



European
Commission

Evaluation study of the State aid instruments in the agricultural and forestry sectors and in rural areas

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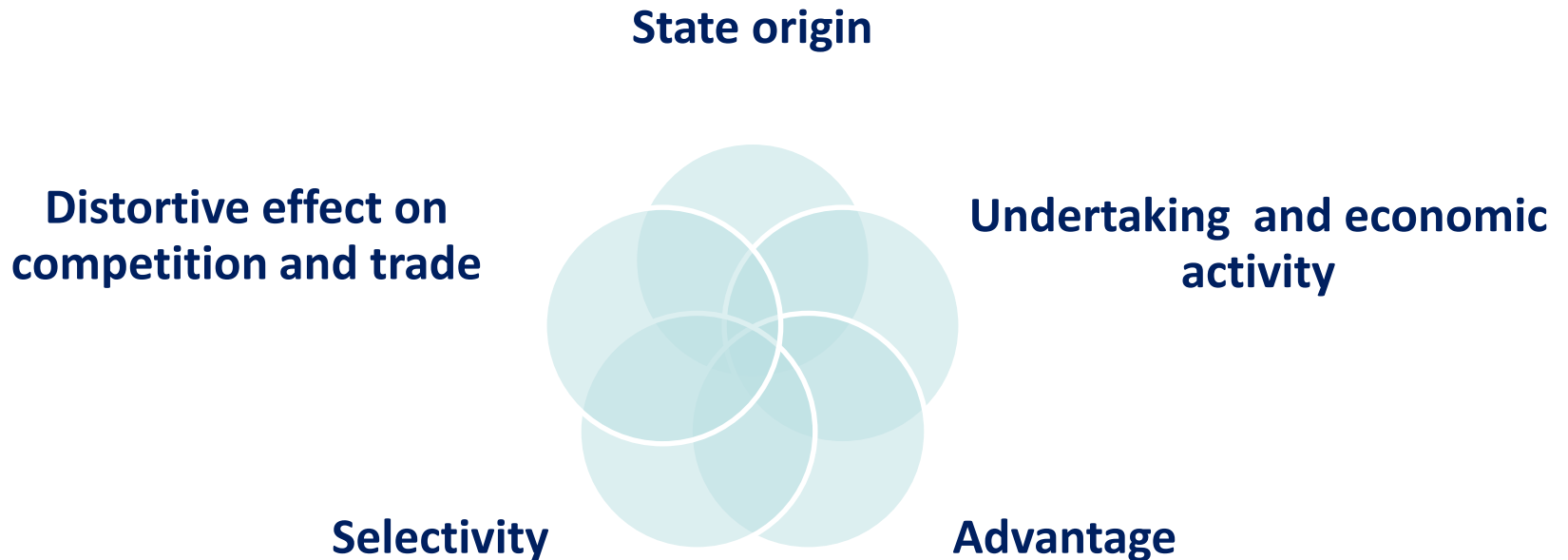


