**Investment Fiche**

**Investment title:** RRP Loan Facility

**Unique ID:** 16980

**NRRP Pillar:** Private Investments and Transformation of the economy

**Component:** 4.7. Promote private investments and exports and improve the business environment

The Ministry of Finance is introducing the “RRP Loan Facility”, an investment related to the provision of financial incentives to the private sector, aiming to promote private investments for the green transition, digitalization, extroversion, economies of scale facilitation through mergers & acquisitions and innovation (R&D), through, in essence, a state aid reform.

*Addressing challenges:*

One of the most important challenges that has been identified in the context of the European Semester refers to the legacy structural imbalances of the Greek economy in relation to the external sector. Although the flow imbalances with respect to the current account have been largely corrected, Greece’s net international investment position was lower than -150% of GDP in 2019. Although this effect is to a great extent due to high public debt held in concessional terms, the gradual correction of the imbalance requires further improvements in the current account. Tackling excessive macroeconomic imbalances corresponds also to a recommendation addressed to Greece by the Council in 2019, and would require a **reorientation of the economy towards the tradable sector** and an increase in the productivity, competitiveness and extroversion of Greek firms.

At the same time, Greece exhibits an **extremely high investment gap**, when measured either against the Union’s average or against the pre-2010 levels of investment to GDP ratio that prevailed in the Greek economy. This gap constitutes one of the main reasons explaining low productivity growth and the high unemployment ratio, the latter also constituting one of the Greek economy’s excessive imbalances identified in the context of the Semester. It also constitutes a significant obstacle to the swift recovery from the current crisis. In this respect, the Council’s recommendations to Greece in 2020 included a call to promote private investment in order to foster the recovery, as well as a call to promote the digital transformation of businesses, which is also critical in terms of productivity increases.

Weak private investment contributing to large investment gap. Very high negative output gap that is expected to rise from 4.4% of GDP in 2019 to 12.3% in 2020 according to the Commission’s autumn forecasts. Exceptional investment gap, both in terms of Greek historic standards, as well as in terms of the present EU average. In 2019 investment spending in Greece was equal to 10.1% of GDP, as opposed to 21.4% in the euro area, while analysis of disaggregated investment spending reveals that almost two thirds of the investment gap is due to private business investment. Greece had always presented a small gap in this respect, but this widened significantly during the past decade. Furthermore, the business investment gap maintains its ascending trend, since business investment has picked-up in the euro area in recent years but remained stagnated in Greece. Large interest rate differential paid by Greek firms compared to euro area average, increased the cost of capital for Greek firms, thereby restricting significantly business lending and, among other negative effects, delaying the green and digital transition of the Greek private sector. In addition, Greece faces a legacy of exceptionally high debt to GDP ratio, set to surpass the 200% threshold in 2020, implying that the margin available for further increase in Greek public debt is limited. Possible difficulties in financing profitable business investment through the Greek banking sector, due to market failure for investment loans as a result of: limited own-capital of Greek banks in the aftermath of Greek economic crisis, and other banking sector related regulatory thresholds and restrictions (such as high NPL ratios, lower Capital Adequacy Ratios, liquidity issues including cost of deposits, amongst other) limited their ability to provide loans; while reduce their capacity to extend the more loans and more competitive terms to the private sector.

The evidence demonstrates that there is a significant investment gap in Greece, relative to the investments of EU 28, as presented in the Loan request justification paragraph. The investment gap has accumulated over the period 2011 to 2019, reaching € 150 bn.

This investment gap is attributed to several reasons, namely,

1. the significant **constraints in bank financing**, as is evidenced by both the reduction of corporate loan balance in both absolute terms from €120.1bn in 2011 to €72.9 bn in 2020 and the reduction of new disbursement of loans from 14.5% of Greece GDP in 2011, to merely 4.4% in 2019, that is attributed to the significant reduction of bank deposits, the most important source of funding and liquidity for the banks, the significant NPLs that Greek banks have accumulated over the years of the prolonged recession and the lower credit rating as well as the lower Capital Adequacy Ratios of the Greek banks as compared to banks of other EU countries; and,
2. the **much higher cost of funding that Greek Large Corporates and SMEs are incurring**, ranging from 83% to 167% higher interest rates paid by Greek Corporates as compared to Euro Area over the period 2011 to 2020 and from 45% to 84% higher interest rates paid by Greek SMEs as compared to the respective rates paid by SMEs in a sample of EU member countries.

Consequently, for the above-mentioned reasons, Greek corporates significantly reduced their investments over the last decade, hence the investment gap accumulated in Greece as compared to the EU. The new Loan Facility is being designed so as both to increase the available table and SMEs to invest more and hence close this investment gap.

*Objectives:*

The objective entails the use of the maximum allowed RRF loans to provide financial incentives to private investment, close the large investment gap and foster economic recovery. For Greece, this maximum stands at approximately 13 billion euros in 2018 values, i.e. approximately 8% of projected GDP for 2020. Given the limited fiscal space, the deployment of RRF loans is an indispensable prerequisite for increasing aggregate demand. The pre-existing large private investment gap implies that there is a significant pool of mature private investments which, if financed through the RRF, can make a significant contribution towards accelerating economic recovery. Τhe existing large business investment gap implies that the marginal product of capital (i.e. profitability of new investment) is high. This indicates that financing private investment through RRF loans involves significant positive long-term multiplier effects, increasing long-term output, employment, and economic and social resilience.

To that effect, the use of RRF loans for the RRP Loan Facility should respect some guiding principles, most importantly that they will be directed to long-term investments by the private sector rather than to short-term financing of working capital. Moreover, the objective should be to increase the level of financing business investment without channeling RRF loans to loss-making projects, which would result in medium-run sunk costs at the expense of the taxpayer, i.e. higher public debt, impact on deficit. Decisions must be taken using exclusively economic criteria, meaning that only projects with positive expected rate of return (positive net present value) should be financed. The RRF loans should be used in a targeted manner aiming to rebalance the economy towards the traded sector and increase productivity and non-price competitiveness. To that end, investment should focus on projects promoting the green transition, digitalization, innovation (R&D), economies of scale and higher exports.

The RRP Loan Facility will provide loans directed to long-term (6 - 12 years) investment projects, while a reasonable grace period (e.g., 2-3 years) before the commencement of loan repayment shall be provided. It is noted that only eligible elements of projects shall be financed through the RRF scheme. The structure, general provisions, and operating principles of the RRP Loan Facility is in essence a state aid reform while it will encompass three funded financial instruments and one unfunded financial instrument:

* Funded financial instruments: Loan Facility IFIs (International Financial Institutions), Loan Facility CBs (Commercial Banks), Equity Platform
* Unfunded financial instrument: InvestEU national compartment

*Implementation:*

The investment comprises the following parts.

* **Key principles**

RRF loans will be the funds of the RRP Loan Facility. RRP Loan Facility loans will respect the following guiding principles:

* Τhey will be directed to long-term private investments addressing the following policy objectives:
	+ **the green transition,**
	+ **digitalization,**
	+ **extroversion,**
	+ **economies of scale through mergers & acquisitions,**
	+ **innovation (R&D).**
* The decisions will be taken using exclusively economic criteria, with no intervention from the State.
* The low interest rates of the RRF loans will be channeled to the private sector investments in accordance with the EU state aid rules which will be thoroughly implemented, to incentivize investments.
* RRF loans will be leveraged with third party financing at a minimum level of 50%, including own equity and CBs loans.
* The involvement of multilateral organizations (IFIs) to manage the RRF loans and co-finance shall be substantial.
* It is foreseen that IFIs will be directly appointed to manage and/or invest funds to be deployed as financial instruments.
* CBs will be appointed following an open call.
* The returns shall be channeled to the segregated account used to service the public debt.
* Loan Facility’s portfolio shall be rated by a credit rating agency that will be managed by Public Debt Management Agency (“ΟΔΔΗΧ”).
* The RRF loans will be used in a targeted manner aiming to rebalance the economy towards the traded sector and increase productivity and non-price competitiveness.
* Three levels of audit on eligibility. (a) Assessment by the financial institution providing the financing; (b) assessment by Independent certified auditor -prior to the financing; and (c) ex-post assessment.

