EUROPEAN COMMISSION

Brussels, 20.12.2010
C(2010)9497 final

Subject: **State Aid SA.32039 (N/2010) - Italy**
Prolongation of the "Temporary aid scheme for granting aid in the form of loans with subsidised interest rate" (N 268/2009) - Aiuti sotto forma di tasso di interesse agevolato

Sir,

1. PROCEDURE

(1) By electronic notification registered on 6 December 2010, Italy notified the prolongation of the existing aid scheme "Temporary aid scheme for granting aid in the form of loans with subsidised interest rate"[1] ("the existing scheme" hereinafter) and submitted additional information on 7 December 2010. By electronic notification, on 13 December 2010 the Italian authorities submitted further clarifications and confirmations to the Commission.

2. DESCRIPTION OF THE NOTIFICATION

2.1. Description of the notified prolongation

(2) The existing aid scheme 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" hereinafter)[2]. Now the Italian authorities notify the prolongation of the aid scheme on the basis of the Commission Communication on the Temporary Union framework for State aid

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1 See the Commission decision on 29 May 2009 in State aid case N 268/2009, OJ C 151, 3 July 2009, p. 20

2 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.

S.E On. Franco FRATTINI
Ministro degli Affari esteri
P.le della Farnesina 1
I - 00194 Roma

measures to support access to finance in the current financial and economic crisis[3] ("The Temporary Union Framework" hereinafter), which provides for the following amendments:

(a) aid in the form of loans with subsidised interest rate can be granted to finance contracts concluded at the latest on 31 December 2011 and may cover loans of any duration;

(b) the reduced interest rates may be applied for interest payments until December 2013. After that date, an interest rate at least equal to the rate defined in the Communication from the Commission on the revision of the method for setting the reference and discount rates[4] must apply;

(c) for SMEs, the reduced interest rates may relate to both investment and working capital loans; for large companies, it may relate to investment loans only;

(d) firms in difficulty[5] are excluded from the scope of application of the measure.

(3) All other elements of the existing scheme remain unchanged.

(4) The Italian authorities estimate that the number of beneficiaries will be over 1000.

(5) The aid volume available during the prolonged period has been provisionally estimated at EUR 30 million.

(6) The scheme will enter into force on 1 January 2011 and expire on 31 December 2011.

2.2. *Monitoring, Structural funds, business secrets and language waiver*

(7) The Italian authorities confirmed that the monitoring and reporting obligations laid down in particular in Section 4 of the Temporary Union framework will be respected.

(8) Furthermore, the Italian authorities declared to respect the applicable rules in case of co-financing with the EU Structural Funds and other EU financing instruments.

(9) The Italian authorities confirmed that the notification does not contain business secrets and that, in view of the urgency of the measure, they exceptionally accept that the Commission decision is adopted in the English language.

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3 (not yet published); http://ec.europa.eu/competition/state_aid/legislation/temporary_framework_en.pdf

4 "New Communication from the Commission on the revision of the method for setting the reference and discount rates" - OJ C 14, 19 January 2008

5 As defined in point 2.1 of Communication from the Commission - the Community guidelines on State aid for rescuing and restructuring firms in difficulty (OJ C 244, 1.10.2004, p. 2).

3. ASSESSMENT

(10) In its decisions of 29 May 2009, the Commission concluded that the existing 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 Italian economy. To this end, the Commission had assessed the appropriateness, necessity and proportionality of the measure.

(11) In view of the continued volatility of financial markets and the uncertainty about the economic outlook, the Commission has decided that a prolongation until end 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.

(12) The Commission observes that the prolongation of the scheme is a response to the continuing difficulties that enterprises in Italy 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.

(13) 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 existing 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 existing scheme until the end of 2011 is appropriate, necessary and proportional to remedy a serious disturbance of the Italian economy.

(14) On the basis of the above, the notified prolongation of the existing scheme does not alter the Commission's previous assessment in the decision of 29 May 2009. On the basis of these considerations, the prerequisites for the compatibility of schemes with Article 107(3)(b) of the TFEU that have been established by the Temporary Community Framework continue to apply. Furthermore, the Commission considers that the notified prolongation of the existing scheme accompanied by stricter conditions until 31 December 2011 (as described above under section 2) complies with the requirements set out in Section 2.4. of the Temporary Union Framework and is therefore compatible with the internal market.

(15) The Commission notes that the notification does not contain business secrets, and that Italy has exceptionally agreed that the decision be adopted in English as its authentic language.

4. DECISION

(16) 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