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Υπεύθυνα Δίπλα σας!

BRIEF PRESENTATION

Investment Projects under the loans of the "National Recovery and Resilience Plan"

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1. GENERAL PROGRAM INFORMATION		
Program	:	**NATIONAL RECOVERY AND RESILIENCE PLAN**
Act	:	**Investment Projects under the loans of the "National Resilience and Recovery Plan"**
Principal Authority	:	**Ministry of Finance**
Areas of Application	:	**Nationwide**

The loans of the National Recovery and Resilience Plan aim to finance a significant number of private investments, financed at least by 50% of the investors' own funds and loans by the domestic financial systems and/or European Financial Institutions. (European Investment Bank, European Bank for Reconstruction and Development).

The loans are directed to investment projects that fall into five categories: a) digital transformation, b) green transition, c) extroversion, d) developing economies of scale through partnerships, acquisitions and mergers, e) innovation - research & development.

The loans co-finance private investments by companies of all sizes together with loan assets of the banking institutions that cooperate with the National Recovery and Resilience Plan.

The loans of the National Recovery and Resilience Fund (RRF) cover a maximum of 50% of the cost of each investment project, private participation, as accepted by the banking institution, at least 20%, while the banking institution will finance at least 30%. The loans of the National Recovery and Resilience Fund (RRF) may be combined with other State aid schemes, provided that such combination is permitted by the State aid schemes and the State aid rules on cumulation of aid are respected.

Banking institutions assess the credibility of each investor and the viability of the investment, without the intervention of the state mechanism, while certified independent auditors assess the eligibility of investments with respect to the requirements and guidelines of the National Recovery and Resilience Plan and monitor compliance with the applicable State aid rules (General Exemption Regulation, De Minimis, etc.).

2. ASSESSMENT PROCEDURE

The procedure for checking the eligibility of investment projects for financing under the National Recovery and Resilience Plan loans includes:

1) an assessment of the creditworthiness of the investment project, on banking terms, by the credit institution,

2) the initial verification of eligibility by the credit institution in order to exclude those that manifestly do not meet the eligibility criteria,

3) the assessment by the evaluator of the following for the investment project:

a) the verification of the existence of an eligible investment project,

b) the verification of the eligibility of the investment project under the Do No Significant Harm Principle (DNSH),

c) checking the eligibility of the investment project against the investment objectives of the Recovery and

Resilience Fund loan program, as well as the calculation of the National Recovery and Resilience Fund loan quota of the investment project budget,

d) the characterization of the investment project in terms of its intervention in relation to the achievement of climate change and environmental objectives, as well as its intervention to support the digital switchover and the calculation of the contribution of the investment project budget to the Green and Digital Tagged investment budget,

e) checking the compatibility of the interest rate granted in relation to State aid,

f) the categorisation of the investment project's expenditures under the (5) axes of eligible actions, where appropriate, ensuring that the above categorisation is reflected in the relevant balance sheets,

g) the recording of extroversion expenditures on the basis of past financial statements, and

h) the accounting classification of investment expenditures on the basis of the financial statements in the event of an a posteriori audit; and

i) avoiding double funding, i.e., parallel financing of the same expenditures by the Recovery and Resilience Plan and other European Union programs.

3. ELIGIBLE ACTIVITIES

Eligible investments will be determined on the basis of the list of excluded activities and eligible investment expenditures in accordance with the relevant Ministerial Decision to be issued. The excluded activities for financing through the National Recovery and Resilience Loans:

1. Activities prohibited by the applicable national legislation.
2. Activities that restrict individual rights and individual liberties or violate human rights.
3. In the field of Defense activities, the use, development or production of goods and technologies prohibited by applicable international law.
4. Tobacco-related products and activities (production, distribution, processing, and trade).
5. Activities excluded from funding under the relevant provisions of the Horizon Europe Regulation.
6. Gambling (production, manufacturing, distribution, processing, trading, or software activities).
7. Sex trade and related infrastructures, services, and facilities.
8. Activities involving live animals for experimental and scientific purposes, in so far as there is no guarantee of compliance with the relevant European Convention.
9. Real estate development activity, <u>however, activities in the real estate sector that are related to the objectives of the National Recovery and Resilience Plan and fall under one of the five pillars of the National Recovery and Resilience Plan loan program are eligible.</u>
10. Financial activities aimed at the disposal of assets as well as activities of banking institutions and affiliated enterprises.
11. Decommissioning, operation, adaptation, or construction of nuclear power stations.
12. Activities and assets related to fossil fuels, including after-use. Projects for the generation of electricity and/or heat, including the related transmission and distribution infrastructure, using natural gas, are excluded.

