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**Subject: State Aid SA.62647 (2021/N) – Portugal
COVID-19: Liquidity Incentive System for micro, small and medium
undertakings in the Outermost Region of Madeira in the context of
the COVID-19 pandemic. Measure called “Programa
APOIAR.PT.Madeira”**

Excellency,

1. PROCEDURE

- (1) By electronic notification of 9 April 2021, Portugal notified aid in the form of limited amounts of aid (“Programa APOIAR.PT.Madeira”, the “measure”) under the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak (the “Temporary Framework”).¹
- (2) The Commission asked for additional information on 19 April 2021, which Portugal provided on 1 May 2021.
- (3) Portugal exceptionally agrees to waive its rights deriving from Article 342 of the Treaty on the Functioning of the European Union (“TFEU”), in conjunction with

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) and C(2021) 564 (OJ C 34, 1.2.2021, p. 6).

S. Ex.^a o Ministro dos Negócios Estrangeiros
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Article 3 of Regulation 1/1958² and to have this Decision adopted and notified in English.

2. DESCRIPTION OF THE MEASURE

- (4) Portugal considers that the COVID-19 outbreak affects the real economy across all regions. Portugal indicates that the outermost region of Madeira is particularly affected due to its structural and economic situation characterised by its remoteness, insularity, small size, difficult topography and a strong reliance on tourism and other services sectors. Moreover, the containment measures adopted by the regional authority have had an immediate and severe impact on regional undertakings.
- (5) The Regional Government of Madeira has set up the present measure, which provides direct financial support to undertakings that operate in sectors particularly affected by the containment measures. 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 outbreak, to ensure that the disruptions caused by the outbreak do not undermine the viability of the undertakings and thereby to preserve the continuity of economic activity during and after the outbreak.
- (6) Portugal 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.
- (7) 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

- (8) The measure provides aid in the form of direct grants.

2.2. Legal basis

- (9) The legal bases for the measure are the Resolution of the Presidency of the Regional Government of the Autonomous Region of Madeira No. 200/2021 of the 29 March 2021³ and the “Specific Regulation of the Liquidity Incentive System for SMEs in the Autonomous Region of Madeira in the context of the COVID-19 pandemic”, setting up the “Programa APOIAR.PT.Madeira”. This Specific Regulation will be published in the Portuguese official journal and will enter into force after the Commission’s approval of the notified measure.

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

³ Resolução n.º 200/2021 da Presidência do Governo Regional, Jornal Oficial da Região Autónoma da Madeira, Série I, número 57, de 29 de Março de 2021, p. 5 (<https://joram.madeira.gov.pt/joram/1serie/Ano%20de%202021/ISerie-057-2021-03-29.pdf>).

2.3. Administration of the measure

- (10) The Managing Authority of the Operational Programme “Madeira 14-20” of the Regional Development Institute⁴ is responsible for granting the aid.
- (11) The Institute for Enterprise Development of the Autonomous Region of Madeira⁵ (“IDE, IP-RAM”) is responsible for implementing the aid measure.

2.4. Budget and duration of the measure

- (12) The estimated budget of the measure is EUR 22 million.
- (13) The measure will be financed by the European Structural and Investment Funds (ESIF) to the extent possible,⁶ and/or national resources. The Portuguese authorities confirmed that the rules applicable under the ESIF will be respected.
- (14) Aid may be granted under the measure as from the notification of the Commission’s approval until no later than 31 December 2021. Applications may be submitted until 30 November 2021.

2.5. Beneficiaries

- (15) The beneficiaries of the measure are micro, small and medium-sized undertakings⁷ legally established on 1 January 2020 with head offices and activity in the outermost region of Madeira, which operate in the following most severely impacted sectors⁸:
 - (a) Bread making, pastry, manufacture of cookies, biscuits, toasts and preservation pastries
 - (b) Wholesale and retail trade; repair of motor vehicles and motorcycles, except fuels
 - (c) Accommodation, food service activities and similar
 - (d) Other touristic activities
 - (e) Other cultural activities
 - (f) Service activities most affected by the containment measures.

⁴ Autoridade de Gestão do Programa Operacional “Madeira 14-20” do Instituto de Desenvolvimento Regional, IP-RAM (<https://www.idr.madeira.gov.pt>).

⁵ Instituto de Desenvolvimento Empresarial, IP-RAM (<http://www.ideram.pt>).

⁶ Subject to Commission decision on the implementation of REACT-EU resources affecting the reprogramming of “Madeira 14-20” Operational Programme.

⁷ As defined in Annex I to 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, 26.6.2014, p. 1.

⁸ Those sectors are more precisely defined in Annex A of the “Specific Regulation of the Liquidity Incentive System for SMEs in the Autonomous Region of Madeira in the context of the COVID-19 pandemic”, by reference to the NACE codes.

