



## State aid: Commission approves state support for €250 million Latvian subsidised loan scheme and loan guarantee scheme for companies affected by coronavirus outbreak

Brussels, 23 March 2020

The European Commission has found Latvian loan guarantee scheme and subsidised loan scheme for companies affected by coronavirus outbreak to be in line with EU State aid rules. The schemes were approved under the [State aid Temporary Framework to support the economy in the context of the COVID-19 outbreak](#) adopted by the Commission on 19 March 2020.

Executive Vice-President Margrethe **Vestager**, in charge of competition policy, said: *"With these two measures Latvian companies affected by the coronavirus outbreak can mitigate the current extremely difficult situation. The Latvian schemes of €250 million Euros are an important contribution to reaching this objective. With this decision we continue working with Member States to ensure timely, coordinated and effective action under the new State aid Temporary Framework."*

### The Latvian support measures

Latvia notified to the Commission a subsidised loan scheme and a loan guarantee scheme for companies affected by the coronavirus outbreak under the [Temporary Framework](#). The overall budget for the subsidised loan scheme is €200 million, out of which €50 million is envisaged from the State budget and the rest from the international financial institutions. The amount envisaged in the State budget for the loan guarantee scheme is €50 million. It is expected to be leveraged and cover guarantees worth over €200 million.

The schemes aim at enhancing the access to external financing for those companies that are most severely affected by the economic impact of the coronavirus outbreak. The objective of the measures is to ensure that these companies can continue their activities faced with the difficult situation caused by the coronavirus pandemic.

The Commission found that the Latvian measures are in line with the conditions set out in the Temporary Framework.

In particular, they entail:

- Guarantees at reduced guarantee fees on loans with limited maturity and size. The measures limits the risk per loan taken by the State to a maximum of 50%; and
- Working capital loans at reduced interest rates with limited maturity and size.

This ensures that support is swiftly available at favourable conditions and limited to those who need it in this unprecedented situation. To achieve this goal, the measures also involve minimum remuneration and safeguards to ensure that the aid is effectively channelled to the beneficiaries in need.

The Commission concluded that that the Latvian loan guarantee scheme and subsidised loan scheme will contribute to managing the economic impact of the coronavirus in Latvia. The measures are necessary, appropriate and proportionate to remedy a serious disturbance in the economy of a Member State, in line with Article 107(3)(b) TFEU and the conditions set out in the Temporary Framework.

On this basis, the Commission approved the measures under EU State aid rules.

### Background

The Commission has adopted a Temporary Framework to enable Member States to use the full flexibility foreseen under State aid rules to support the economy in the context of the coronavirus outbreak. The Temporary Framework provides for five types of aid which can be granted by Member States:

- (i) **Direct grants, selective tax advantages and advance payments:** Member States will be able to set up schemes to grant up to €800,000 to a company to address its urgent liquidity needs.
- (ii) **State guarantees for loans taken by companies from banks:** Member States will be able to provide State guarantees to ensure banks keep providing loans to the business customers who need them. These state guarantees can cover loans to help businesses cover immediate working capital and

investment needs.

(iii) **Subsidised public loans to companies:** Member States will be able to grant loans with favourable interest rates to companies. These loans can help businesses cover immediate working capital and investment needs.

(iv) **Safeguards for banks that channel State aid to the real economy:** Some Member States plan to build on banks' existing lending capacities, and use them as a channel for support to businesses – in particular to small and medium-sized companies. The Framework makes clear that such aid is considered as direct aid to the banks' customers, not to the banks themselves, and gives guidance on how to ensure minimal distortion of competition between banks.

(v) **Short-term export credit insurance:** The Framework introduces additional flexibility on how to demonstrate that certain countries are not-marketable risks, thereby enabling short-term export credit insurance to be provided by the State where needed. The Commission will continue monitoring the situation and stands ready to amend the list of marketable risk countries if needed.

The Temporary Framework will be in place until the end of December 2020. With a view to ensuring legal certainty, the Commission will assess before that date if it needs to be extended.

The Temporary Framework complements the many other possibilities already available to Member States to mitigate the socio-economic impact of the coronavirus outbreak, in line with EU State aid rules. On 13 March 2020, the Commission adopted a [Communication on a Coordinated economic response to the COVID-19 outbreak](#) setting out these possibilities. For example, Member States can make generally applicable changes in favour of businesses (e.g. deferring taxes, or subsidising short-time work across all sectors), which fall outside State Aid rules. They can also grant compensation to companies for damage suffered due to and directly caused by the coronavirus outbreak.

The non-confidential version of the decision will be made available under the case number SA.56722 in the [State aid register](#) on the Commission's [competition](#) website once any confidentiality issues have been resolved. New publications of State aid decisions on the internet and in the Official Journal are listed in the [State Aid Weekly e-News](#).

More information on the temporary framework and other action the Commission has taken to address the economic impact of the coronavirus pandemic can be found [here](#).

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