Agriculture
and Rural
Development

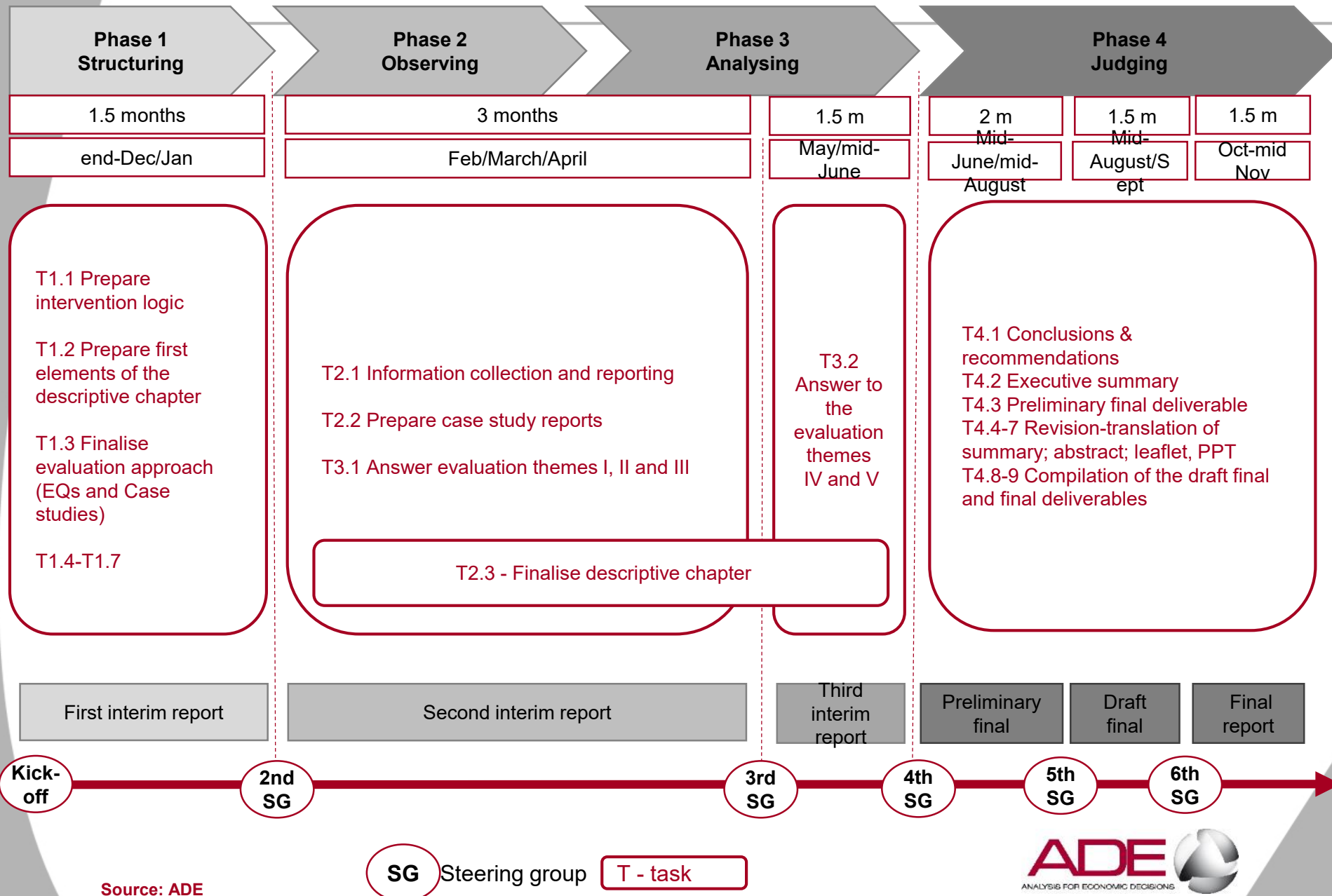
Overview

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1. State aid in general
 2. Evaluation process
 3. Objectives of the evaluation study
 4. Evaluation questions
 5. Conclusions by ADE
 6. Recommendations by ADE
 7. Next steps

Notion of State aid (Art. 107 Treaty on the Functioning of the EU)



2. Evaluation process and timeline



3. Objectives of the evaluation

Subject	Evaluation study of the instruments applicable to State aid (SA) in the agricultural and forestry sectors and in rural areas (hereinafter « agricultural SA »)
Objectives	<ul style="list-style-type: none">• Examine relevance, coherence, effectiveness, efficiency and EU added value of the « agricultural » SA rules• Formulate conclusions and recommendations, in particular related to simplification, to guide the formulation of the future « agricultural » SA framework
Scope	<ul style="list-style-type: none">• What: State aid framework for agricultural and forestry sectors and for rural areas• Legal framework: Agricultural Block Exemption Regulation (« ABER »), Guidelines for State aid in the agricultural and forestry sectors and in rural areas (« agricultural GL »)• Period: 1 July 2014- 31/12/2016• Instruments: 8 aid measures• Geografic: EU 28

SA measures covered by the evaluation

Risk management in the **agricultural** sector

- Damage from adverse climatic events (ABER Art.25 of ABER; GL part II S.1.2.1.2)
- Animal diseases and plant pests (ABER Art.26; GL part II S1.2.1.3)
- Fallen stock (ABER Art.27; GL part II S.1.2.1.4)
- Damage from protected animals (GL part II S.1.2.1.5)
- Insurance premiums (ABER Art.28; GL part II S.1.2.1.6)

