



EUROPEAN COMMISSION

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Brussels, 06.04.2011  
C(2011)2505 final

**Subject:** State aid n° SA.32664 (2011/N) - Czech Republic  
Temporary Framework – Prolongation of Czech limited amounts of compatible aid scheme (N 236/2009)

Sir,

## 1. PROCEDURE

- (1) By electronic notification of 3 March 2011 the Czech authorities notified the prolongation of the existing aid scheme "Limited amounts of compatible aid". By electronic communications of 17 March 2011, additional information was requested by the Commission. The Czech authorities submitted the requested information on 17 March 2011. The existing aid scheme was approved by the Commission on 7 May 2009 (N 236/2009)<sup>1</sup>.

## 2. DESCRIPTION OF THE NOTIFIED PROLONGATION

- (2) The existing aid scheme "limited amounts of compatible aid" was approved by the Commission on the basis of the Communication from the Commission – Temporary Community framework for State aid measures to support access to finance in the current financial and economic crisis (Temporary Community Framework)<sup>2</sup>. Now the Czech authorities notify the prolongation of the aid scheme on the basis of the Commission Communication on the Temporary Union framework for State aid measures to support access to finance in the current financial and economic crisis (Temporary Union Framework)<sup>3</sup>.

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<sup>1</sup> OJ C 148, 30 June 2009, p. 2.

<sup>2</sup> OJ C 83, 7 April 2009, p.1, as amended OJ C 261, 31 October 2009, p.2 as amended OJ C 303, 15 December 2009, p.6.

<sup>3</sup> OJ C 6, 11.1.2011, p. 5.

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- (3) Aid on the basis of the prolonged aid scheme "Small amounts of compatible aid" can be granted until the end of 2011 on the condition that the beneficiary has submitted its application under the existing aid scheme as approved under the Temporary Community Framework no later than 31 December 2010.
- (4) The aid will not raise the total amount of aid received by the undertaking during the period from 1 January 2008 to 31 December 2011 to a level above the ceiling of EUR 500 000.
- (5) The expected budget of the prolonged scheme is that in 2011 additional aid to be paid out will not exceed CZK 1 billion (approximately EUR 40 million).
- (6) The scheme will enter into force after the approval of the Commission and expire on 31 December 2011.
- (7) All other elements of the existing scheme remain unchanged as stated in the above mentioned decision of 7 May 2009 (N 236/2009).
- (8) The Czech authorities confirmed that the monitoring and reporting obligations laid down in particular in Section 4 of the Temporary Union framework will be respected.
- (9) Furthermore, the Czech authorities declared to respect the applicable rules in case of co-financing with the EU Structural Funds and other EU financing instruments.
- (10) The Czech authorities confirmed that the notification does not contain business secrets.
- (11) In view of the urgency of the measure, the Czech authorities agreed that the Commission decision is adopted in the English language as the authentic language.

### **3. ASSESSMENT**

- (12) In its decision of 7 May 2009, the Commission concluded that the "Small amounts of compatible aid" scheme constitutes State aid within the meaning of Article 107(1) of the Treaty on the Functioning of the European Union ("TFEU"). However, it found that the measures were compatible with the internal market under Article 107(3)(b) TFEU, because they were apt to remedy a serious distortion of the Czech economy. To this end, the Commission had assessed the appropriateness, necessity and proportionality of the measure.
- (13) In view of the continued volatility of financial markets and the uncertainty about the economic outlook, the Commission has decided that a prolongation until the end of 2011 of the Temporary Community Framework measures targeted to facilitate companies' access to finance is justified in order to assure a gradual return to normal state aid rules while limiting their impact on competition.
- (14) The Commission observes that the prolongation of the scheme is a response to the continuing difficulties that enterprises in the Czech Republic continue to experience in obtaining funding by the banks. Even though in broad terms the health of the banking sector has improved compared with the situation existing one year ago, the recovery is still fragile as the future evolution of financing remains uncertain. Thus the risk persists that the banking system may not be ready to sustain the recovery when credit demands picks up.
- (15) Against this background and taking into account the residual fragility of the recovery process and the possibility of setbacks in that process, the continuation of the "Small amounts of compatible aid" scheme can be deemed necessary to

facilitate companies' access to finance. The Commission considers that an abrupt withdrawal of the scheme might put further stress on the recovery process. The Commission therefore considers that the prolongation of the scheme until the end of 2011 is appropriate, necessary and proportional to remedy a serious disturbance of the Czech economy.

- (16) On the basis of the above, the notified prolongation of the "Limited amount of compatible aid under the Temporary Framework" scheme does not alter the Commission's previous assessment in the decision of 7 May 2009.
- (17) On the basis of these considerations, the prerequisites for the compatibility of "Limited amount of compatible aid under the Temporary Framework" with Article 107(3)(b) TFEU that have been established by the Temporary Framework continue to apply until 31 December 2011. Furthermore, the Commission considers that the notified prolongation of the scheme "Small amounts of compatible aid" complies with the requirements set out in point 2.2. of the Temporary Union Framework above and is therefore compatible with the internal market.
- (18) In view of co-financing with the EU Structural Funds, the Commission notes the commitment of the Czech authorities to respect the relevant rules applicable and reminds the Czech authorities in particular of the provisions laid down in Council Regulation (EC) No 1083/2006 ("General Regulation on Structural Funds") and Regulation (EC) No 1080/2006 of the European Parliament and of the Council ("ERDF Regulation").
- (19) In particular, Article 45 first subparagraph of Commission Regulation (EC) No 1828/2006 states that investments of financial engineering instruments (co-financed by Structural Funds) shall be made "only at the establishment, in the early stages, including seed capital, or on expansion of those enterprises, and only in activities which the managers of the financial engineering instruments judge potentially economically viable." This norm is fully applicable in the context of the Temporary Union Framework."
- (20) The Commission notes that the notification does not contain business secrets and that the Czech authorities agreed that the decision is adopted in English as the authentic language.

#### 4. DECISION

- (21) The Commission has accordingly decided
  - to consider the notified prolongation of the aid scheme as compatible with Article 107(3)(b) of the TFEU.

Yours faithfully,  
For the Commission



Joaquín ALMUNIA  
Vice-President