of the 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 of 26.6.2014, p. 1.

- (18) In order to be eligible for aid, an SME must meet the following conditions:
- i. The SME must be an entity performing road freight transport activities in Lithuania;
  - ii. The SME (the borrower of a loan and/ or financial lease) has, in the period from 16 March 2020 until 31 December 2020, entered into a deferral agreement with its bank (lender) stipulating a deferral of the payment of the loan;
  - iii. The SME is fully exempted from the payment of the principal of the loan under the deferral agreement, for the period specified in the deferral agreement.
- (19) Financial institutions are explicitly excluded from the measure as beneficiaries. Payments under the measure will be made to the beneficiary SMEs and not to financial institutions. Furthermore, aid may be granted under the measure only to undertakings that were not already in difficulty within the meaning of the General Block Exemption Regulation (“GBER”)<sup>7</sup> on 31 December 2019.

## **2.6. Sectoral and regional scope of the measure**

- (20) The measure is open to SMEs active in the road freight transport and applies to the whole territory of Lithuania.

## **2.7. Basic elements of the measure**

- (21) The measure provides aid in the form of grants up to EUR 800 000 per undertaking. It is intended to reimburse the payment of the interest amounts on loans of SMEs, which are active in road freight transport.
- (22) Only SMEs meeting the eligibility criteria described in recital (18) can apply for the aid.
- (23) The interest will be reimbursed only for the period covered by the deferral agreement and, in any event, cannot exceed 6 months<sup>8</sup>. Furthermore, the interest amount, which will be reimbursed, cannot exceed the interest amount the SME had been paying before the deferral agreement was signed.
- (24) The aid can cover up to 100 percent of the interest paid under the financing agreement (subject to a maximum annual interest rate of 7 percent).
- (25) Applications for aid will be submitted electronically and processed by INVEGA, which will perform compliance checks to ensure the correct implementation of the measure and will keep records with the necessary supporting documents for a period of ten years from the date of award of the aid.

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<sup>7</sup> As defined in Article 2(18) of the 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 of 26.6.2014, p. 1.

<sup>8</sup> In other words, while the deferral period (during which payment of the principal of the loan will be postponed) can cover the whole period from 16 March to 31 December 2020, the compensation of the interest on the loan can last maximum 6 months.

## **2.8. Cumulation**

- (26) The Lithuanian authorities explained that a beneficiary of the measure may also benefit from other measures under the Temporary Framework and / or from *de minimis* aid<sup>9</sup>. The Lithuanian authorities have however confirmed that insofar as a beneficiary may benefit from multiple measures under the Temporary Framework and / or from *de minimis aid*, the maximum thresholds on aid amounts per beneficiary, as specified in the Temporary Framework and in the *de minimis* Regulation, will be respected.

## **2.9. Monitoring and reporting**

- (27) The Lithuanian authorities confirm that they will respect the monitoring and reporting obligations laid down in Section 4 of the Temporary Framework.

## **3. ASSESSMENT**

### **3.1. Existence of State aid**

- (28) 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.
- (29) The measure is imputable to the State, since it is administered by the Ministry of Economy and Innovation and INVEGA and it is based on a legal act (order) of the Ministry of Economy and Innovation (recitals (11)-(13)).
- (30) The measure is financed by the EU structural funds and more specifically by the ERDF. Financing granted under the ERDF qualifies as aid granted from State resources since the Union funds are integrated in the national budget and national authorities have discretion as to their use, in particular the selection of beneficiaries<sup>10</sup>.
- (31) The measure confers an advantage on its beneficiaries in the form of direct grants. The measure thus relieves those beneficiaries of costs, which they would have to bear under normal market conditions.
- (32) The advantage granted by the measure is selective, since it is awarded only to certain undertakings active in Lithuania, in particular SMEs active in road freight transport, fulfilling the conditions set out in recital (18).

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<sup>9</sup> Granted in line with 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 (the “*de minimis* Regulation”) (OJ L 352, 24.12.2013, p.1).

<sup>10</sup> See for example Commission decision of 22 November 2006 on State aid N 157/2006 - United Kingdom South Yorkshire Digital Region Broadband Project (OJ C 80, 13.04.2007, p. 1).

- (33) 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.
- (34) In view of the above, the Commission concludes that the measure constitutes aid within the meaning of Article 107(1) TFEU. The Lithuanian authorities do not contest this conclusion.

### **3.2. Lawfulness of the measure**

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

### **3.3. Compatibility**

- (36) 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.
- (37) 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”*.
- (38) By adopting the Temporary Framework on 19 March 2020, the Commission acknowledged (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, *“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”*.
- (39) The objective of the measure is to remedy the liquidity shortage faced by SMEs active in a sector severely disturbed by the COVID-19 outbreak to ensure that the disruptions caused by the COVID-19 outbreak do not undermine the financial stability of such undertakings.
- (40) The measure forms part of a series of measures conceived at national level by the Lithuanian authorities to remedy a serious disturbance in their economy. The importance of the measures to ensure access of micro, small and medium-sized companies to liquidity during the COVID-19 outbreak is widely accepted by economic commentators and the measures are of a scale which can be reasonably anticipated to produce effects across the entire Lithuanian economy. Furthermore, the measure has been designed to meet the requirements of a specific category of aid (“Aid in the form of direct grants”) described in Section 3.1. of the Temporary Framework.
- (41) The measure notified by Lithuania meets all the conditions provided for in point 22 of Section 3.1. of the Temporary Framework. In particular:
- i. The aid will be granted in the form of grants; hence the condition set out in point 22(a) of the Temporary Framework is met (recitals (9) and (21));

- ii. The maximum aid amount per undertaking under the measure (EUR 800 000) will not exceed EUR 800 000, hence the condition set out in point 22(a) of the Temporary Framework is met (recital (21));
  - iii. The measure is granted on the basis of a scheme with an estimated budget of EUR 5 million; hence the condition set out in point 22(b) of the Temporary Framework is met (recital (14));
  - iv. The aid will not be granted to undertakings, which were already in difficulty on 31 December 2019, hence the condition set out in point 22(c) of the Temporary Framework is met (recital (19));
  - v. The aid will be granted no later than 31 December 2020; therefore the condition set out in point 22(d) of the Temporary Framework is met (recital (16));
  - vi. The aid does not concern undertakings active in the processing and marketing of agricultural products<sup>11</sup>, hence the condition set out in point 22(e) of the Temporary Framework is not applicable.
- (42) The Commission accordingly considers that the measure is necessary, appropriate and proportionate to remedy a serious disturbance in the economy of Lithuania and meets all the relevant conditions of the Temporary Framework.
- (43) The Lithuanian authorities have committed to comply with all the monitoring and reporting provisions laid down in section 4 of the Temporary Framework. The Commission may request additional information regarding the aid granted, to verify whether the conditions laid down in the Commission decision approving the measure have been met.
- (44) The Lithuanian authorities have confirmed that they will respect cumulation rules regarding combination with *de minimis* aid and/or other aid.

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<sup>11</sup> As defined in Article 2(6) and Article 2(7) of Commission Regulation (EC) 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 on the Functioning of the European Union, OJ L 193, 1.7.2014, p. 1.

#### **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 TFEU.

Yours faithfully,

For the Commission

Margrethe VESTAGER  
Executive Vice-President

<p><b>CERTIFIED COPY</b> For the Secretary-General,</p> <p><b>Jordi AYET PUIGARNAU</b> Director of the Registry <b>EUROPEAN COMMISSION</b></p>
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