13. Activities and assets under the EU Emissions Trading Scheme (ETS) to achieve projected greenhouse gas emissions that are not below the relevant benchmarks set out in Commission Implementing Regulation (EU) 2021/447. Specific exemptions apply.

14. Activities and assets related to landfills, incinerators, and mechanical biological treatment plants. Specific exemptions apply.

15. Activities and assets where the long-term disposal of waste may harm the environment. Specific exemptions apply.

4. ELIGIBLE COSTS

The eligible costs applicable for inclusion in the investment projects under the loans of the National Recovery and Resilience Plan are costs carried out within the Greek territory and include:

1. Land acquisition, Land use (depreciation/leases), Land improvement
2. Building acquisition/construction, Building use (depreciation/leases)
3. Equipment acquisition/manufacture, Equipment use (depreciation/leases)
4. Vehicle acquisition, vehicle use (depreciation/leases)
5. Intangibles acquisition/construction/use (depreciation/amortisation)
6. Salaries linked to the investment project (as regulated by the General Exemption Regulation)
7. Transportations / expense reports
8. Third party services
9. Supplies
10. Operating costs (communication, energy, maintenance, rent, administration, insurance, etc.)
11. Capital costs
12. Operating capital (operating costs, costs related to the company's business cycle, VAT, etc.)
13. Promotion and communication costs (Marketing)

It is noted:

a. The purchase of land is eligible if it is linked to the investment project and does not exceed 30% of the eligible costs of the investment project.

b. the sum of operating capital and promotion and communication costs may not exceed 30% of the eligible costs of the investment project.

5. ELIGIBILITY CRITERIA

The eligibility criteria per pillar of the National Recovery and Resilience loan program are as follows:

1. **Green Transition**

   Existence of a green transition investment budget in the National Plan, which contributes to the green objectives (green tagging) of the National Resilience and Recovery Plan at least 20% of the total National Plan budget.

   Green transition investments are categorised into the following categories of green transition investments:

   - Green Technologies

- Green Abilities
- Biodiversity
- Energy Efficiency
- Building remodeling
- Circular Economy
- Promotion of Sustainable Development
- New Employment opportunities
- Safeguarding Energy Sustainability

2. Digital Transition

A dedicated budget for digital transformation investments, which contribute to the digital objectives (digital tagging) of the National Recovery and Resilience Plan, of at least 10% of the total budget of the Plan.

Digital transformation investments are categorised into the following categories of digital transformation investments:

- Digitalization of services
- Digital infrastructure and data infrastructure
- Cooperative formations
- Hubs for digital innovation and open digital solutions
- Digitalization of small and medium-sized enterprises (SMEs)

3. **Innovation - research & development**

Coverage of at least one innovation - research & development eligibility indicator and at the same time a minimum budget for innovation - research & development investments of at least 10% of the total Investment Project budget. The indicators are:

<u>Innovation Indicators:</u>

- National Plan funding for science, technology, engineering, and mathematics (STEM) PhD researchers
- Percentage of new STEM jobs as against the total number of new jobs created by the investment project.
- Investment project of a SME creating a new product (not a new brand)
- Investment project of a SME creating a new service (not a new brand)
- The investment project covers the costs of registering a trademark in a MADRID country if it creates a new product or service.
- The investment project includes design registration costs in a HAGUE country.
- Percentage of export sales of products from the investment project in Business Activity Categories 21, 26, 27, 28, 29 and 30
- Percentage of sales of services abroad by the investment project in Business Activity Categories 58.2, 62, 63, 71.2 and 72

<u>Research & Development Indicators:</u>

- The subject of the research should be related to the Horizon Europe research themes.
- The subject of the research should be related to the themes of Greece's Smart Specialisation Strategy (RIS3)
- The investment project provides for the carrying out of systematic industrial research and/or experimental development.
- The investment project provides for the research to be carried out by an experienced research team with many years of experience in the field of the investment project.
- The scope of the research aims to create new products/services or significantly improve existing products/services.
- The scope of the research aims to create new or significantly improve existing methods of production, distribution and application of products/services.
- The investor and/or the principal investigators of the research team have participated in research projects co-funded by the Greek government or the European Commission or another OECD country during the five years prior to the loan application.
- The investor has obtained certificates of scientific and technological research expenditures from the General Secretariat of Research and Innovation in the five years preceding the loan application, including expenditures by the principal investigators of the research team.
- The investment project includes patenting costs in a PCT country.

