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H.5. Research and Innovation

GUIDELINES ON PROGRAMMING FOR INNOVATION AND THE IMPLEMENTATION OF THE EIP FOR AGRICULTURAL PRODUCTIVITY AND SUSTAINABILITY

**Programming period 2014-2020
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This guidance does not represent a legal interpretation of Regulation (EU) 1305/2013. It is therefore essentially non-binding in nature. In the event of a dispute involving Union law it is, under the Treaty on the Functioning of the European Union, ultimately for the Court of Justice of the EU to provide a definitive interpretation of the applicable Union law.

1. INTRODUCTION

The objective of this document is to provide guidance to Member States (regions) at the stage of programming and implementation on issues related to innovation and the European Innovation Partnership for Agricultural Productivity and Sustainability (EIP). This guidance document is based on the text of Regulation (EU) 1305/2013 (hence "the regulation") and, when relevant and explicitly mentioned, on Regulation (EU) 1303/2013 or Regulation (EU) 808/2014. The delegated and implementing acts supplementing these Regulations have also been considered. Further guidance can be found in the "Guidance document on the co-operation measure" and in the "Guidelines on eligibility conditions and selection criteria for the programming period 2014-2020".

2. LEGAL BASIS AND OBJECTIVE

2.1 Innovation in the new rural development regulation

Rural development policy has a long-standing record of stimulating innovation. Measures regarding knowledge transfer or investments have been programmed by Member States with the aim to foster innovation, and they will remain available for the programming period 2014-2020. Other elements, such as the EIP, are new to the rural development policy. Therefore, these guidelines refer mainly to the EIP and the measures of the regulation that make a reference to the EIP, in particular co-operation (Article 35).

Regulation (EU) No 1305/2013 of the European Parliament and of the Council of 17 December 2013 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) and repealing Council Regulation (EC) No 1698/2005 refers to innovation in many places. The aims and means (operational groups) of the EIP are described in Title IV. The new architecture stresses the importance of innovation in the context of programming and the programme implementation. Several measures can be used to stimulate innovation. Of particular importance in this respect is the establishment of the European Innovation Partnership (EIP) for Agricultural Productivity and Sustainability in Title IV.

2.2 Link to overall priorities and objectives

Article 5 of the regulation mentions innovation as part of two focus areas of the first priority:

Fostering knowledge transfer and innovation in agriculture, forestry, and rural areas with a focus on the following areas:

- (a) *fostering innovation, cooperation and the development of the knowledge base in rural areas;*
- (b) *strengthening the links between agriculture, food production and forestry and research and innovation including for the purpose of improved environmental management and performance;*

Article 5 also establishes innovation as one of the cross-cutting objectives to which all rural development priorities must contribute.

Furthermore, Article 8.1 (b) of the regulation relating to the SWOT analysis states that:

.....Specific needs concerning ... innovation shall be assessed across Union priorities for rural development, in order to identify relevant responses ... at the level of each priority.

Article 8.1 (c) also stipulates that *the rural development programme shall include a description of the strategy which demonstrates that:*

- (v) *an appropriate approach towards innovation with a view to achieving the Union priorities for rural development, including the EIP for agricultural productivity and sustainability ... is integrated into the programme;*
- (vi) *measures have been taken to ensure the availability of sufficient advisory capacity on ... actions related to innovation;*

Rural development programmes have to address innovation. Managing authorities can use several measures to do so.

2.3 The EIP for Agricultural Productivity and Sustainability

The regulation introduces the aims of the EIP (Article 55). The EIP is promoting a resource efficient and competitive agricultural and forestry sector working in harmony with the essential natural resources on which it depends. The EIP will build bridges between research and farmers, forest managers, rural communities, businesses, NGOs and advisory services. It will help supply of food, feed and biomaterials, the preservation of the environment and adaptation to and mitigation of climate change.

The regulation also clarifies the ways in which this EIP will become operational (via operational groups as specified in Articles 56 and 57), and lays down the types of actions to be undertaken by operational groups. The background of the EIP are elaborated in the Communication on the European Innovation Partnership 'Agricultural Productivity and Sustainability' (COM(2012)79 final).