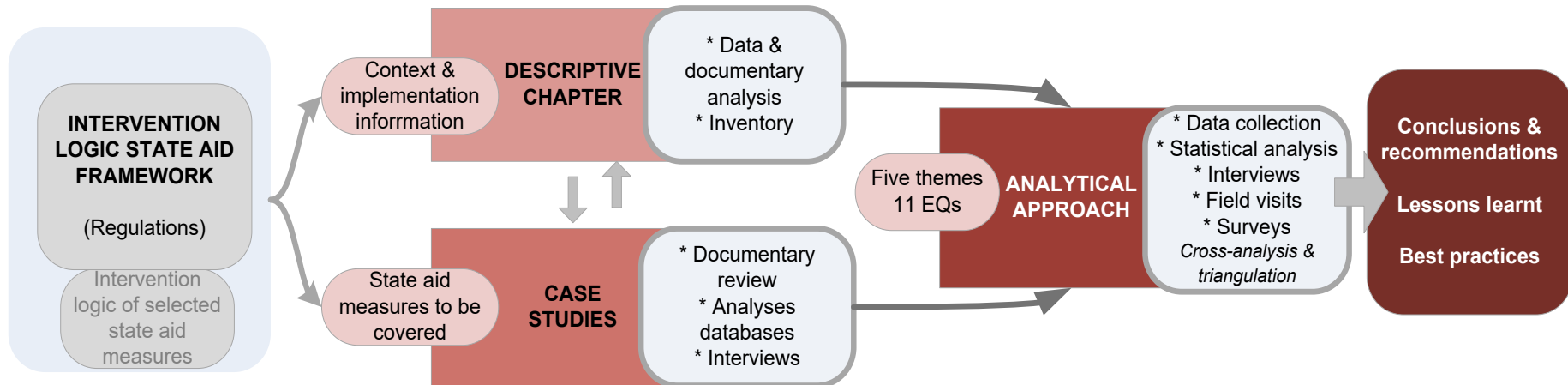
Risk and aid for the **forestry** sector

- Prevention and restoration of damage to forests (ABER Art.34; GL part II S.2.1.3)
- Investments in forest technologies (ABER Art.41; GL part II S.2.1.5)

Aid for **non-Annex I** activities in rural areas

- Investments processing of agricultural products into non-agricultural products (ABER Art.44; GL part II S.3.1)

General approach to the evaluation



Theme I: Aid for undertakings active in the primary production of agricultural products

Theme II: Aid for the forestry sector

Theme III: Aid for non-Annex I activities in rural areas

To what extent are the rules for the aids...

Relevance

EQ1... relevant and coherent with regard to **risk and crisis management** in the agricultural sector?

EQ4... relevant with regard to the **needs to obtain SA clearance for the underlying co-financed RD measures or top-ups?**

EQ7... relevant with regard to the **needs to obtain SA clearance for the underlying co-financed RD measures or top-ups?**

Coherence

EQ6... coherent with those for the underlying **co-financed measures or national top-ups?**

EQ9... coherent with those for the underlying **co-financed measures or national top-ups?**

Effectiveness

EQ2... effective with regard to the effect on **competition and trade** within the internal market?

EQ5... effective with regard to the effect on **competition and trade** within the internal market?

EQ8... effective with regard to the effect on **competition and trade** within the internal market?

Efficiency

EQ3... efficient with regard to the **procedure** for obtaining State aid clearance?



Conclusions

Theme 1: Aid mitigating risks in the agricultural sector

EQ1: Relevance and coherence with regard to risk and crisis management in the agricultural sector

