



EUROPEAN COMMISSION

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SENSITIVE*: *COMP Operations*

Subject: **State Aid SA.103405 (2022/N) – Italy**
COVID-19: Loans provided by ISMEA in favour of undertakings of the agricultural and fishery sectors affected by the COVID-19 outbreak

Excellency,

1. PROCEDURE

- (1) By electronic notification of 20 June 2022, Italy notified aid in the form of limited amounts of aid (Loans provided by ISMEA in favour of undertakings of the agricultural and fishery sectors affected by the COVID-19 outbreak, the “measure”) under the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak (the “Temporary Framework”).¹ Additional information was provided on 22 June 2022 and 27 June 2022.
- (2) Italy exceptionally agrees to waive its rights deriving from Article 342 of the Treaty on the Functioning of the European Union (“TFEU”), in conjunction with

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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).

S.E On. Luigi DI MAIO
Ministro degli affari esteri e della cooperazione internazionale
P.le della Farnesina 1
I - 00135 Roma

Article 3 of Regulation 1/1958² and to have this Decision adopted and notified in English.

2. DESCRIPTION OF THE MEASURE

- (3) Italy considers that the COVID-19 pandemic affects the real economy. The measure forms part of an overall package of measures and aims to ensure that sufficient liquidity remains available in the market, to counter the liquidity shortage faced by undertakings because of the pandemic, to ensure that the disruptions caused by the pandemic do not undermine the viability of the undertakings and thereby to preserve the continuity of economic activity during and after the pandemic.
- (4) Italy confirms that the aid under the measure is not conditioned on the relocation of a production activity or of another activity of the beneficiary from another country within the EEA to the territory of the Member State granting the aid. This is irrespective of the number of job losses actually occurred in the initial establishment of the beneficiary in the EEA.
- (5) The compatibility assessment of the measure is based on Article 107(3)(b) TFEU, in light of sections 2 and 3.1 of the Temporary Framework.

2.1. The nature and form of aid

- (6) The measure provides aid in the form of direct grants following conversion of loans.
- (7) The present decision concerns the possibility to convert into grants (see recital 15 below) loans granted within the framework of State aid scheme SA.57185³.

2.2. Legal basis

- (8) The legal basis for the original measure is the following:
 - a) the ISMEA deliberation of 23 April 2020;
 - b) the ISMEA deliberation of 9 September 2020;
 - c) Article 222(4) of Decree Law nr. 34 of 19 May 2020.
- (9) The Italian authorities have not provided a draft legal basis for the measure. At the moment of the adoption of this decision, the final decision on whether to convert the loans granted within the framework of the original measure into direct grants has not yet been taken by the competent Italian authorities. The Italian authorities explain that any such legal basis to be adopted to give effect to the possibility to convert the loans into grants will include all elements of the notified measure, in line with the present decision.

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

³ Approved by Commission decision C(2020) 2099 final of 4 May 2020, amended by Commission decision C(2020) 5139 of 22 July 2020 (case SA.58076) and extended by Commission decision C(2020) 8243 of 19 November 2020 (case SA.59447) (“the initial decisions”).

2.3. Administration of the measure

- (10) The Institute of Services for the Agricultural Food Market (ISMEA) is the Authority responsible for administering the measure. ISMEA is a national public economic and is subject to the supervision of the Italian Ministry of Agricultural, Food and Forestry Policies.

2.4. Budget and duration of the measure

- (11) The loans granted within the framework of the original measure amount to EUR 80 million. That amount is not changed by the measure.
- (12) The possible conversion may be implemented as from the notification of the Commission's decision approving the measure until 30 June 2023.

2.5. Beneficiaries

- (13) The final beneficiaries of the measure are small and medium sized enterprises ("SME") operating in Italy in the agricultural, forestry⁴, fishery and aquaculture sectors, with the exclusion of undertakings that were already in difficulty on 31 December 2019. Financial institutions are excluded as eligible final beneficiaries.