- (16) Financial institutions and undertakings active in the processing and marketing of agricultural products⁹ and in the primary production of agricultural products, fishery and aquaculture sectors are excluded as eligible final beneficiaries.
- (17) Aid may not be granted under the measure to medium¹⁰ enterprises that were already in difficulty within the meaning of the General Block Exemption Regulation (“GBER”)¹¹ on 31 December 2019. Aid may be granted under the measure to micro and small enterprises that were in difficulty within the meaning of the GBER on 31 December 2019, if those enterprises, at the moment of granting the aid, are not subject to collective insolvency procedure under national law and they have not received rescue aid¹² or restructuring aid.¹³

2.6. Sectoral and regional scope of the measure

- (18) The measure is limited to micro, small and medium-sized undertakings active in the sectors mentioned above (see recital (15)). It applies to the outermost region of Madeira.

2.7. Basic elements of the measure

- (19) The objective of the measure is to support the urgent liquidity needs of micro, small and medium-sized undertakings with head offices and activity in the outermost region of Madeira, which suffered losses due to the COVID-19 outbreak. The measure also intends to mitigate the impacts that rents have on the expenses incurred by the undertakings and aims at improving their conditions to meet their short-term commitments.
- (20) The measure provides two different types of direct grants, which are destined to support the:
- (a) Treasury
 - (b) Payment of non-housing rents and other rental contracts.
- (21) Undertakings are eligible for the grants referred to in recital (20) if they can prove a fall in turnover of at least 25% in 2020, compared with the same period in 2019. For companies that started their activity in 2019, the turnover decrease is compared to the monthly average turnover of the activity period until 29 February

⁹ 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.

¹⁰ As defined in Annex I to 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, 26.6.2014, p. 1.

¹¹ As defined in Article 2(18) of 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, 26.6.2014, p. 1.

¹² Alternatively, if they have received rescue aid, they have reimbursed the loan or terminated the guarantee at the moment of granting of the aid under the notified measure.

¹³ Alternatively, if they have received restructuring aid, they are no longer subject to a restructuring plan at the moment of granting of the aid under the notified measure.

2020, considering only complete calendar months. A certified accountant responsible for the company's accounts must certify the fall in turnover. These eligibility criteria and the ones under recital (15) are further specified under Article 6 of the "Specific Regulation of the Liquidity Incentive System for SMEs in the Autonomous Region of Madeira in the context of the COVID-19 pandemic", which also provides for additional eligibility criteria, concerning e.g. the value of the equity capital on 31 December 2019 and the tax situation of the undertaking.

- (22) The maximum aid amount for the treasury support is EUR 15 000 for micro companies, EUR 40 000 for small companies and EUR 100 000 for medium-sized companies.
- (23) For the payment of non-housing rents and other rental contracts, undertakings are eligible if they are a lessee in a lease agreement for non-housing purposes or other rental contracts starting on a date prior to 13 March 2020, and for which, at the date of application, there is no cause for the termination of the contract or the cause for termination is ineffective. Eligible beneficiaries shall be provided with aid corresponding to 50% of the reference rental value (rent paid in December 2020) up to a maximum amount of EUR 2 000 per month and per establishment located in the outermost region of Madeira, for 6 months.
- (24) The maximum aid amount for the payment of non-housing rents and other rental contracts is EUR 40 000 per undertaking.
- (25) The two types of direct grants mentioned in recital (20) can be cumulated.
- (26) The Portuguese authorities confirm that the overall amount of the grants (both treasury support and payment of non-housing rents and other rental contracts) per undertaking (gross, i.e. before any deduction of tax or other charge) is below EUR 1.8 million.

2.8. Cumulation

- (27) The aid ceilings and cumulation maxima fixed under the measure will apply regardless of whether the support for the aided project is financed entirely from State resources or partly financed by the ESIF.
- (28) The Portuguese authorities confirm that aid granted under the measure may be cumulated with aid under de minimis Regulation¹⁴ or the GBER¹⁵ provided the provisions and cumulation rules of those Regulations are respected.
- (29) The Portuguese authorities confirm that aid granted under the measure may be cumulated with aid granted under other measures approved by the Commission under other sections of the Temporary Framework provided the provisions in those specific sections are respected.

¹⁴ 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 (OJ L 352, 24.12.2013, p. 1).

¹⁵ 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.

- (30) The Portuguese authorities confirm that if the beneficiary receives aid on several occasions or in several forms under the measure or aid under other measures approved by the Commission under section 3.1 of the Temporary Framework, the overall maximum cap per undertaking, as set out in point 22(a) of that framework, will be respected. Aid granted under the measure and/or other measures approved by the Commission under section 3.1 of the Temporary Framework which has been reimbursed before 31 December 2021 shall not be taken into account in determining whether the relevant ceiling is exceeded.

2.9. Monitoring and reporting

- (31) The Portuguese authorities confirm that they will respect the monitoring and reporting obligations laid down in section 4 of the Temporary Framework (including the obligation to publish relevant information on each individual aid above EUR 100 000 granted under the measure on the comprehensive national State aid website or Commission’s IT tool within 12 months from the moment of granting¹⁶).

3. ASSESSMENT

3.1. Lawfulness of the measure

- (32) By notifying the measure before putting it into effect (recital (9)), the Portuguese authorities have respected their obligations under Article 108(3) TFEU.