LF shall not cap the interest rate provided by banks. It’s their role to determine interest rate margins based on their credit policy. Under the operational agreement there will be a specific clause requesting that they must price their part without any extra margin, compared to what they would have charged without LF participation at the financing of the investment. At the operational agreement it will be clearly set, and benchmarking of similar without our support lending activities will be used.

At the same time, the robust LF eligibility process will promote bankable investment projects, which the CBs will compete to attract in their portfolio. The fact that RRF will be open to international CBs, will also increase the competition for financing such investment projects from CBs wishing to start operations in Greece. These conditions are expected to maintain lower margins charged by CBs.

Refinancing will not be allowed, for each LF loan granted CBs will provide a relevant declaration. This will be enforced by banks’ standard practice in Greece to finance investments subject to progress achieved as verified by their technical due diligence.

* **Distribution channels**

Four (4) distinct financial distribution channels shall be employed to use the RRF loans and InvestEU guarantees in order to support private investment, while at the same time safeguarding medium-term fiscal sustainability and ensuring the repayment of the financing by the beneficiary companies. These channels are briefly described below, with one of them entailing also the involvement of two institutions that already have significant lending activity in Greece, namely the European Investment Bank (EIB) and the European Bank of Reconstruction and Development (EBRD):

* Loans from the Greek RRF through the International Financial Institutions – Loan Facility IFIs (“LF IFI”): This channel will co-finance significant private investments by funds from European financial institutions (EIB - European Investment Bank, EBRD - European Bank for Reconstruction and Development) and Greek RRF loans. LF IFI mechanism aims to finance significant investments mainly of mid-caps and large companies, while the total amount of LF IFI loans is estimated to amount between 40% and 60% of the RRF Loans. LF IFI is expected to cover a maximum of 50% of the investment costs, with private participation amounting to at least 20% of it. For the implementation of LF IFI, a framework of cooperation will be implemented between the European financial institutions and the Ministry of Finance, which ensures on the one hand the requirements of the RRF and on the other hand the guidelines of Greece.
* Loans from the Greek RRF through the Commercial Banks – Loan Facility CBs (“LF CB”): This channel will co-finance private investments by funds from national and international CBs and Greek RRF loans. LF CB mechanism aims to finance significant investments of companies of all sizes, while the total amount of loans of LF CB is estimated to be between 40% and 60% of the RRF Loans. LF CB will cover a maximum of 50% of the investment costs, while the private participation will cover at least 20% of the equity and the remaining amount will be covered by the commercial bank. For the implementation of LF CB, the Ministry of Finance will contract with national and international CBs which will emerge through an open process of invitation to participate. CBs will judge by their own criteria the credibility of each investor and the viability of the investment, without the intervention of the State mechanism, while independent auditors will assess the eligibility of the investments according to the guidelines of the Greek Recovery and Resilience Plan and will control the compliance with the relevant state aid rules.
* Investments from the Greek RRF through the establishment of a new equity platform: This channel aims to finance the investments of fast-growing enterprises in dynamic sectors of the Greek economy, through equity. Equity financing of investment fund management companies will be financed through the equity platform, in order to provide financing to small and medium enterprises (SMEs) through i) Mezzanine Financing (Mezzanine FoF) and ii) Innovate Now FoF. The Mezzanine FoF mechanism will finance by € 400 mn the investment fund management companies and will cover up to 70% of the funds for financing investments by SMEs, which, typically, are not financed by the banking system or the investment funds. The Innovate Now mechanism will finance by € 100 mn the investment fund management companies and will cover up to 70% of their participation funds in investments to SMEs that are active in innovative digital sectors. The new equity platform will operate under the Hellenic Development Bank, for investments, and potentially with the support of the European Investment Fund.
* Investments from the Greek compartment of the InvestEU fund: Greece intends to allocate €500 million to the InvestEU national compartment with focus on the RRP national priorities, as a pilot to test the effectiveness of this particular financial instrument.
* **General Loan Facility Provisions**

The Loans will finance long-term projects, while a reasonable grace period (e.g., 2-3 years) before the commencement of loan repayment shall be provided. It is noted that only eligible elements of projects shall be financed through the RRF scheme.

IFIs and CBs are expected to receive loan applications for RRP support, covering all private entity sizes (Large Caps & Mid-Caps and SMEs) and various investment project budgets.

The IFI distribution channel is foreseen to finance primarily mid-caps and large companies and their viable investments that will have increased and longer lasting impact on job creation, extroversion, and overall economic recovery of the country.

The equity platform will be the channel that will promote Greece’s recovery through the growth of new entrepreneurship, which will provide equity financing to start-ups, scale-ups and dynamic and fast-growing SMEs in important sectors of the Greek economy.

RRP and Bank financings shall be on pari passu basis through Bond Loans and/or Syndicated Loans.

According to Greek Law, Bond Loans can be issued only by a Societe Anonyme (not by other type of companies, i.e. Ltd, etc.). Bond Loans allow:

* Equal treatment for funds extended by RRF and Banks.
* Issuance of different Bond Series, one for RRF and the other for Bank financing, each bearing different interest rate (coupon) with the same interest periods, payment dates, collateral, maturity dates, etc.
* Flexibility and ease of transfer of bond notes.

Companies other than Societe Anonyme can raise RRF and Bank Loans through Syndicated Loans.

LF loans and the loans contributed by IFIs and CBs respectively are treated *pari passu* by applicants. Collateral received will apply for both LF and Bank Loans *pari passu*.

LF and Bank Loans extended under Bond Agreements or Syndicated Agreements constitute corporate loans, thus if the need arise can enable the exercise of collateral by the Bond Holders’ Representative or Arranger to cover any potential losses incurred.

Smaller companies (SMEs) are able to participate in RRP through the issuance of a Bond Loan, as this is a popular financial tool widely used in Greece since 2003 with banks becoming bondholders. Under RRP scheme, LF, IFIs and CBs become bondholders.

In respect to the type of Loans mentioned above, IFIs and CBs will undertake the following:

* Assess the loan requests strictly based on market conditions and banking criteria without any State intervention;
* Negotiate specific terms of Bond Loans or Syndicated Loans (duration, repayment schedule, collateral package, etc.);
* Assess the eligibility criteria and state aid compliance
* Review the report of the Independent Auditor;
* Act as Bond Holders’ Representative or Arranger in Bond Loans or Syndicated Loans respectively;
* Proceed to the appropriate disbursements as stipulated in Bond Loans or Syndicated Loans;
* Monitor the investor’s obligations, acting as Bondholders' Representative or Arranger; and,
* Report to the Investment Board and the HDB (in case of Banks, since HDB is mandated to monitor each Commercial Bank arrangement on behalf of the Investment Board of RRF), which will have a supportive role to the RRP.

LF loans will not take any first loss, as IFIs and CBs will be pari passu on collateral and in any losses to be incurred. All decisions regarding restructuring will be allocated to the banks. Only in the case where IFIs/CBs will propose a restructuring that results into a loss or deferral of principal instalments greater than 10% of the overall loan (LF loan plus IFI/CB loan), consent from the Ministry of Finance will be needed.

The IFIs and CBs will be entitled to management costs and fees for the payment of its services that will be discussed and agreed bilaterally between IFIs/CBs and the Ministry of Finance. Remuneration will be according to standard market rates which will be defined at the operational agreements.

