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A RRF LOANS' OVERVIEW IN GREECE

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Introduction

The Resilience and Recovery Facility (the “RRF”) has been established by virtue of the Regulation 2021/241 of the European Parliament and of the Council (the “RRF Regulation”) following the COVID-19 outbreak in early 2020 which changed the economic, social and budgetary outlook in the world. RRF’s establishment seemed necessary to provide direct financial support to Member States as an innovative tool to help them stepping up the implementation of sustainable reforms and related public investments. RRF constitutes the core of the temporary recovery instrument, NextGenerationEU, and is the largest EU funding program to date, projected to finally disburse up to €723.8 billion in grants and loans to Member States.

On the 27th of April 2021, the Greek State submitted to the European Commission the National Recovery and Resilience Plan “Greece 2.0” (the “NRRP”) requesting, inter alia, loan support to implement it. On 13 July 2021, NRRP has been approved by means of the implementing decision with No 10152/21, and, the Recovery and Resilience Facility Financing Agreement, dated 20/26 July 2021, has been signed between the Commission and the Greek State, and ratified by the Law 4822/2021 (Gov. Gazette A 135/02.08.2021).

On the 31st of August 2023, the Greek State submitted to the European Commission a modified NRRP, which included (i) modifications concerning 69 measures, (ii) a REPowerEU chapter (based on the EU plan aiming at reducing Europe’s dependence on fossil-fuel and accelerating the transition to green energy because of the Russian invasion in the Ukraine) and (iii) a request for further loan support. NRRP’s revision

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has been approved on the 8th of December 2023 by means of a new implementing decision of the European Parliament and of the Council with No 15831/1/23. On the 7th of June 2024, the Greek State and the Commission services agreed to modify their operational arrangements to reflect the above new implementing decision.

NRRP’s basic numbers

The revised NRRP includes **103 investments and 76 reforms**, utilizing investment resources of **35.95 billion euros** (18.22 billion euros in grants and 17.73 billion euros in loans).

NRRP’s pillars:

- ❖ Green transition
- ❖ Digital transformation
- ❖ Employment-Skills-Social Cohesion
- ❖ Private Investments and Transformation of the Economy

The Greek State will use the RRF funds to be channeled in loans to finance investments falling in the scope of the following pillars:

- ❖ Green transition
- ❖ Digital transformation
- ❖ innovation, research and development
- ❖ development of economies of scale through partnerships, acquisitions and mergers
- ❖ extroversy.

The Operational Agreements

Following the NRRP’s approval, the Greek commercial banks signed with the Greek state the so-called Operational Agreements (“**OAs**”), setting the rules of the allocation of the RRF funds to them and the procedure of the further allocation of the funds to the final beneficiaries through the financing of the RRF investments. The OAs -among others- provide for the assignment to the banks of intermediate services such as the initial eligibility evaluation of the loans, the credit assessment of the relevant loans’ applications, the arrangement, negotiation and signing on behalf of the Greek State of the financing and security agreements and the undertaking of any possible measure for the repayment of RRF loans. The commercial banks grant simultaneously with the RRF Loan the Co-financing loan (the “**Co-F Loan(s)**”) without RRF funding to cover the total financial needs of the investment plan and they can proceed to amendments, restructuring, waivers, termination and other measures in relation to both RRF and Co-F Loans without Greek State’s consent or approval.