3.2. Existence of State aid

- (33) 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.
- (34) The measure is imputable to the State, since it is administered by the Managing Authority of the Operational Programme “Madeira 14-20” of the Regional Development Institute and by IDE, IP-RAM, a public institute under the supervision of the Regional Secretary of Economy (recitals (10) and (11)), and it is based on a Resolution of the Presidency of the Regional Government and on the “Specific Regulation of the Liquidity Incentive System for SMEs in the Autonomous Region of Madeira in the context of the COVID-19 pandemic” (recital (9)). It is financed through State resources, since it is financed by public funds.
- (35) The measure confers an advantage on its beneficiaries in the form of direct grants (recital (8)). The measure thus confers an advantage on those beneficiaries, which they would not have had under normal market conditions.

¹⁶ Referring to information required in Annex III to Commission Regulation (EU) No 651/2014 and Annex III to Commission Regulation (EU) No 702/2014 and Annex III to Commission Regulation (EU) No 1388/2014.

- (36) The advantage granted by the measure is selective, since it is awarded only to micro, small and medium-sized undertakings, and only to such undertakings active in the sectors mentioned above and in the outermost region of Madeira (recital (15)).
- (37) 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 (recital (15)).
- (38) In view of the above, the Commission concludes that the measure constitutes aid within the meaning of Article 107(1) TFEU. The Portuguese authorities do not contest that conclusion.

3.3. Compatibility

- (39) 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.
- (40) 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*”.
- (41) By adopting the Temporary Framework on 19 March 2020, the Commission acknowledged (in 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 that “*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*”.
- (42) The measure aims to remedy situation of liquidity shortages at a time when the normal functioning of markets is severely disturbed by the COVID-19 outbreak and that outbreak is affecting the wider economy and leading to severe disturbances of the real economy of Member States.
- (43) The measure is a part of a series of measures conceived at national and regional level by the Portuguese authorities to remedy a serious disturbance in their economy. The importance of the measure to preserve economic continuity is widely accepted by economic commentators and the measure is of a scale which can be reasonably anticipated to produce effects across the Portuguese economy. Furthermore, the measure has been designed to meet the requirements of a specific category of aid (“*Limited amounts of aid*”) described in section 3.1 of the Temporary Framework.
- (44) The Commission accordingly considers that the measure is necessary, appropriate and proportionate to remedy a serious disturbance in the economy of a Member State and meets all the conditions of section 3.1 of the Temporary Framework. In particular:
- The aid takes the form of direct grants (recital (8)).

- The overall nominal value of the direct grants does not exceed EUR 1.8 million per undertaking (recital (26)); all figures used must be gross, that is, before any deduction of tax or other charges. The measure therefore complies with point 22(a) of the Temporary Framework.
 - Aid is granted under the measure on the basis of a scheme with an estimated budget as indicated in recital (12). The measure therefore complies with point 22(b) of the Temporary Framework.
 - Aid may not be granted under the measure to medium¹⁷ enterprises that were already in difficulty on 31 December 2019 (recital (17)). The measure therefore complies with point 22(c) of the Temporary Framework. Aid may be granted to micro and small enterprises that were in difficulty on 31 December 2019, if those enterprises, at the moment of granting the aid, are not subject to collective insolvency procedure under national law and they have not received rescue aid¹⁸ or restructuring aid¹⁹ (recital (17)). The measure therefore complies with point 22(c)bis of the Temporary Framework.
 - Aid will be granted under the measure no later than 31 December 2021 (recital (14)). The measure therefore complies with point 22(d) of the Temporary Framework.
- (45) The Portuguese authorities confirm 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 (recital (6)).
- (46) The Portuguese authorities confirm that the monitoring and reporting rules laid down in section 4 of the Temporary Framework will be respected (recital (31)). The Portuguese authorities further confirm that the aid under the measure may only be cumulated with other aid, provided the specific provisions in the sections of the Temporary Framework and the cumulation rules of the relevant Regulations are respected (recitals (28) to (30)).
- (47) The Portuguese authorities also confirm that the rules under the ESIF will be respected (recital (13)).
- (48) The Commission therefore considers that the measure is necessary, appropriate and proportionate to remedy a serious disturbance in the economy of a Member State pursuant to Article 107(3)(b) TFEU since it meets all the relevant conditions of the Temporary Framework.

¹⁷ As defined in Annex I to 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, 26.6.2014, p. 1.

¹⁸ Alternatively, if they have received rescue aid, they have reimbursed the loan or terminated the guarantee at the moment of granting of the aid under the notified measure.

¹⁹ Alternatively, if they have received restructuring aid, they are no longer subject to a restructuring plan at the moment of granting of the aid under the notified measure.

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 Treaty on the Functioning of the European Union.

The decision is based on non-confidential information and is therefore published in full on the Internet site: <http://ec.europa.eu/competition/elojade/isef/index.cfm>.

Yours faithfully,

For the Commission

Margrethe VESTAGER
Executive Vice-President