



State aid: Commission approves €3 billion Portuguese guarantee schemes for SMEs and midcaps affected by Coronavirus outbreak

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The European Commission has found four Portuguese guarantee schemes for small and medium-sized enterprises (SMEs) and midcaps affected by the Coronavirus outbreak to be in line with EU State aid rules. The schemes, with a total budget of €3 billion, 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. The Commission approved the four Portuguese schemes two days after the entry into force of the Framework.

Executive Vice President Margrethe **Vestager**, in charge of competition policy, said: *“The economic impact of the Coronavirus outbreak is severe. Together with Member States, we are working to manage this impact as much as we can. And we need to act in a coordinated manner, to help Europe’s economy weather this storm and bounce back strongly afterwards. The four Portuguese guarantee schemes for SMEs and midcaps are an important step in this direction. Today, we have approved these measures under the new State aid Temporary Framework, in close cooperation with the Portuguese government.”*

The Portuguese support measures

Portugal notified to the Commission under the [Temporary Framework](#) four guarantee schemes for SMEs and midcaps affected by the Coronavirus outbreak, active in four different sectors: (i) tourism; (ii) restaurants (and other similar activities); (iii) extractive and Manufacturing industry; and (iv) travel agency activities, touristic animation, event organisation (and similar activities). The four schemes have a total budget of €3 billion.

The schemes aim at limiting the risks associated with issuing operating loans to those companies that are severely affected by the economic impact of the Coronavirus outbreak. The objective of the measures is to ensure that these companies have sufficient liquidity to safeguard jobs and continue their activities faced with the difficult situation caused by the Coronavirus outbreak.

The Commission found that the Portuguese measures are in line with the conditions set out in the Temporary Framework. In particular, they cover guarantees on operating loans with a limited maturity and size. They also limit the risk taken by the State to a maximum of 90%. 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 by the banks or other financial institutions to the beneficiaries in need.

The Commission concluded that the four Portuguese guarantee schemes for SMEs and midcaps will contribute to managing the economic impact of the Coronavirus outbreak in Portugal. 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.56755 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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