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COVID-19 Legal Insights



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State aid to support SMEs in the context of the economic crisis generated by COVID-19

The European Commission approved a state aid scheme for Romania amounting to RON 16 billion (approximately EUR 3.3 billion) to support small and medium enterprises (SMEs) in the context of the COVID-19 pandemic.

The state aid scheme was approved by Emergency Ordinance No. 42/2020.

1. Aid under the form of security interests for loans

Government Emergency Ordinance No. 110/2017 on the support programme for small and medium-sized enterprises IMM INVEST ROMANIA was amended in order to implement the state aid scheme. According to article 1(3)(a) from the ordinance, *“one or more investment loans and/or one or more working capital loans/credit lines, amounting to 80% of the financed amount, exclusive of interest, fees and banking charges related to the bank loan”* may be granted. As a result, each financing granted to a beneficiary for the loans or credit lines provided at letter (a) is capped at: (i) RON 5,000,000 for working capital financing and (ii) RON 10,000,000 for investment loans.

Also, according to article 1(3)(b) from the Government Emergency Ordinance No. 110/2017 *“one or more loans/credit lines for working capital financing, exclusive of interest, fees and banking charges related to the loan guaranteed by the State to a maximum extent of 90%, offered to a micro enterprise or small enterprise”* may be granted. As such, the loans or credit lines provided at letter (b) are capped at: (i) RON 500,000 for micro enterprises and (ii) RON 1,000,000 for small enterprises.

Key facts:

- The scheme provides for security interests of 80% or 90% of the financing;

- The aggregate amount of the aforementioned financing is capped at RON 10,000,000;
- The maximum term of the financing is **72 months** for investment loans and **36 months** for working capital loans; the term for working capital loans may be extended by no more than 36 months;
- **Risk fees** are charged for such security interests, more precisely one-off percentage fees owed to the Ministry of Public Finance calculated by reference to the security interest amount, which are paid once for the entire guarantee period.

2. Aid under the form of grants

SMEs which contracted loans or credit lines may benefit from grants amounting to:

- No more than EUR 800,000 per enterprise;
- No more than EUR 120,000 for fishing and aquaculture enterprises;
- No more than EUR 100,000 for enterprises producing agricultural products.

3. Eligibility criteria

The SMEs should meet the following eligibility criteria to benefit from the state aid:

- They are micro enterprises, small or medium enterprises;
- No decisions for the recovery of a state aid have been issued against them and no enforcement proceedings have already been completed against them;
- They have not requested other types of state aid for the same eligible costs;
- They were not in distress on 31 December 2019, but they became so subsequently, due to the pandemic;
- The enterprise commits not to lay off its existing staff until 31 December 2020.

Key facts:

- The grantor of the state aid scheme is the Ministry of Public Finance, and the manager is the National Fund for Guaranteeing Loans for Small and Medium Enterprises;
- The term for the selection of beneficiaries expires on 31 December 2020, and the grants will be paid until 31 March 2021;
- The ceiling of aggregate grants amounts to approximately EUR 3.1 billion.

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Editors

COVID-19 Legal Insights is our response to the COVID-19 outbreak. We shall keep you informed on the various legal challenges posed by the coronavirus, thanks to a dedicated practice group comprising lawyers with different backgrounds, such as compliance/regulatory, corporate and commercial, insurance, labour and employment, litigation and arbitration, insolvency, public procurement, data privacy, tax and customs. In addition, our taskforce offers strategic advice on crisis-specific matters: corporate restructuring, review and (re)negotiation of agreements (including collective bargaining agreements and individual employment contracts), performance of the contracts which are affected by force majeure and hardship, unblocking pre-litigation relationships, etc. To keep abreast of developments, please feel free to regularly check our dedicated online resource: <http://www.tuca.ro/covid-19/>



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