Furthermore, an EIP network is established by Article 53. An EIP network facility shall collect and disseminate information, provide a helpdesk function, and animate discussions in view of encouraging the setting up of operational groups.

3. IDENTIFICATION OF THE EIP CONCEPT

3.1 What is innovation?

Innovation is often described as a new idea that proves successful in practice. Innovation may be technological, but also non-technological, organisational or social. Innovation may be based on new but also on traditional practices in a new geographical or environmental context. The new idea can be a new product, practice, service, production process or a new way of organising things, etc. Such a new idea turns into an innovation only if it is widely adopted and proves its usefulness in practice.

Becoming mainstream will not only depend on the solidity of a creative idea, it also depends on the market possibilities, the willingness of the sector to take it up, cost-effectiveness, knowledge and perceptions, accidental external factors etc. It is impossible to predict how these factors work together to turn a new idea into an innovation. Therefore, one can only determine afterwards whether a new idea has led to a real innovation.

In short, innovation is: "an idea put into practice with success". Therefore it is important to have practitioners involved, not as a study-object, but in view of using their entrepreneurial skills and practical knowledge for developing the solution or opportunity and creating co-ownership.

Given the impossibility of defining "innovation" ex-ante, managing authorities cannot programme a measure by declaring operations eligible under the condition that they are "innovative". Consequently, the regulation can only offer measures supporting operations which may be innovative, without making the innovative character of an operation an eligibility criterion. For this reason Article 35(5)(d) refers to eligible costs of actions that are targeted towards innovation, not to eligible costs of innovative actions. In particular because it is impossible to measure or prove the innovation potential of a project, where a rural development measure is intended to stimulate innovation, the measure design should include elements that help the project results to become widely implemented. Therefore, pertinent selection criteria are useful such as (1) project objectives targeted to practical outcomes and (2) the particular composition of the group benefiting the specific project and its outreach, making the best use of different types of knowledge (practical, scientific, technical, organisational, etc) in an interactive way.

3.2 "Interactive" innovation under the EIP

Familiar concepts of innovation include one-way ("linear") and interactive ("system") innovation. Linear innovation stands for a science and research driven approach, with new ideas resulting from research brought into practice through one-way (linear) knowledge transfer. Change and innovation are expected to be engineered, predictable and would be planned rationally.

In interactive "system" innovation, building blocks for innovations are expected to come from science, but also from practice and intermediaries, including farmers, advisory services, NGOs, researchers, etc. as actors in a bottom-up process. Interactive innovation includes existing (sometimes tacit) knowledge which is not always purely scientific. The

innovations generated with an interactive approach tend to deliver solutions that are well adapted to circumstances and which are easier to implement since the participatory process is favourable to speeding up the introduction, dissemination, and acceptance of the new ideas.

Multiplication of the results of interactive innovation projects in particular works through farmers' peer to peer communication, or through the integration of the solutions into the day-to-day advice of advisors to their client-farmers. Often pioneer farmers are the first interested to test out new ideas but they may also convince and show the way for the broader farmer community on the somewhat longer term.

Both innovation approaches are equally valid while having different programming implications. The linear approach is based on information actions, linear advising methods and training. The interactive model relies mainly on co-operation, sharing of knowledge and intermediating advisory methods. This approach fosters the development of first research results into practical applications and the creation of ideas via interaction between actors.

The EIP, as a bottom up instrument, mainly aims at supporting innovation following the interactive approach. Article 35 provides for stimulating interactive innovation as it supports the setting up or the project costs of an operational group project. Support may be used for testing out new ideas through projects which adapt existing techniques/practices to new geographical/environmental contexts.

4. EIP OPERATIONAL GROUPS

4.1 What is an EIP operational group?

The EIP aims at a flexible and open system for the creation of a multiplicity of operational groups. It is not up to the Managing Authority to initiate particular operational groups. As mentioned above, Article 55(3) states that the EAFRD will contribute to the aims of the EIP by supporting "operational groups". Operational groups are meant to bring together innovation actors such as farmers, researchers, advisors, businesses, environmental groups, consumer interests groups or other NGOs to advance innovation in the agricultural sector (Articles 56 and 57). The forming of operational groups shall take place on initiative of the innovation actors. No specific conditions are laid down as regards the size (apart from the fact that a minimum of two entities must be involved), the composition and the specific undertakings of a respective operational group.