* **Loan governance arrangements**

A robust framework will be set up with CBs to ensure that decision making will be based on sound economic criteria and will be at arms’ length distance from the government. This framework will be based on governance mechanisms used successfully and effectively in the past such as under the Jessica Program (an EU-EIB financial instrument). It is stressed that a similar governance structure and operational agreement will be set up covering both IFIs and CBs, while the preparation of the operational agreement with the EIB will be imminently initiated, which will be the basis also for the agreement with CBs.

The operational agreements between the Greek State and IFIs / CBs, will clearly stipulate that no Greek governmental authority will be involved in the decision process on which projects will be selected to receive financing – as IFIs and CBs will evaluate funding requests and decide based on their internal criteria.

Indicatively, such decision-making processes in the banking sector include: setting of credit policy; management of loan applications; evaluations and processing; risk assessment procedures; assignment of ratings; collaterals policy compliance; pricing policy compliance; terms & conditions; loans approvals process, etc. Only the banks’ internal governing bodies with no involvement from any Greek government authority will perform the decision-making processes.

Regarding CBs, during the selection process via public procurement and before entering into an agreement with the Greek Ministry of Finance to act as Financial Intermediaries of the RRF Loans facility, CBs will be requested to provide details on the decision-making processes that will be followed.

Further to this, IFIs & CBs will ensure towards the RRF Loan Facility that the funded investments are expected to have:

* a positive NPV – ensuring that the decision to finance is based on sound economic criteria and that the investment is eligible to receive financing.
* alignment with the 5 strategic pillars set within the facility and in compliance to state aid rules, as attested by independent auditors.

A dedicated Investment Board Committee, which will be set up under each Loan Facility will have a monitoring role and will have no say in the selection process followed by IFIs and CBs on which projects should receive financing, however IFIs and CBs will report to the Investment Board Committee on regular intervals on the number of applications received, number of loans approved, disbursement of funds, repayments, etc.

Regarding lender categorization and lending decisions the envisaged mechanisms is in essence the mechanism used by IFIs and CBs, when assessing the financial status of a loan applicant, the viability of the investment they have applied for LF financing as well as the impact of the investment in the applicant’s business and market competition. Moreover, the traditional ‘5Cs’ system of credit (i.e., character, capacity, capital, collateral, and condition) used by banks to evaluate the creditworthiness of potential borrowers is expected to be followed. The system typically weighs 5 characteristics of the applicant and conditions of the application for LF and bank loan, attempting to estimate the chance of default and, consequently, the risk of a financial loss for both the LF and the Bank.

To justify their own assessments for sound applicants and projects, IFIs and CBs can also ask for the services of auditing firms, with expenses borne usually by the applicants.

The KPIs for the monitoring of disbursed loans under RRF can be also considered as benchmarks for conditional release of further tranches. As such the IFIs and CBs’ monitoring process can play a key role not only in the quality of LF portfolio but also in the performance of the instrument, which can trigger the release of further tranches of Banks RRP agreements, thus RRF loans.

Key measurable objectives are:

* LF loans finance Investments that target one (1) or more of the five (5) strategic pillars set (i.e., Green transition, Digitalization, Extroversion, Economies of scale through mergers & acquisitions and Innovation (R&D));
* Number and volume of signed LF Loan Agreements; and,
* Utilization progress of the projects.

It is noted that qualified advisors will have to review if the projects comply with the strategic pillars mentioned above. In respect to the eligibility of the investment, it will be evaluated on the screening of the application by a qualified auditor, while reporting on the progress of disbursement in line with eligibility approvals given, will be made throughout the duration of the RRF on at least annual basis, upon LF and project completion.

Typical KPIs used in the banking sector are employed for the monitoring of LF loans portfolio:

* Value of Loans Disbursed over Total Value of loan agreements signed;
* Value of deferred loan service payments over total value of ordinary loan service payments;
* Value of performing loans over total value of loan portfolio;
* Value of Interest paid over Value of Accrued Interest; and,
* Value of Interest paid over Value of Loans Disbursed.

Measurable milestones of the LF are:

* The conclusion of new arrangements with the IFIs;
* The open call to the CBs;
* The signing of the operational agreements with IFIs and CBs;
* IFIs and CB invitations for expression of interest of the LF instruments; and,
* Disbursements of tranches of LF IFI and LF CB loans.

The measurable targets will be set as the number of investments and total value of investments across the 5 strategic pillars mentioned above.

RRF funds repaid, within the initial 2-3 years from the RRF respective disbursements may be used again by RRF, for new LF loans disbursements.

The credit rating agencies registered in the EU will provide rating for the LF Loans portfolio. The rating of LF Loans portfolio is proposed for transparency and reporting purposes only. It is noted that the LF will not issue any debt.

* **Investor’s capital contribution**

With respect to the Investor’s capital contribution, it shall be in the form of Equity or other Own Funds, to retain a balance on various forms of financing. Regarding Loan Facilities to existing companies, the investor will undertake to finance 20% of the project value from own funds. It is noted that, the Investor’s equity - own funds can be contributed either prior or pro rata with the disbursements of LF and Bank Loans.

* **LF IFIs description**

LF IFI will co-finance significant private investments by funds from European financial institutions (EIB - European Investment Bank, EBRD - European Bank for Reconstruction and Development) and Greek RRF loans. Both institutions already have significant lending activity in Greece. The EIB currently has an annual activity in the range of 1.5 to 2 billion. On its side, the EBRD currently has an annual lending activity in Greece circa 500 million.

LF IFI aims to finance significant investments mainly of mid-caps and large companies, while the total amount of LF IFI loans is estimated to amount between 40% to 60% of the RRF Loans. LF IFI is expected to cover a maximum of 50% of the investment costs (Institutions participate at a percentage, at a minimum, 30%), with private participation amounting to at least 20% of it. It is noted that the LF IFI does not intervene in Institutions’ evaluation process nor in their lending operations. Furthermore, an independent auditor will assess, on behalf of the State, the eligibility of the investments in relation to the strategic pillars of the RRP as well as compliance with state aid rules. To this end, a list of pre-approved auditors will be made available. For the implementation of LF IFI, a framework of cooperation will be implemented between the European financial institutions and the Ministry of Finance, which ensures on the one hand the requirements of the RRF and on the other hand the guidelines of Greece.

LF IFI will require new arrangements to be implemented between the Ministry of Finance and IFIs. As such, the new arrangements enable IFIs to finance larger projects and to service primarily Large Caps and Mid-Caps which are expected to be advantageous in the Greek Economy. IFIs arrangements provide full autonomy as to the initial evaluation by them for the financing of projects as well as mandate the direct reporting to the Investment Board of RRP. The LF IFI arrangements’ structure will be according to the diagram below.

*Diagram 1 – LF IFI Arrangement Structure*



The new arrangements will elaborate on the following principles:

* The arrangement mandates IFIs to receive applications for the co-financing of an investment through RRP.
* IFIs report to the Investment Board (Monitoring Committee) to be set up by Ministry of Finance. The Investment Board has no decision-making authority for RRF loan approval, which is undertaken entirely by IFIs on the basis of existing banking criteria.
* IFIs evaluate the credibility of the investor and feasibility of the investment.
* Applications are evaluated as to their eligibility and state aid matters by IFIs and are verified by independent auditor.
* Disbursements are made by IFIs acting as Arrangers and Bond Holders’ Representatives.
* Repayment of capital as well as interest is made by the investor to separate accounts, one to IFI and one to Greek Government.

It is noted that the economic criteria and the decision-making on the credibility of investor and the feasibility of investment are conducted by the EIB / EBRD following standard procedures, without any involvement of the RRF Coordination Agency or any other State entity.