Eligibility Table

Eligible Beneficiaries	<p>(1) individuals or legal entities, as long as they are not excluded due to their statutory or headquarters and do not activate within the scope of the excluded activities according to the Ministerial Decision 159335/2021 “Criteria for evaluating the eligibility of investment plans financed by Recovery and Resilience Facility Loans” as in force</p> <p>(2) a legal entity beneficiary must also fall under at least one of the following cases:</p>
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	<p>(a) be a private company, or</p> <p>(b) be any company with state participation in its share capital equal or less than (50%) of its total share capital, or</p> <p>(c) be any company irrespectively of the percentage of the state participation in its share capital that owns and/or manages power networks and operates as a natural monopoly.</p>
Eligible expenditures	<ul style="list-style-type: none"> ✓ Land (purchase-use-lease)- land’s purchase is eligible only if it relates to the investment plan and if it does not exceed the 30% of the total eligible cost (“EC”) ✓ Buildings (purchase-use-lease) ✓ Equipment (purchase-use- lease) ✓ Transportation means (purchase-use-lease) ✓ Intangible assets (purchase-use) ✓ Payroll /other costs connected to the investment plan ✓ Third parties’ services ✓ Consumables ✓ OPEX ✓ Working capital ✓ Marketing cost
Eligible Investments (“EI”)	<ul style="list-style-type: none"> ✓ should fulfill the eligibility criteria of at least one NRRP pillar ✓ are not permitted to fall within the scope of excluded activities, as provided in the legislation in force (e.g. activities related to tobacco, gambling etc.) ✓ require to have a positive net present value and be able to repay over time the RRF loans and co-financing loans that will be granted to them ✓ should be in compliance with state aid rules ✓ should be in compliance with «Do no Significant Harm» principle (2021/C58/01)

Table on basic RRF loans’ approval process, features and terms

Application	Through the platform GoBeyond https://greece20-loans.gov.gr/welcome/
Evaluation / approval	<ol style="list-style-type: none"> 1. the banks initially evaluate the eligibility of the RRF loans’ applications and pre-approve the financing based on their own credit policy procedures 2. the independent evaluator who is selected from a list of auditors confirms-inter alia- the fulfillment of the eligibility criteria, the investment plan’s state aid compliance and its compliance with the Do Not Significant Harm Principle, 3. The banks finally approve the financing based on their own credit policy procedures and following the independent auditor’s positive report





Type of RRF and Co-F Loan	Both may be agreed as bond or simple loan. In the case of RRF <u>bond</u> loans, the bank is appointed as bondholder and paying agent and has under its custody the RRF bonds. In the case of RRF <u>simple</u> loans, the bank enters into the loan agreements on its own name but on behalf of the Greek State.
RRF loan maximum coverage	50% of the EC
Co-F Loan minimum coverage	30% of the EC
Own participation minimum coverage	20% of the EC Own participation should be <u>immediately</u> available (as available capital and/or subordinated loans or contribution in kind directly connected to the EI and not exceeding 10% of the EC).
RRF and Co-F Loans securities, prepayments, payments & possible damages	On a pari passu basis
Extra loans	To be granted by the banks to cover non eligible cost
RRF Loans exemption from the Levy of L. 128/75 (0,6%)	The exemption is crucial in the case of the simple loans since the bond loans are already exempted from the levy's application by virtue of the Law 3156/2003. Given the fact that the bond loans can be issued by companies under the form of the société anonyme (SA), the exemption is important for entities other than the SAs which don't have access to the bond structure.
RRF Loan Term	3 to 15 years or 20 years in the case of Project Finance RRF loan term cannot be longer than the Co-F Loan term
Grace period	3 years' period upon the first disbursement and in no case more than 5 years' period
Refinancing	Not allowed to be agreed as RRF Loan's purpose. However, refinancing of bridge financing is permitted if (a) the bridge loan has been entered in after the application for the RRF Loan granting, (b) the investment has been checked and confirmed to be EI and (c) bridge loan's refinancing occurs on a pari passu basis with the Co-F Loan.
Co-F & Extra Loan interest rate	freely determined by the market rate, fixed or floating
RRF Loan interest rate	Regulatorily determined (by virtue of a ministerial decision) as fixed rate, set at a minimum of 0,35% re: small businesses and at a minimum of 1% re: other entities, and examined for state aid compliance purposes in accordance with the reference rate of the Commission Communication 2008/C.



RRF funds availability deadline	26/08/2026
Implementation of financed investments' deadline	31/12/2026

Latest news

On the 14th of June 2024, the Commission has endorsed a positive preliminary assessment of Greece's fourth payment request for €2.3 billion in loans under the RRF and, on the 23rd of July 2024, the Commission disbursed to Greece the above amount of €2.3 billion.

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