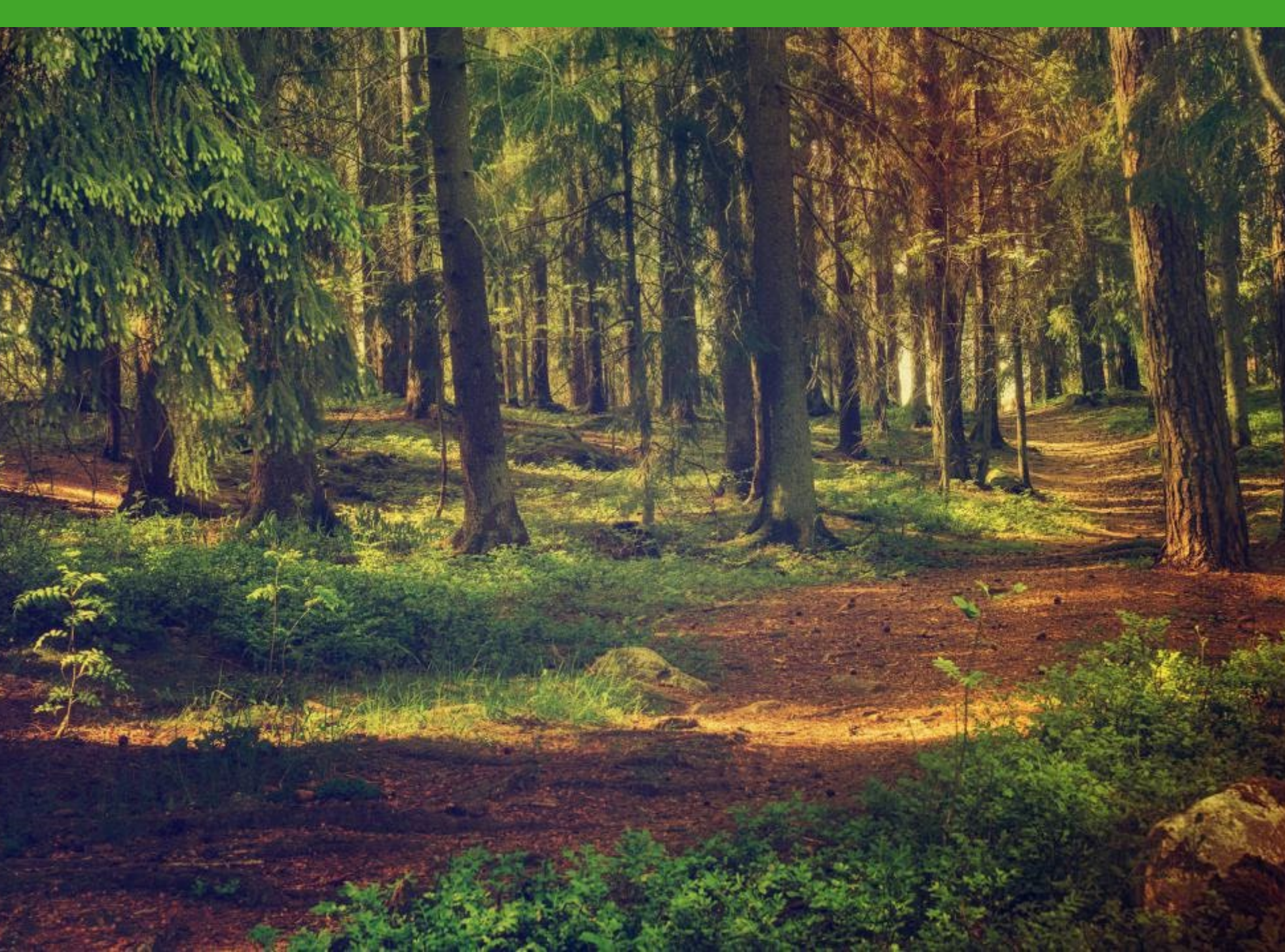
- The evaluation study confirmed the relevance of the aids directed to the needs of the agricultural sector. The measures respond to a specific category of market failure (negative externalities in the absence of support) for risks faced by farmers.
- The widespread use in terms of number of aid schemes and expenditure confirm that the scope of the aid is appropriate to meet the needs, as is confirmed by the online survey and interviews with the competent authorities and beneficiaries.
- Overall, State aid rules are considered adequate even if some constraints were identified, in particular for animal diseases and plant pests and protected animals.
- State aid rules on insurance premiums are slightly easier to comply with than RD rules. MS have therefore shown a preference to finance insurance schemes exclusively from national funds.
- There is coherence of the measures with EU public health policies.

EQ2: Effectiveness with regard to the effect on competition and trade with in the internal market

- The negative effects on competition and on trade were assessed qualitatively as very limited:
 - ▶ Support provided does not increase production;
 - ▶ Support is accessible to all undertakings affected by the adverse event;
 - ▶ Potential distortion of competition between MS is limited (amounts per undertaking are small);
 - ▶ Most MS offer similar support measures.
- State aid rules allowed granting public support for which the positive effects of the aid measures exceed the limited negative effects in terms of competition and trade.
- For the payment of insurance premiums, the potential negative effect on competition is limited by the equal access to State aid within a MS. Between MS, some negative effects cannot be excluded. However, such distortion remains limited as State aid only covers parts of the insurance premium costs.

EQ3: Efficiency with regard to the procedure for obtaining State aid clearance

- The rules for aid for undertakings active in the primary production are efficient for obtaining “State aid clearance”, meaning that the Commission either authorises the aid through a State aid decision or acknowledges that the aid is being exempted under the ABER by sending a notice of receipt to the MS.
- Preparation time within the MS and the time required to obtain State aid clearance is assessed to be of an acceptable level.
- Statistics on the use of the SA instruments show the success of ABER. Notification is chosen to extend the scope of the aid scheme to large undertakings, to address specific needs and ensure legal certainty.
- Based on the review in the case studies, *ex ante* schemes are clearly favoured by competent authorities. Nevertheless, in some cases there is a need to respond to specific needs and thus to introduce *ex post* schemes.



EQ4: Relevance with regard to the needs to obtain State aid clearance

- Forestry measures are supported in a large majority of Member State (24 out of 28) mainly but not only through the Rural Development Plans (RDP).
- The integration of the two forestry measures under review in ABER is a great success and represents a real simplification.
- The agricultural GL is mainly used for RD-like measures in Member States or regions that do support forestry measures but not in their RDP. However, the rules and their application are more complex and time-consuming.