* **LF CBs description**

LF CB will co-finance private investments by funds from national and international CBs and Greek RRF loans, while the total amount of LF CB loans is estimated to amount between 40% to 60% of the RRF Loans. The LF CB characteristics are listed below:

* An open call will be launched for any national or international creditworthy institution (CBs) to apply to RRF.
* CBs should submit a business plan along with their treasury strategy, which will form the key evaluation criteria.
* All selected CBs start with an amount of up to €500m to be disbursed in 2 or 3 instalments. Additional funds will be disbursed to a specific Bank only in case that agreed commitments are achieved for the 60-70% of the first instalment it has received.
* The call remains open during all the RRP period or until all the Loan Facility funds are disbursed.
* Upon reaching an operational agreement, the RRP and the Commercial Bank become bondholders (or co-financiers in a syndicated loan agreement) operating under pari passu basis. On behalf of the Greek Government, the Ministry of Finance will be bondholder, while this Ministry will also have the responsibility of signing the Loan Agreement.
* Investment feasibility and investors credibility will be evaluated exclusively by CBs.
* An independent auditor will assess the eligibility of the investments in relation to the strategic pillars of the RRP as well as compliance with state aid rules. The auditors will be selected by the IFI, from a list of pre-approved auditors.
* RRP covers, at a maximum, 50% of the investment. The investor is expected to contribute min 10% – 20% in Equity. The remaining amount is covered by the Commercial Bank.
* The Loan Facility does not intervene in Banks’ evaluation process nor in their lending operations. However, the Loan Facility will have to provide its consent in case of a Bond Loan or a Syndicated Loan reorganization resulting into a loss or deferral of principal installments greater than 10% of total LF Loan.

New arrangements for LF CB will be according to the diagram below.

*Diagram 2 – LF CBs Arrangement Structure*



New arrangements will elaborate on the following principles:

* Agreements are signed between the Ministry of Finance and CBs.
* The agreements mandate CBs to receive applications for the financing of an investment through RRP.
* Banks report to the Investment Board (Monitoring Committee). The Investment Board has no decision-making authority over the facility.
* An Independent auditor approved by the Ministry of Finance assesses the eligibility of investment as to the 5 strategic pillars set. The ceiling is also verified with the maximum state aid, based on the state aid rules.
* If an investment is eligible CBs proceeds to the evaluation of credibility of the investor and feasibility of the investment subject to their own criteria.
* Disbursements are made by CBs acting as Bond Holders' Representatives (or Arrangers).
* Repayment of capital as well as interest are made by the investor to separate accounts, one to Commercial Bank and one to Greek Government.

It is noted that the economic criteria and the decision-making on the credibility of investors and the feasibility of investment are conducted by the CBs following standard procedures, without any involvement of the RRF Coordination Agency or any other State entity.

* **Equity platform**

Mezzanine FoF description

Establishment of the Mezzanine FoF aims to facilitate alternative financing solutions to companies with difficulties to access:

* new bank credit lines,
* venture capital and
* stock markets as owners will be heavily diluted and relinquish control.

FoF will invest in funds and funds will invest in companies. FoF will invest at the same terms & conditions with private investors in the underlying funds. IRR will be sought to be maximized, typically leading to over 12% IRRs. This is the typical model of fund investments that EIB, EIF and EBRD are following.

Mezzanine FoF offers up to 70% on *pari passu* terms on the total size of new investment funds to broaden the spectrum of financing tools available for companies, especially SMEs, in Greece. It is expected to absorb € 400m through RRF and is managed by HDB.

The estimated implementation time is immediate with an investment period of 3-5 years.

Investment funds are committed to finance the above companies without significant collateral protection through mezzanine capital for 5 to 8 years in the form of:

* Subordinated Debt to Senior Debt
* Convertible Subordinated Debt
* Redeemable Preferred Stock to equity provided by a warrant or outright purchase of common stock

priced higher than bank debt enabling them to improve credit rating, other loan terms and flexibility as well as diversification in sources of financing.

HDB intends to seek EFI’s strong partnership already in place for other equity mandates with the expectation to assist in best market practices and governance. The HDB is mandated to manage Mezzanine FoF and Innovate Now Equifund.

HDB will receive 0.7% annually on the amount of committed capital to support investment funds, while EFI will receive €400,000 annually for 5 years (i.e. 0.1% of Mezzanine FoF).

Given the private sector involvement, the funds will operate according to market best practices. Specific selection criteria cannot be pre-determined in advance, as they are part of the fund managers’ strategy and proposal to obtain financing.

For Mezzanine financing, the underlying funds will use quasi equity instruments (i.e. convertible bonds, mezzanine loans, equity kickers, etc) for which market best practices generally follow generic criteria related to candidate companies:

* high growth
* innovation
* flexibility for development
* limited access to senior debt facilities and venture capital
* shareholders not willing to give up equity and control.
* need to increase equity like funding
* future strong liquidity position to ensure repayment

Monitoring of the underlined funded companies and reporting on the fund’s performance will follow InvestEU (ex-EVCA) guidelines.

Innovate Now FoF description

Establishment of a new Equifund Programme under the name **Innovate Now** to support investment funds using both public and private funds to finance digital technologies and systems.

Existing Equifund in Greece managed to mobilize 150 private investors, invested € 112 mn in 98 companies, 94 of which are startups. For each euro invested another 3 euros were mobilized financing the enterprises.

FoF will invest in funds and funds will invest in companies. FoF will invest at the same terms & conditions with private investors in the underlying funds. IRR will be sought to be maximized, typically leading to over 12% IRRs. This is the typical model of fund investments that EIB, EIF and EBRD are following.

Innovate Now is designed in the framework of the GBER (651/2014). It will offer up to 70% on the total size of new investment funds. It is expected to absorb € 100 mn through RRF and is managed by HDB. Aims to incentivize private capital to enter into this target market.

The estimated implementation time is immediate with an investment period of 3-5 years.

Investment funds are committed to finance new or existing SMEs through equity or bonds (plain or convertible) operating I microelectronic, biotechnology, IT and contribute to the usage of knowledge in the manufacturing process via the development of Cyber – physical systems, IoT, on demand availability computer resources , cognitive computing , robotic applications, artificial intelligence, nanotechnology, genomics, cyberspace, big data analysis. Given the private sector involvement, the funds will operate according to market best practices. Specific selection criteria cannot be pre-determined in advance, as they are part of the fund managers’ strategy and proposal to obtain financing.

Fund-of-Funds stakeholders include:

* The **EIF**, which will have an overall advisory role during the set-up of the Fund-of-Funds
* The **Investments Board**, which will govern the Fund-of-Funds. The Investments Board will have the responsibility to monitor and supervise the implementation of the program and the disbursement of funds. The composition of the Investments Board will be defined by the Greek Ministry of Finance, including the Hellenic Development Bank as well as specialized units of the State.
* **Fund Partners**, which will participate in the Fund-of-Funds will have the responsibility of selecting ventures to receive funding, based on predetermined criteria and in collaboration with the Hellenic Development Bank.

Alignment of the investment strategy with policy objectives will be ensured as: a) Fund Partners eligibility criteria will be set so that these firms will have specialization in targeted sectors which will be in alignment with Greek RRP priorities – b) During the selection of ventures alignment with RRP priorities will be one of the eligibility criteria to be assessed, while such alignment will need to be documented by the venture – c) the Investments Board will have the role of assessing alignment of the overall Fund-of-Funds with the policy objectives by monitoring specific KPIs on a regular basis.

*Stakeholder environment:*

The Ministry of Finance will be the owner of the investment and the entity responsible for the coordination of its implementation. It will cooperate with the IFIs, the CBs, the InvestEU and the Hellenic Development Bank.

*Impediments:*

No impediments are foreseen.

*Target group:*

Businesses

*Timeline:*

See relevant milestone chapter in Part 3.