An operational group is meant to be "operational" and tackle a certain (practical) problem or opportunity that may lead to an innovative solution. Therefore, operational groups have to draw up a plan, describing their specific project and the expected results of the project. Furthermore, the operational groups have to disseminate the results of their project, in particular through the EIP network. The exact format of a project plan depends on the actors involved and the problem or opportunity to be tackled.

Managing authorities will provide for the establishment and funding of operational groups financed under their responsibility with eligibility conditions and selection criteria (Article 49 - see point 5.1 Targeting) allowing to specify the subject, focus, and composition of operational groups. Moreover, managing authorities may specify in the programme how to combine the implementation of Article 35 with Articles 14, 15, 17, 19

and 27 or other measures¹. It is recommended to keep eligibility conditions simple and controllable.

4.2 Operational group as a beneficiary?

Member States will have to be able to identify operational groups once selected (also in order to be able to recover money if necessary). The regulation does not lay down any rule in this respect. However, sound financial management would imply that operational groups either have a legal identity – the form would be depending on the national legislation concerned – or have a documented rule attributing liability among the members of the operational group. The latter would mean that, for instance, a managing authority could ask for a document in which the members of an operational group spell out who will be responsible for what part of the received funds before any support is paid out.

The above attribution of liability will be relatively straightforward for projects where just the operational costs of co-operation are covered. When the financed project includes an investment, the document should spell out, in addition, who will be liable, who will provide the private co-financing and who will be the owner of the investment once the project is finalised and the investment still has a value. Such documented rules are needed to avoid disputes in case the money needs to be recovered. Also, allocation of returns from the project needs to be put on clear grounds, in particular if a private contribution would be requested for.

Whether the "final beneficiary/ies" should be the group or the constituent entities depends on the option chosen. In any case, it is important that the structure is clear and that funding can be traced. One of the partners in the operational group may function as the lead-entity and be nominated to deal with applications for payments, organisation etc., and payment. However, any payment absorbed by the lead entity itself must be clearly merited by corresponding work. It would not be acceptable if a lead entity placed itself between the source of funding and other participants and allocated a proportion of the funding to itself on an arbitrary basis.

In general, an EIP operational group is eligible for investment funding under various measures, including forest related investments. Alternatively to granting the investment to the operational group, funding can be granted directly under sub-measure 4.1 (Art. 17 (1)(a)) to one or more farmers who are members of an EIP operational group. Support to farmers in such a situation, in respect of operations which formed part of an EIP project, would be subject to the higher maximum aid intensity mentioned in Annex II of the regulation. There are no explicit restrictions on categories of beneficiary in the case of sub-measures 4.2, 4.3 and 4.4 (Art 17 (b) to (d)).

4.3 Application for funding for setting up and for the operation of operational groups

Funding for the setting up of an operational group and funding for the group's project costs under Art 35 are quite distinct features. They take place in different time phases. To avoid potential difficulties arising from Art. 60 (2), funding of expenses incurred before the application for funding was submitted should be avoided.

¹ See points 6.2 and 9.1

On the one hand, it will be difficult to fund and control costs for the implementation of the operational group's project on the basis of rough project ideas and unknown partners, nor on later-to-be-defined activities. On the other hand, a smooth approach for capturing bottom-up ideas can be supported by easy accessible setting-up funding. The call description and selection criteria for setting up funding and for project funding therefore may be different:

- (1) To **fund the setting up of an operational group**, applications do need to be made. As it is to be expected that this would not involve big budgets, such application may be a relatively simple: a description of the rough project ideas and its relevance for practice, together with the targeted partner combination to be developed. A lump sum approach may be appropriate.
- (2) For the **funding of the operation of an operational group**, a more thorough project description will be needed for selection, since this will probably involve a higher budget and before agreeing on project costs it is important to have a good view on the work plan and the agreements between partners on who does what and which activities will be undertaken. Such project description is important also in case the foreseen solution cannot be achieved (if the project “fails”). Auditors will then be able to find proof of activities planned and see if they have been executed.