2.6. Sectoral and regional scope of the measure

- (14) The measure is open to the agricultural, forestry, fishery and aquaculture sectors. In that regard, the Italian authorities clarified that this includes activities relating to the agricultural sector, i.e. activities carried out by agricultural undertakings falling within the scope both of the Agricultural Block Exemption Regulation⁵ and of the General Block Exemption Regulation⁶. The measure applies to the whole territory of Italy.

2.7. Basic elements of the measure

- (15) The loans to eventually be covered by the conversion are those granted by 30 June 2021 within the framework of the original measure and must have the following characteristics:
- a) be interest free;
 - b) be capped to EUR 30 000;
 - c) have a maximum maturity set at 5 years;
 - d) have a 2-year grace period and an amortization period whose initial maturity is between 31 May 2023 and 30 April 2024, depending on the disbursement date;
 - e) be governed by an agreement signed no later than on 30 June 2021.

⁴ In Italy, forestry activities are part of the agricultural sector.

⁵ Commission Regulation (EU) 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 (OJ L 193 of 1.7.2014, p. 1).

⁶ 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).

- (16) ISMEA (see recital 10) intends to evaluate whether to proceed, by 30 June 2023, with the conversion into a direct grant of the residual loan granted in favour of all final beneficiaries who, by 30 April 2023, will proceed with the partial early repayment of 65% of the nominal value of the loan. For those beneficiaries, the conversion into direct grant will concern 35% of the nominal value of the loan.
- (17) The beneficiaries who do not pay the amount not subject to conversion will have to pay back the loan according to the amortization plan contractually established at the time of disbursement.
- (18) All the other conditions approved in the original measure as amended and prolonged are applicable.

2.8. Cumulation

- (19) All the conditions related to cumulation approved in the original measure as amended and prolonged remain applicable.

3. ASSESSMENT

3.1. Lawfulness of the measure

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

3.2. Existence of State aid

- (21) 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.
- (22) As the loans covered by the measure are governed by the conditions of the original measure as amended and prolonged, the Commission refers to the analysis of the existence of State aid within the meaning of Article 107(1) TFEU carried out in the initial decisions⁷, where it concluded to the existence of State aid within the meaning of Article 107(1) TFEU. As the measure simply consists in a change of aid instrument, it does not affect that conclusion and constitutes State aid within the meaning of Article 107(1) TFEU.

3.3. Compatibility

- (23) The Commission assessed the State aid scheme set out by the original measure on the basis of Article 107(3)(b) of the TFEU in light of the Temporary Framework and concluded that it was compliant with the compatibility conditions set out in that framework.

⁷ See recitals 28 to 33 of Commission decision C(2020) 2099 final of 4 May 2020 (case SA.57185), recitals 13 and 14 of Commission decision C(2020) 5139 of 22 July 2020 (case SA.58076) and recitals 9 and 10 of Commission decision C(2020) 8243 of 19 November 2020 (case SA.59447).

- (24) The Commission refers to its analysis of compatibility as set out in the initial decisions⁸.
- (25) The conversion of loans into grants is allowed under point 23ter of the Temporary Framework if it takes place by 30 June 2023 and the conditions of section 3.1 are respected.
- (26) The Commission notes that the loans covered by the measure are governed by the same conditions as the conditions of the original measure as amended and prolonged (recital 19) and that the conversion might take place until 30 June 2023 (recital 12). As the measure consists only in a change of aid instrument complying with the provisions of point 23ter of the Temporary Framework, the Commission considers that the measure meets the conditions of the Temporary Framework and is compatible with the internal market for the reasons set out in the initial decisions.
- (27) The Commission therefore considers that the measure is necessary, appropriate, and proportionate to remedy a serious disturbance in the economy of a Member State (Italy) pursuant to Article 107 (3)(b) TFEU.

4. CONCLUSION

The Commission has accordingly decided not to raise objections to the 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.

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⁸ See recitals 34 to 42 of Commission decision C(2020) 2099 final of 4 May 2020 (case SA.57185), recitals 15 to 203 and 14 of Commission decision C(2020) 5139 of 22 July 2020 (case SA.58076) and recitals 11 to 16 of Commission decision C(2020) 8243 of 19 November 2020 (case SA.59447).

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