**Budget:** The budget of the project is expected to be € 12.728 million for RRF (€12.728.000.000,00).

Budget timeline is expected as follows:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Loan Facility** | **2021** | **2022** | **2023** | **2024** | **2025** | **2026** |
| Annual RRF Loans disbursements (%) | 0% | 5% | 25% | 20% | 30% | 20% |
| Aggregate RRF Loans disbursements (%) | 0% | 5% | 30% | 50% | 80% | 100% |
| Annual RRF Loans disbursements (EUR mil) | **0** | **636,4** | **3182** | **2545,6** | **3818,4** | **2545,6** |
| Aggregate RRF Loans disbursements (EUR mil) | **0** | **636,4** | **3818,4** | **6364** | **10182,4** | **12728** |

*Link with reforms:*

Ease of doing business, Actions for the simplification of the business environment and its upgrading in quality and safety, Incentivisation regime for productivity and extroversion of enterprises (increasing the size of enterprises)

*Contribution to six pillars:*

**Green transition:** By design, LF will allocate at least 37% of the value of the LF Loans portfolio towards the green transition, including biodiversity. In that respect, the FIs will maintain a record of the green expenditure within the LF portfolio and assure that the 37% of the overall expenditure is maintained on average for all investment projects in the portfolio. The ex-post report will provide the total investments contribution to the intervention fields and relevant coefficient for the calculation of the LF instrument support to the climate change objectives and the environmental objectives.

In order to achieve this, each investment submitted for the provision of an LF loan, will be required to demonstrate what percentage of its cost will be allocated in a green related expenditure, which can be related to an intervention field of the table in Annex VI of the RRF regulation. In practical terms, this percentage will be verified ex-ante by the independent auditors, as part of the investment assessment.

**Digital transformation:** By design, LF will allocate at least 20% of the value of the LF Loans portfolio towards the digital transition. In that respect, the FIs will maintain a record of the digital expenditure within the LF portfolio and assure that the 20% of the overall expenditure is maintained on average for all investment projects in the portfolio. The ex-post report will provide the total investments contribution to the intervention fields and relevant coefficient for the calculation of the LF instrument support to the digital transition.

In order to achieve this, each investment submitted for the provision of an LF loan, will be required to demonstrate what percentage of its cost will be allocated in a digital related expenditure, which can be related to an intervention field of the table in Annex VII of the RRF regulation. In practical terms, this percentage will be verified ex-ante by the independent auditors, as part of the investment assessment.

**Smart, sustainable and inclusive growth, including economic cohesion, jobs, productivity, competitiveness, research, development and innovation, and a well-functioning single market with strong SMEs:** Access to cost competitive financing along with equity contributions mostly in start-ups for green, digital, innovative, extrovert, private investments, is expected to lead a new generation of businesses in Greece and the transformation of existing ones towards a competitive, productive, jobs and growth creating, sustainable business model. Estimates regarding GDP and employment growth creation are presented in table 3 of the RRP excel.

*Lasting impact:*

The investment, as a significant portion of the RRP is expected to have a 20-years lasting impact to growth and resilience of the Greek economy. Estimations are provided in Part 4 of the RRP.

**State aid assessment:**

1. Loan Facility (IFIs/ Commercial Banks)

At the level of the commercial banks, no advantage is provided given that the facility is open to all banks, through an open call, and their remuneration will be set at market price, to be determined through benchmarking. All banks will have access to the Loan Facility at the same conditions. Furthermore, the market competition ensures that the aid in the form of lower interest rate for the RRF funds is fully passed on to the borrowers, as it allows the final beneficiary to compare different offers and choose the most advantageous one. Therefore, there is no aid for the financial intermediaries.

As for the recipients of the loans, it is the intention of the Hellenic Republic to apply the lowest possible interest rates to the RRF funds, in order to strongly incentivize private investments, in line with the Regulation (EU) 2021/241 establishing the Recovery and Resilience Facility, which provides that through RRF “private investments could also be incentivized through public investment schemes, including financial instruments, subsidies and other instruments, provided state aid rules are complied with” (point 8 of the Preamble).

In this respect, the General Block Exemption Regulation (GBER) 651/2014, as in force, will be used as the legal basis for the compatibility of aid. One or more schemes will be set up on the basis of the articles of GBER relevant to the strategic pillars, indicatively:

* Article 14 for productive initial investments (on the basis of the aid intensities of the regional aid map).
* Article 25 for R&D projects (max aid intensity depends on the type of project, size of the company, etc).
* Article 38 for energy efficiency projects (aid intensity of up to 65% of eligible costs)
* Article 41 for production of energy from renewable sources.

All the relevant conditions of GBER (both general provisions and specific per category) will be respected and will be assessed prior to bank’s commitments. If the state aid compatibility assessment of an investment indicates that the state aid to be provided through the subsidized loan is not covered by GBER, an official notification will be submitted to the European Commission for approval prior to the granting of the loan.

For the calculation of the aid element, the provisions of Article 5(2) of GBER will be applied. The maximum annual interest rate subsidy will be adjusted on a case-by-case basis, in order to ensure that the aid element of the subsidized loan respects the applicable aid ceilings. An independent auditor will calculate, ex ante, the gross grant equivalent (GGE) of the aid. Several state aid compatibility examples are presented in the Annex.

Reference rate:

The reference rate will be determined on the basis of the Commission Communication on reference rates (2008/C 14/02). The reference rate is calculated as the country Base Rate[[1]](#footnote-1) plus the following margins, to be applied depending on the rating of the undertaking concerned and the collateral offered.

*Table 1*

|  |  |  |
| --- | --- | --- |
| Loan margins in basis points |  | Collateralization |
| Rating category |  | High | Normal | Low |
| Strong | AAA-A | 60 | 75 | 100 |
| Good | BBB | 75 | 100 | 220 |
| Satisfactory | BB | 100 | 220 | 400 |
| Weak | B | 220 | 400 | 650 |
| Bad/Financial difficulties | CCC and below | 400 | 650 | 1000 |

It is noted that for the reference rate in case of subordinated loans, the rating will be downgraded by one notch in order to reflect the higher risk of subordination compared to normal senior debt (as per Commission’s decision SA.38674). This is only the case where loans are provided in combination with an IFI financing under a state guarantee[[2]](#footnote-2).

Cases where there is no aid at the level of the borrowers:

* In cases where the interest rate applied to the RRF funds is at the level of the reference rate, as determined in the Commission Communication on reference rates (2008/C 14/02), there is no state aid element.
* State aid is excluded also in the cases where the IFIs finance projects that do not involve economic activity or do not have effect on trade (for example, energy distribution networks that constitute natural monopoly).

2. Equity Platform:

The Mezzanine FoF is designed based on the MEOP (Market Economy Operator Principle) and therefore it will not include any state aid element, whereas the «Innovate Now» program is designed on the basis of the GBER, as the provision of asymmetric returns to public and private investors could be envisaged in order to incentivize private capital to enter this market. Both articles 21 and 22 of the GBER may be applicable, depending on the investment strategy of the underlying funds.

#  Annex – State Aid Compatibility Examples

## 1.1 LF IFI State Aid Compatibility Example

As an example, we present typical investments for which **a large enterprise with BB rating and normal collaterization** would apply for an LF loan. The calculations of the reference rates and GGE are presented first, while the compatibility of State Aid is presented for two different locations in Greece.

### 25 mil Investment Example (A)

**A large enterprise with BB rating and normal collaterization** wishes to execute an investment of € 25 mil, requests a € 10 mil loan from LF. The Gross Grant Equivalent of state aid is calculated at 1.175.956,18 €, on the assumption that the LF loan is provided to the company with 0% interest rate (Table 2).