4. **Developing economies of scale through partnerships, acquisitions and mergers**

The Investment Project is evaluated in terms of investments to develop economies of scale through partnerships, acquisitions, and mergers between non-affiliated companies, based on the following indicators.

EVALUATION INDEX CODE	INDICATORS CONSIDERED IN THE INVESTMENT PLAN
AOK1	Existing affiliation • The Investment Project includes a commitment by the investor to maintain its participation in an existing cluster between non-affiliated companies for at least the next five years. • The average total cumulative turnover of the legal entities participating in the cooperation during the three (3) preceding years is at least 50% higher than the turnover of the legal entity with the highest average turnover among the legal entities participating in the cooperation during the same period. • At least 20% of the expenditures of the Investment Plan is directly related to achieving the objectives of the new partnerships.
AOK2	Existence of new affiliations • The Investment Plan includes a commitment by the investor that it will participate in a new cluster between non-affiliated companies for at least the next five years. • The average total turnover of the legal entities participating in the cooperation during the three (3) preceding years is at least 50% higher than the turnover of the legal entity with the highest average turnover among the legal entities participating in the cooperation during the same period. • At least 20% of the expenditure of the Investment Plan is directly related to achieving the objectives of the new partnerships.

AOK3	Creation of a new entity resulting from an acquisition/merger. • The Investment Plan includes a new scheme resulting from an acquisition or merger completed after the publication of the Ministerial Decision. • - The average total turnover of the legal persons participating in the merger or acquisition during the three (3) preceding years is at least 50% higher than the turnover of the legal person with the highest average turnover among the legal persons participating in the acquisition or merger during the same period.

5. **Extroversion**

The eligibility of the Investment Plans is determined independently of the Investment plan budget by meeting one of the following indicators:

EVALUATION INDEX CODE	INDICATORS CONSIDERED IN THE INVESTMENT PLAN
EX1	The existence of an average pre-existing exporting activity of investor of at least 15% of its turnover. The investor's three-year financial data are examined, alternatively the investor's foreign trade transactions through the banking system (remittances/credit cards abroad).
EX2	Existence of an Investment Plan export budget of at least 15% of the Investment Plan's projected total revenue (feasibility study)
EX3	Existence of Investment proposal of complex tourist accommodation as well as complexes of tourist residences (at least 5 independent tourist residences)

6. DETERMINATION OF THE AMOUNT OF THE LOAN

The amount of the financing of the investment project from the loan of the National Resilience and Recovery Plan is calculated according to the existence of a budget of eligible investment costs in the 5 pillars of the National Resilience and Recovery Plan loan program as well as the coverage of specific criteria per pillar, according to the relevant Ministerial Decision.

A – Green Transition investment projects			
Existence of a green transition investment budget, which contributes to the green objectives (green tagging) of the National Recovery and Resilience Plan, of at least 20% of the total budget of the investment project			
Minimum budget for green transition investments contributing to the green objectives (green tagging) of the National Recovery and Resilience Plan, as a percentage of the total budget of the investment project	20%	40%	50%
Corresponding National Recovery and Resilience Plan loan quota of the investment project budget	30%	40%	50%
B - Digital transformation investment projects			
Existence of a digital transformation investment budget that contributes to the digital objectives (digital tagging) of the National Recovery and Resilience Plan at least 10% of the total budget of the investment project			
Minimum budget for digital transformation investments that contribute to the digital objectives (digital tagging) of the National Recovery and Resilience Plan, as a percentage of the total budget of the investment project	10%	20%	40%
Corresponding National Resilience and Recovery Plan loan quota of the investment project budget	30%	40%	50%
C - Innovation - research & development investment projects			
Eligibility coverage of at least one innovation - research & development indicator and at the same time a minimum innovation - research & development investment budget of at least 20% of the total budget of the investment project			
Minimum budget for innovation - research & development investments as a percentage of the total budget of the investment project	10%	20%	40%
Corresponding National Recovery and Resilience Plan loan quota of the investment project budget	30%	40%	50%
D – Investment projects developing economies of scale through partnerships, acquisitions, and mergers			