EQ5: Effectiveness with regard to the effect on competition and trade within the internal market

- The negative effects on competition and on trade were assessed qualitatively as very limited.
- The limited negative effects are outweighed by the positive effects of the aid especially taken into account the objective of the measures like
 - ▶ (i) effective limitation of forest fires;
 - ▶ (ii) the security of the local population (forest fires);
 - ▶ (iii) the preservation of forestry production potential (by avoiding fires and major pests (for instance root rot and bark beetle));
 - ▶ (iv) the environment (avoiding destruction of forests and CO₂ emissions from forest fires, fighting against plant pests without pesticides) and environmentally-friendly harvesting practices with reduced impact on soils.

EQ6: Coherence of agricultural State aid rules with RDP rules

- The scope of the SA instruments is limited to such aid which is co-financed by the EAFRD or granted as national top-ups to such support.
- The rules for the aid for prevention and restoration of forests from damage are coherent with those for the underlying co-financed RD measures or national top-ups.
- However, slight differences exist for the rules for investments in forest technologies and processing and marketing in terms of eligible costs and aid intensities.



Conclusions Theme 4: Efficiency

EQ10: Efficiency

- The revision of the agricultural SA instruments reached its objective of simplification and reduced administrative burden.
- This is particularly the case thanks to ABER, which is by definition a simpler procedure for State aid compared to having to notify to the Commission.
- The revised agricultural GL are not seen as a simplification compared to the situation in the reference period as far as the forestry measures and investments processing agricultural products in non-Annex I products are concerned.
 - ▶ Notification remains complicated and burdensome, particularly for the small rural entities.

Conclusions

Theme 5: EU added value

EQ11: EU added value

- State aid rules have contributed to a legal framework for MS to offer State aid in a common and transparent way.
- Mostly, they provide coherence between EU co-financed measures and pure State aid.
- They facilitate similar public interventions in response to need and contribute to include support within a policy framework.
- Although measures under review were identified as having little potential for distorting markets, rules for State aid were considered important in ensuring avoidance of market distortions.



Recommendations 1/3

Recommendations	Link to conclusion(s)
<p>R1: Extend the scope of ABER for animal diseases (and plant pests) to all enterprises, whatever their size in order to simplify the clearance process and to allow State aid interventions covering all undertakings affected.</p>	<p><i>CCL EQ1 and CCL EQ2 animal disease & plant pests</i></p>
<p>R2: Revise some eligible costs for the measure related to animal diseases and plant pests (CCL EQ1). The list of eligible diseases should include emerging diseases. It is also recommended to enable the use of animal or plant products that must be destroyed due to preventative measures, but which can still be consumed (even for food banks or charity).</p>	<p><i>CCL EQ1 animal disease & plant pests</i></p>
<p>R3: Include compensation of damages caused by protected animals in ABER and specify the request of reasonable preventive measures in order to avoid over-investment. The assessment of the losses based on the market value should also consider income losses.</p>	<p><i>CCL EQ1 protected animals</i></p>

Recommendations 2/3

Recommendations	Link to conclusion(s)
R4: Conduct specific analytical work to deepen the knowledge on the impact of State aid for insurance premiums.	<i>CCL EQ2 insurance premiums</i>
R5: Continue knowledge-sharing between Commission Services and MS.	<i>CCL EQ3</i>
R6: Extend the scope of ABER with “strict” RD-like forestry measures as the only difference with the measures currently covered by the exemption procedure would be the financing source.	<i>CCL EQ4</i>

Recommendations 3/3

Recommendations	Link to conclusion(s)
R7: Align RDR aid intensities for the investment measures (forestry investment and investment in non-Annex I products) with the corresponding agricultural SA rules.	<i>CCL EQ6 & EQ9</i>
R8: Improve monitoring of State aid expenditures reported by the MS in the concerned database from DG COMP (scoreboard) in line with RDP expenditures.	<i>CCL EQ6&10</i>
R9: Enhance reporting of State aid use mentioning the type of adverse climatic events, animal diseases and plant pests concerned by the aid provided within the aid scheme, as foreseen in ABER and agricultural GL.	<i>CCL EQ1, 10</i>



Next steps

- An open internet-based public consultation will be made available on the Public consultations website in all official EU languages for 12 weeks.

Available at: http://ec.europa.eu/info/consultations_en

- The results of this public consultation will feed into the evaluation of the current rules and the Impact Assessment.



Thank you !

ADDITIONAL INFORMATION:

http://ec.europa.eu/agriculture/stateaid/index_en.htm

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