Table 4

|  |  |  |  |
| --- | --- | --- | --- |
| **Investment A** |  |  |  |
| CAPEX (GBER Article 14 eligible) |  |  25.000.000,00 € |  |
| OPEX |  |  |  |
| Total |  |  25.000.000,00 € |  |
|  |  |  |  |
| Investment Capital |  |  | Interest rate |
| Own capital | 20% |  5.000.000,00 € |  |
| Commercial Bank Loan | 40% |  10.000.000,00 € |  |
| LF Loan | 40% |  10.000.000,00 € | 0,00% |
|  |  |  |  |
| **Calculations of GGE** |  |  |  |
| [Base Rate](https://ec.europa.eu/competition/state_aid/legislation/base_rates2021_03_en.pdf) | 1/3/21 | -0,45% |  |
| Rating category | BB |  |  |
| Collaterisation | Normal |  |  |
| Calculated margin | 220 | 2,20% |  |
| Reference Rate |  | 1,75% |  |
| Discount Rate (equals reference rate) |  | 1,75% |  |
|  |  |  |  |
| Total Discounted Interest of Loan based on Reference Rate |  1.175.956,18 € |  |
| Total Discounted Interest of LF Loan |  |  - € |  |
| **Gross Grant Equivalent of LF Loan** |  |  **1.175.956,18 €** |  |

### 200 mil Investment Example (B)

**A large enterprise with BB rating and normal collaterization** wishes to execute an investment of € 200 mil, requests a € 80 mil loan from LF. The Gross Grant Equivalent of state aid is calculated at 9.407.649,42 €, on the assumption that the LF loan is provided to the company with 0% interest rate (Table 3).

Table 5

|  |  |  |  |
| --- | --- | --- | --- |
| **Investment B** |  |  |  |
| CAPEX (GBER Article 14 eligible) |  |  200.000.000,00 € |  |
| OPEX |  |  |  |
| Total |  |  200.000.000,00 € |  |
|  |  |  |  |
| Investment Capital |  |  | Interest rate |
| Own capital | 20% |  40.000.000,00 € |  |
| Commercial Bank Loan | 40% |  80.000.000,00 € |  |
| LF Loan | 40% |  80.000.000,00 € | 0,00% |
|  |  |  |  |
| **Calculations of GGE** |  |  |  |
| [Base Rate](https://ec.europa.eu/competition/state_aid/legislation/base_rates2021_03_en.pdf) | 1/3/21 | -0,45% |  |
| Rating category | BB |  |  |
| Collaterisation | Normal |  |  |
| Calculated margin | 220 | 2,20% |  |
| Reference Rate |  | 1,75% |  |
| Discount Rate (equals reference rate) |  | 1,75% |  |
|  |  |  |  |
| Total Discounted Interest of Loan based on Reference Rate |  9.407.649,42 € |  |
| Total Discounted Interest of LF Loan |  |  - € |  |
| **Gross Grant Equivalent of LF Loan** |  |  **9.407.649,42 €** |  |

**Before the company signs the LF loan agreement, the compliance against the State Aid notification ceilings of GBER will be assessed and the LF interest rate will be adjusted so the state aid is ex-ante calculated and within the notification limits of GBER.**

Assuming that the investment falls in the state aid category of GBER Article 14 (Regional Investment Aid), the calculation of the aid intensity[1] and the notification thresholds (State Aid ceilings) are based on the Regional Aid Map of Greece (Table 4), with reference to the maximum state aid intensities for the specific areas and size of enterprises and the maximum aid amount[2].

Table 6

|  |  |
| --- | --- |
|  | Maximum State Aid Intensity |
| Region | SMALL ENTERPRISE | MEDIUM ENTERPRISE | LARGE ENTERPRISE |
| EL301 VOREIOS TOMEAS ATHINON | 30% | 20% | 10% |
| EL302 DYTIKOS TOMEAS ATHINON | 30% | 20% | 10% |
| EL303 KENTRIKOS TOMEAS ATHINON | 30% | 20% | 10% |
| EL304 NOTIOS TOMEAS ATHINON | 30% | 20% | 10% |
| EL305 ANATOLIKI ATTIKI | 30% | 20% | 10% |
| EL306 DYTIKI ATTIKI | 40% | 30% | 20% |
| EL307 PEIRAIAS, NISOI | 40% | 30% | 20% |
| ΕL42 ΝOTIO AIGAIO | 40% | 30% | 20% |
| ΕL41 VOREIO AIGAIO | 55% | 45% | 35% |
| ΕL51 ANATOLIKI MAKEDONIA, THRAKI | 55% | 45% | 35% |
| ΕL52 KENTRIKI MAKEDONIA | 55% | 45% | 35% |
| ΕL54 IPEIROS | 55% | 45% | 35% |
| ΕL61 THESSALIA | 55% | 45% | 35% |
| EL65 PELOPONNISOS | 55% | 45% | 35% |
| EL63 DYTIKI ELLADA | 55% | 45% | 35% |
| ΕL43 KRITI | 45% | 35% | 25% |
| ΕL53 DYTIKI MAKEDONIA | 45% | 35% | 25% |
| ΕL62 IONIA NISIA | 45% | 35% | 25% |
| ΕL64 STEREA ELLADA | 45% | 35% | 25% |

The compatibility of the LF State Aid is assessed against:

1. **Aid intensity**, the % of aid with reference to the eligible investment expenditure **cannot exceed the maximum state aid intensity** specified by the region and size of enterprise.

2. **Notification threshold (State Aid ceiling),** the gross grant equivalent of the state aid amount provided for the investment, as defined in GBER, **cannot exceed the maximum aid amount**.

### LF State Aid compliance with GBER – 25 mil Investment A in Athens

A large enterprise with BB rating and normal collaterization wishes to execute an investment of € 25 mil, requests a € 10 mil loan from LF. The Gross Grant Equivalent (GGE) of state aid is calculated at 1.175.956,18 €, on the assumption that the LF loan is provided to the company with 0% interest rate.

The investment is located in Attiki region (EL303 KENTRIKOS TOMEAS ATHINON), according to the regional aid map of Greece the maximum state aid intensity for large enterprises is 10%.

The state aid intensity is calculated as the GGE divided by the eligible expenditure, at 4,7%.

The adjusted aid amount of the investment is calculated as to be 10% x (€ 25.000.000,00 + 0 + 0) = € 2.500.000.

The compatibility of the LF State Aid assessment is as follows:

1. **Aid intensity is compatible with GBER**, as it is 4,7% of the investment expenditure and does not exceed the maximum state aid intensity of 10%.

2. **Notification threshold (State Aid ceiling) is not reached,** the gross grant equivalent of the state aid amount provided for the investment is 1.175.956,18 € and does not exceedthe maximum aid amount of 2.500.000,00 €.

**As shown in Table 5, the LF loan can be granted with 0% interest rate as the ex-ante calculation of GGE is 1.175.956,18 €, which is expressed as state aid intensity of 4,7% of the eligible investment expenditure, as it is below the notification ceiling of € 2,5 mil.**

Table 7

|  |  |
| --- | --- |
| **Example - LF State Aid Compatibility Assessment under GBER Article 14** |  |
|  |  |  |  |
| **Investment A** |  |  |  |
| CAPEX (GBER Article 14 eligible) |  |  25.000.000,00 € |  |
| OPEX |  |  |  |
| Total |  |  25.000.000,00 € |  |
|  |  |  |  |
| Investment Capital |  |  | Interest rate |
| Own capital | 20% |  5.000.000,00 € |  |
| Commercial Bank Loan | 40% |  10.000.000,00 € |  |
| LF Loan | 40% |  10.000.000,00 € | 0,00% |
|  |  |  |  |
| **Calculations of GGE** |  |  |  |
| [Base Rate](https://ec.europa.eu/competition/state_aid/legislation/base_rates2021_03_en.pdf) | 1/3/21 | -0,45% |  |
| Rating category | BB |  |  |
| Collaterisation | Normal |  |  |
| Calculated margin | 220 | 2,20% |  |
| Reference Rate |  | 1,75% |  |
| Discount Rate (equals reference rate) |  | 1,75% |  |
|  |  |  |  |
| Total Discounted Interest of Loan based on Reference Rate |  1.175.956,18 € |  |
| Total Discounted Interest of LF Loan |  |  - € |  |
| **Gross Grant Equivalent of LF Loan** |  |  **1.175.956,18 €** |  |
|  |  |  |  |
| **State Aid Compatibility Assessment** |  |  |  |
| GBER 651/2014 |  | Article 14 (Regional Aid) |  |
| Company size | LARGE |  |  |
| Region | EL303 KENTRIKOS TOMEAS ATHINON |  |  |
| Maximum State Aid Intensity |  | 10% |  |
| Maximum State Aid amount |  |  2.500.000,00 € |  |
| Notification ceiling |  |  7.500.000,00 € |  |
| Compatible with GBER? |  | YES |  |
| **LF State Aid intensity** |  | **4,70%** |  |

### LF State Aid compliance with GBER – 25 mil Investment A in Thessaloniki

A large enterprise with BB rating and normal collaterization wishes to execute an investment of € 25 mil, requests a € 10 mil loan from LF. The Gross Grant Equivalent (GGE) of state aid is calculated at 1.175.956,18 €, on the assumption that the LF loan is provided to the company with 0% interest rate.