Presence of an existing or new partnership, or the creation of a new entity resulting from an acquisition/merger.	Existing Partnerships	New partnerships and acquisitions/mergers	
Corresponding National Recovery and Resilience loan quota of the investment project budget	30%	40%	
E – Extroversion investment projects			
Alternatively: 1. Investor's existing export activity of at least 15% of turnover on average (financial data of the previous three years) 2. Minimum export budget of the investment project of at least 15% of the projected total revenues of the investment project (feasibility study)			
Alternatively: 1. Minimum average existing export activity of an investor as a percentage of turnover (three-year financial data) 2. Minimum export budget of the investment project as a percentage of the projected total revenues of the investment project (feasibility study)	15%	30%	45%
Corresponding National Recovery and Resilience Plan loan quota of the investment project budget	30%	40%	50%
In the cases of tourism investments in complex tourist accommodation and tourist housing complexes, the quota of the RRF loan on the investment project budget is 40% of the investment project budget, regardless of the investor's financial data or the projected revenues of the investment project.			
This pillar also includes investments in the tourism sector, including investments in tourist accommodation, combined tourist accommodation and tourist accommodation complexes, and the quota of the National Recovery and Resilience Plan loan on the budget of the investment project is 40% of the investment project's budget, regardless of the investor's financial data or revenue projections of the investment project.			
Pillar loan quota is calculated irrespective of the Investment Plan budget, provided that the presence of an existing export activity of the investor is presumed or, alternatively, an export budget is foreseen in the Investment Plan. The percentage of export activity (existing or projected) determines the quota of the National Recovery and Resilience Plan loan.			

7. ASSESSMENT OF COMPATIBILITY WITH THE STATE AID FRAMEWORK

The Investment Plan is assessed for compatibility with the State aid framework. First, it is examined whether the interest rate requested by the Investment Plan **is equal to or higher than the reference rate** of the investment, as defined in the Commission Notice (2008/C 14/02). In this case, according to State aid rules, the loan from the National Recovery and Resilience Plan does not constitute State aid **and the State aid compatibility assessment of the Investment Plan is completed positively.**

In the case where the requested interest **rate is lower than the reference rate**, the loan from the National Recovery and Resilience Plan **constitutes State Aid.** In this case, the eligible costs to be financed by the National Recovery and Resilience Plan are examined for their eligibility under the State aid framework applied for by the investor (De Minimis or General Exemption Regulation). Eligible costs for which the aid is compatible with the State aid framework are designated as eligible costs and are included in the assisted budget of the National Recovery and Resilience Plan loan. If the eligible costs to be financed by the National Recovery and Resilience Plan are not compatible with the State aid framework, they are classified as non-assisted and are not included in the assisted budget of the National Recovery and Resilience Plan loan.

Depending on the State aid framework, the maximum State Aid intensity corresponding to the supported costs of the Investment Plan is calculated.

Based on the assisted budget of the National Recovery and Resilience Plan loan, as well as the eligible loan quotas, the capital of the National Recovery and Resilience Plan loan is calculated. Based on the capital of the National Recovery and Resilience Plan loan, the gross grant equivalent resulting from the requested interest rate and the duration of the National Recovery and Resilience Plan loan is calculated.

It is examined whether the gross grant equivalent of the National Recovery and Resilience Plan loan exceeds the maximum State aid intensity of the aided expenditure; if it does not, the State aid is deemed to be compatible with the State aid rules and the assessment is completed.

If the gross grant equivalent of the National Recovery and Resilience Plan loan exceeds the maximum State aid intensity of the aided costs, then the minimum interest rate of the National Recovery and Resilience Plan loan, at which the gross grant equivalent of the loan is equal to the maximum State aid intensity of the aided costs, is calculated. In this case, if the requested State aid is found to be incompatible with the State aid rules, the incompatibility is declared together with the minimum interest rate of the National Recovery and Resilience Plan loan at which the aid may be compatible with the State aid rules. In this case, the Investment Plan may be re-evaluated, provided that:

a. the investor requests an interest rate equal to the minimum interest rate on the loan from the Recovery and Resilience Fund at which the aid may be compatible with the State aid rules,
b. an adjustment of the benchmark rate (investor rating improvement or collateral enhancement) at which the aid may be compatible with State aid rules.

State Aid Existence

The TI, in its pre-approval, describes the financing scheme of the investment. In the part on the financing from the Recovery and Resilience Fund loan, a clear reference is made to the requested interest rate of the Recovery and Resilience Fund and the amount of State funding requested for the project is calculated according to the method of measuring the grant equivalent of the European Commission's aid.