The investment is located in Thessaloniki region (ΕL52 KENTRIKI MAKEDONIA), according to the regional aid map of Greece the maximum state aid intensity for large enterprises is 35%.

The state aid intensity is calculated as the GGE divided by the eligible expenditure, at 4,7%.

The adjusted aid amount of the investment is calculated as to be 35% x (€ 25.000.000,00 + 0 + 0) = € 8.750.000,00.

The compatibility of the LF State Aid assessment is as follows:

1. **Aid intensity is compatible with GBER**, as it is 4,7% of the investment expenditure and does not exceed the maximum state aid intensity of 35%.

2. **Notification threshold (State Aid ceiling) is not reached,** the gross grant equivalent of the state aid amount provided for the investment is 1.175.956,18 € and does not exceedthe maximum aid amount of 8.750.000,00 €.

**As shown in Table 6, the LF loan can be granted with 0% interest rate as the ex-ante calculation of GGE is 1.175.956,18 €, which is expressed as state aid intensity of 4,7% of the eligible investment expenditure, as it is below the notification ceiling of € 8,75 mil.**

Table 8

|  |  |
| --- | --- |
| **Example - LF State Aid Compatibility Assessment under GBER Article 14** |  |
|  |  |  |  |
| **Investment A** |  |  |  |
| CAPEX (GBER Article 14 eligible) |  |  25.000.000,00 € |  |
| OPEX |  |  |  |
| Total |  |  25.000.000,00 € |  |
|  |  |  |  |
| Investment Capital |  |  | Interest rate |
| Own capital | 20% |  5.000.000,00 € |  |
| Commercial Bank Loan | 40% |  10.000.000,00 € |  |
| LF Loan | 40% |  10.000.000,00 € | 0,00% |
|  |  |  |  |
| **Calculations of GGE** |  |  |  |
| [Base Rate](https://ec.europa.eu/competition/state_aid/legislation/base_rates2021_03_en.pdf) | 1/3/21 | -0,45% |  |
| Rating category | BB |  |  |
| Collaterisation | Normal |  |  |
| Calculated margin | 220 | 2,20% |  |
| Reference Rate |  | 1,75% |  |
| Discount Rate (equals reference rate) |  | 1,75% |  |
|  |  |  |  |
| Total Discounted Interest of Loan based on Reference Rate |  1.175.956,18 € |  |
| Total Discounted Interest of LF Loan |  |  - € |  |
| **Gross Grant Equivalent of LF Loan** |  |  **1.175.956,18 €** |  |
|  |  |  |  |
| **State Aid Compatibility Assessment** |  |  |  |
| GBER 651/2014 |  | Article 14 (Regional Aid) |  |
| Company size | LARGE |  |  |
| Region | ΕL52 KENTRIKI MAKEDONIA |  |  |
| Maximum State Aid Intensity |  | 35% |  |
| Maximum State Aid amount |  |  8.750.000,00 € |  |
| Notification ceiling |  |  26.250.000,00 € |  |
| Compatible with GBER? |  | YES |  |
| **LF State Aid intensity** |  | **4,70%** |  |

### LF State Aid compliance with GBER – 200 mil Investment B in Athens

A large enterprise with BB rating and normal collaterization wishes to execute an investment of € 200 mil, requests a € 80 mil loan from LF. The Gross Grant Equivalent of state aid is calculated at 9.407.649,42 €, on the assumption that the LF loan is provided to the company with 0% interest rate

The investment is located in Attiki region (EL303 KENTRIKOS TOMEAS ATHINON), according to the regional aid map of Greece the maximum state aid intensity for large enterprises is 10%.

The state aid intensity is calculated as the GGE divided by the eligible expenditure, at 4,7%.

The adjusted aid amount of the investment is calculated as to be 10% x (€ 50.000.000,00 + 0,5 x € 30.000.000,00 + 0) = € 7.500.000.

The compatibility of the LF State Aid assessment is as follows:

1. **Aid intensity is compatible with GBER**, as it is 4,7% of the investment expenditure and does not exceed the maximum state aid intensity of 10%.

2. **Notification threshold (State Aid ceiling) is exceeded,** the gross grant equivalent of the state aid amount provided for the investment is 9.407.649,42 € and exceedsthe maximum aid amount of 7.500.000,00 €.

**As shown in Table 7, the LF loan cannot be granted with 0% interest rate under GBER as the ex-ante calculation of GGE is 9.407.649,42 €, which is expressed as state aid intensity of 4,7% of the eligible investment expenditure, as it is above the notification ceiling of € 7,5 mil.**

Table 9

|  |  |
| --- | --- |
| **Example - LF State Aid Compatibility Assessment under GBER Article 14** |  |
|  |  |  |  |
| **Investment B** |  |  |  |
| CAPEX (GBER Article 14 eligible) |  |  200.000.000,00 € |  |
| OPEX |  |  |  |
| Total |  |  200.000.000,00 € |  |
|  |  |  |  |
| Investment Capital |  |  | Interest rate |
| Own capital | 20% |  40.000.000,00 € |  |
| Commercial Bank Loan | 40% |  80.000.000,00 € |  |
| LF Loan | 40% |  80.000.000,00 € | 0,00% |
|  |  |  |  |
| **Calculations of GGE** |  |  |  |
| [Base Rate](https://ec.europa.eu/competition/state_aid/legislation/base_rates2021_03_en.pdf) | 1/3/21 | -0,45% |  |
| Rating category | BB |  |  |
| Collaterisation | Normal |  |  |
| Calculated margin | 220 | 2,20% |  |
| Reference Rate |  | 1,75% |  |
| Discount Rate (equals reference rate) |  | 1,75% |  |
|  |  |  |  |
| Total Discounted Interest of Loan based on Reference Rate |  9.407.649,42 € |  |
| Total Discounted Interest of LF Loan |  |  - € |  |
| **Gross Grant Equivalent of LF Loan** |  |  **9.407.649,42 €** |  |
|  |  |  |  |
| **State Aid Compatibility Assessment** |  |  |  |
| GBER 651/2014 |  | Article 14 (Regional Aid) |  |
| Company size | LARGE |  |  |
| Region | EL303 KENTRIKOS TOMEAS ATHINON |  |  |
| Maximum State Aid Intensity |  | 10% |  |
| Maximum State Aid amount |  |  7.500.000,00 € |  |
| Notification threshold (State Aid ceiling) |  |  7.500.000,00 € |  |
| Compatible with GBER? |  | NO |  |
| **LF State Aid intensity** |  | **4,70%** |  |

**In this situation, the LF interest rate is increase so that the state aid is reduced to a level that is compatible with GBER.**

A large enterprise with BB rating and normal collaterization wishes to execute an investment of € 200 mil, requests a € 80 mil loan from LF. The Gross Grant Equivalent of state aid is calculated at 7.465.108,53 €, on the assumption that the **LF loan is provided to the company with 0,34% interest rate**.

The investment is located in Attiki region (EL303 KENTRIKOS TOMEAS ATHINON), according to the regional aid map of Greece the maximum state aid intensity for large enterprises is 10%.

The state aid intensity is calculated as the GGE divided by the eligible expenditure, at 3,73%.

The adjusted aid amount of the investment is calculated as to be 10% x (€ 50.000.000,00 + 0,5 x € 30.000.000,00 + 0) = € 7.500.000.

The compatibility of the LF State Aid assessment is as follows:

1. **Aid intensity is compatible with GBER**, as it is 3,73% of the investment expenditure and does not exceed the maximum state aid intensity of 10%.

2. **Notification threshold (State Aid ceiling) is not reached,** the gross grant equivalent of the state aid amount provided for the investment is 7.465.108,53 € and does not exceedthe maximum aid amount of 7.500.000,00 €.

**As shown in Table 8, the LF loan can be granted with 0,34% interest rate as the ex-ante calculation of GGE is 7.465.108,53 €, which is expressed as state aid intensity of 3,73% of the eligible investment expenditure, as it is below the notification ceiling of € 7,5 mil.**

Table 10

|  |  |
| --- | --- |
| **Example - LF State Aid Compatibility Assessment under GBER Article 14** |  |
|  |  |  |  |
| **Investment B** |  |  |  |
| CAPEX (GBER Article 14 eligible) |  |  200.000.000,00 € |  |
| OPEX |  |  |  |
| Total |  |  200.000.000,00 € |  |
|  |  |  |  |
| Investment Capital |  |  | Interest rate |
| Own capital | 20% |  40.000.000,00 € |  |
| Commercial Bank Loan | 40% |  80.000.000,00 € |  |
| LF Loan | 40% |  80.000.000,00 € | 0,34% |
|  |  |  |  |
| **Calculations of GGE** |  |  |  |
| [Base Rate](https://ec.europa.eu/competition/state_aid/legislation/base_rates2021_03_en.pdf) | 1/3/21 | -0,45% |  |
| Rating category | BB |  |  |
| Collaterisation | Normal |  |  |
| Calculated margin | 220 | 2,20% |  |
| Reference Rate |  | 1,75% |  |
| Discount Rate (equals reference rate) |  | 1,75% |  |
|  |  |  |  |
| Total Discounted Interest of Loan based on Reference Rate |  9.407.649,42 € |  |
| Total Discounted Interest of LF Loan |  |  1.942.540,88 € |  |
| **Gross Grant Equivalent of LF Loan** |  |  **7.465.108,53 €** |  |
|  |  |  |  |
| **State Aid Compatibility Assessment** |  |  |  |
| GBER 651/2014 |  | Article 14 (Regional Aid) |  |
| Company size | LARGE |  |  |
| Region | EL303 KENTRIKOS TOMEAS ATHINON |  |  |
| Maximum State Aid Intensity |  | 10% |  |
| Maximum State Aid amount |  |  7.500.000,00 € |  |
| Notification ceiling |  |  7.500.000,00 € |  |
| Compatible with GBER? |  | YES |  |
| **LF State Aid intensity** |  | **3,73%** |  |

### LF State Aid compliance with GBER – 200 mil Investment B in Thessaloniki

A large enterprise with BB rating and normal collaterization wishes to execute an investment of € 200 mil, requests a € 80 mil loan from LF. The Gross Grant Equivalent of state aid is calculated at 9.407.649,42 €, on the assumption that the LF loan is provided to the company with 0% interest rate

The investment is located in Thessaloniki region (ΕL52 KENTRIKI MAKEDONIA), according to the regional aid map of Greece the maximum state aid intensity for large enterprises is 35%.

The state aid intensity is calculated as the GGE divided by the eligible expenditure, at 4,7%.

The adjusted aid amount of the investment is calculated as to be 35% x (€ 50.000.000,00 + 0,5 x € 30.000.000,00 + 0) = € 26.250.000,00.

The compatibility of the LF State Aid assessment is as follows:

1. **Aid intensity is compatible with GBER**, as it is 4,7% of the investment expenditure and does not exceed the maximum state aid intensity of 35%.

2. **Notification threshold (State Aid ceiling) is not reached,** the gross grant equivalent of the state aid amount provided for the investment is 9.407.649,42 € and does not exceedthe maximum aid amount of 26.250.000,00 €.

**As shown in Table 9, the LF loan can be granted with 0% interest rate as the ex-ante calculation of GGE is 9.407.649,42 €, which is expressed as state aid intensity of 4,7% of the eligible investment expenditure, as it is below the notification ceiling of € 26,25 mil.**

Table 11

|  |  |
| --- | --- |
| **Example - LF State Aid Compatibility Assessment under GBER Article 14** |  |
|  |  |  |  |
| **Investment B** |  |  |  |
| CAPEX (GBER Article 14 eligible) |  |  200.000.000,00 € |  |
| OPEX |  |  |  |
| Total |  |  200.000.000,00 € |  |
|  |  |  |  |
| Investment Capital |  |  | Interest rate |
| Own capital | 20% |  40.000.000,00 € |  |
| Commercial Bank Loan | 40% |  80.000.000,00 € |  |
| LF Loan | 40% |  80.000.000,00 € | 0,00% |
|  |  |  |  |
| **Calculations of GGE** |  |  |  |
| [Base Rate](https://ec.europa.eu/competition/state_aid/legislation/base_rates2021_03_en.pdf) | 1/3/21 | -0,45% |  |
| Rating category | BB |  |  |
| Collaterisation | Normal |  |  |
| Calculated margin | 220 | 2,20% |  |
| Reference Rate |  | 1,75% |  |
| Discount Rate (equals reference rate) |  | 1,75% |  |
|  |  |  |  |
| Total Discounted Interest of Loan based on Reference Rate |  9.407.649,42 € |  |
| Total Discounted Interest of LF Loan |  |  - € |  |
| **Gross Grant Equivalent of LF Loan** |  |  **9.407.649,42 €** |  |
|  |  |  |  |
| **State Aid Compatibility Assessment** |  |  |  |
| GBER 651/2014 |  | Article 14 (Regional Aid) |  |
| Company size | LARGE |  |  |
| Region | ΕL52 KENTRIKI MAKEDONIA |  |  |
| Maximum State Aid Intensity |  | 35% |  |
| Maximum State Aid amount |  |  26.250.000,00 € |  |
| Notification ceiling |  |  26.250.000,00 € |  |
| Compatible with GBER? |  | YES |  |
| **LF State Aid intensity** |  | **4,70%** |  |

[1] According to GBER article 14.12, the aid intensity in gross grant equivalent shall not exceed the maximum aid intensity established in the regional aid map which is in force at the time the aid is granted in the area concerned. Where the aid intensity is calculated on the basis of paragraph 4(c), the maximum aid intensity shall not exceed the most favourable amount resulting from the application of that intensity on the basis of investment costs or wage costs.

[2] According to GBER article 4.1.a, for regional investment aid: the ‘adjusted aid amount’ of aid, as calculated in accordance with the mechanism defined in Article 2, point 20 for an investment with eligible costs of EUR 100 million; ‘adjusted aid amount’ means the maximum permissible aid amount for a large investment project, calculated according to the following formula: maximum aid amount = R × (A + 0,50 × B + 0 × C) where: R is the maximum aid intensity applicable in the area concerned established in an approved regional map and which is in force on the date of granting the aid, excluding the increased aid intensity for SMEs; A is the initial EUR 50 million of eligible costs, B is the part of eligible costs between EUR 50 million and EUR 100 million and C is the part of eligible costs above EUR 100 million.

1. <https://ec.europa.eu/competition/state_aid/legislation/base_rates2021_03_en.pdf> [↑](#footnote-ref-1)
2. The state guarantee is not part of the RRF facility. It is noted however that state aid clearance on the guarantee is always ensured, as this is a typical prerequisite for the IFIs to disburse the loan. [↑](#footnote-ref-2)