Compliance with State aid rules shall be implemented, as regards to the instruments of the Recovery and Resilience Fund (RRF) loan program, on the following basis:

a. Loans granted by the Recovery and Resilience Fund at pari-passu interest rates with International Financial Institutions do not constitute State aid when the interest rates of the Recovery and Resilience Fund loan are the same or higher than the International Financial Institutions or reference rates as defined in the Commission notice (2008/C14/02).
b. The loans granted by the Recovery and Resilience Fund with interest rates lower than the benchmark rates, as defined in the Commission Notice (2008/C 14/02), are considered to be State subsidized loans. In these cases, the Gross Grant Equivalent (GGE) is calculated and limited on the basis of the relevant aid limits of the General Exemption Regulation (GER) 2014/651.

Recovery and Resilience Fund loans use as a legal basis for assessing compatibility with State aid rules, alternatively:

1. the De Minimis Regulation, the provisions of Article 4(3) of the De Minimis Regulation 2013/1407 and the Commission Notice on the revision of the method for setting the reference and discount rates (2008/C 14/02) are used to calculate the aid.
2. the General Exemption Regulation 651, all articles of the General Exemption Regulation related to the strategic pillars of Recovery and Resilience Fund (RFF) loans may be applied. Article 5(2)(b) of General Exemption Regulation 2014/651 and the Commission Notice on the revision of the method for setting the reference and discount rates (2008/C 14/02) are used for the calculation of the aid.

Calculation of the Gross Grant Equivalent when the interest rate of the loan from the Recovery and Resilience Fund is lower than the reference rate

At the level of the borrowers, there is State aid if the interest rate applied to RRF funds provided through RRF loans is lower than the reference rate, as defined in the Commission Notice (2008/C 14/02). In this case, the difference between the total interest to be paid (in net present value) for a RRF loan and for a reference loan at an interest rate equal to the reference rate is the amount of the Gross Grant Equivalent, as shown below:

$$\mathbf{GGE = TILF_{NPV} - TIBL_{NPV}}$$

Where: **GGE** is the Gross Grant Equivalent, at the time of signature of the loan agreement

TILF$_{NPV}$ is the total interest on the Recovery and Resilience Fund loan in Net Present Value (the NPV is calculated at a discount rate equal to the base rate plus 100 basis points)

TIBL$_{NPV}$ is the total interest on the benchmark loan in Net Present Value (the NPV is calculated at a discount rate equal to the base rate plus 100 basis points). The interest rate of the benchmark loan is the benchmark interest rate set out in the Commission Notice (2008/C 14/02).

In the case where the TILF$_{NPV}$ is equal to or higher than TIBL$_{NPV}$ then no State Aid is considered to be present in the Recovery and Resilience Fund loan.

Calculation of the reference rate

The benchmark loan rate is determined on the basis of the Commission Notice on reference rates (2008/C 14/02). The benchmark rate is calculated based on the country's base rate plus the following margins, which will be applied depending on the rating of the company concerned and the collateral provided.

Loan margins in base points		**Collaterals**		
Rating Category		High	Common	Low
High	AAA-A	60	75	100
Good	BBB	75	100	220
Satisfactory	BB	100	220	400
Low	B	220	400	650
Bad / Financial Constraints	CCC and under	400	650	1000

However, the Notice provides that "For borrowers that do not have a credit history or a balance sheet-based score, such as certain special purpose companies or start-ups, the base rate must be increased by at least 400 base points (depending on the collateral provided) and the margin can never be lower than that which would apply to the parent company." In the case of special purpose companies (SPVs) (usually set up for concessions/renewable energy projects etc.), which have no credit history/rating, an increase of 400 basis points in the benchmark fixed rate has been shown to result in a higher than market rate. We therefore consider for these specific cases the market rate as determined by the financial institutions based on the SPV assessment.

Note that in the case of subordinated loans (i.e., loans where there is a combination of Financial Balance over time financing under a state guarantee), the rating category is lowered by one point to reflect the higher risk of the loan being in subordinated status compared to being in senior debt status. Normal collateral means the level of collateral required by financial institutions to guarantee their loans. The level of collateral can be measured as a Loss Given Default (LGD), which is the expected loss rate relative to the debtor's exposure, taking into account the recoverable amounts of collateral and the assets of the bankruptcy estate. Consequently, the Loss Given Default is inversely proportional to the quality of the collateral. In the Notice, it is assumed that 'high' collateral means a Loss Given Default below or equal to 30 %, 'ordinary' collateral means a Loss Given Default between 31 % and 59 % and 'low' collateral means a Loss Given Default above or equal to 60 %.