The funding of operational groups projects could be done as a second phase following the funneling through a “first phase”, but not necessarily. Project proposals without a 'first phase' (= proposals not using setting-up funding) may also enter the selection of the funding of operations of OG projects (the second phase), unless the Managing Authority would exclude it, for instance because they see the setting up funding as a selection phase for the funding of the operational group projects themselves. If funding was given for setting-up but the project of the potential OG has not been selected in the second phase, support received would not need to be paid back if the setting-up activities were done according to the application for funding.

4.4 Operational groups and Leader Local Action Groups (LAGs)

Operational groups and LAGs have in common that they capture ideas from interested actors and foster the setting up of projects. However, LAGs act on the basis of a comprehensive local development strategy. LAGs will approve several projects to implement this strategy.

In contrast, an EIP operational group builds itself around a single innovation project, targeted towards finding a solution for a specific issue. Project implementation is limited to a few years, the time it takes to develop the innovative solution/opportunity. The operational group is not bound to a specific territory or an upfront fixed strategy and exists only to carry out that project.

4.5 Cross-border operational groups

There are several possibilities for cross-border operational groups that would be funded under the rural development programmes with EAFRD budget.

"Cross-border" operational groups under rural development funding are possible mainly through 5 approaches:

- (1) Rural development operational groups normally operate in one rural development programme area, covering the entire country or a region only. If a Member State submits a national programme and a set of regional programmes according to Art. 6(2), coherence between the strategies of the national and regional programmes needs to be ensured and the reason justified. **A national rural development programme including support for operational groups at national level, additional to regional programmes** including support for operational groups, can for instance enable operational group projects with actors from different regions in one country. This may be in particular useful for tackling certain cross-regional issues in regionalised countries and may help in reducing administrative burden between regional programmes within a MS.
- (2) Art. 70 of Regulation 1303/2013 offers a possibility to **use up to 5% of the EAFRD funding of a programme to finance operations implemented outside the rural development programme area** provided that all the conditions of Article 70(2) are met. So you may have an operational group formed inside a rural development programme area dedicating some funding to cooperation with actors outside the area.
- (3) On condition that the approved rural development programme leaves room for it, another possibility for transnational activities under rural development funding may be when different programming regions more or less simultaneously decide to **fund projects of operational groups in their own region on a topic that is common for several regions** ("cross-border" themes). Each region will then be funding the operational group projects in their own programming area but the projects costs of the regional groups will include some coordination actions with operational groups in other regions to coherently tackle a cross-border problem or opportunity. To enable this, it is important to keep sufficient room in the description of the operational group measure in the RDP for taking in such cross-border themes in once they have matured (see section 9.3: "*it may be useful to publish calls that define upfront specific themes together with calls that leave the specification of the themes to the applicants*").
- (4) **The full cooperation costs of the OG can be carried by one region, while the investment costs are carried by each region.** For example, an operational group comprises 3 partners from programme area A (further called "region A") and one from programme area B (further called "region B"). The authority in region A approves the full operational group project, supports the costs of cooperation and also the investment costs for the partners from region A. The partner from region B fully forms part of the project to carry out but applies for funding for his investment from the programme of region B, giving evidence to the managing authorities in his region that he is a partner in the operational group of region A. He carries out a substantial part of the activities of the operational group project. The managing authority in region B considers that implementation of the cooperation project also brings an added value to region B. In this case, the

participant from region B is entitled to the additional (higher) support rate for his investment according to Annex II of R1305/2013 (extra 20% for "operations supported in the framework of the EIP" under Art. 17(3)). The conditions for such an approach are :

(a) the managing authority of region A confirms that this investment forms a substantial part of the activities of the operational group project (information exchange between managing authorities in regions A and B is needed)

(b) the managing authority in region B confirms that the work of the operational group in region A is coherent with the RDP strategy and priorities of region B *Q9*

(5) **All activities of the OG could be paid by region A except the activities of one partner.** The activities of this partner would be paid for by region B and are located in region B, therefore this case is not falling under cross-border option 2 (the 5% rule). The authority in region A approves the full operational group project and supports all cooperation costs except the activities of the partner from region B. The partner from region B fully forms part of the project and carries out a substantial part of the activities of the operational group project.. His activities are located in programme area B and he applies for funding for those activities from the programme of region B, giving evidence to the managing authorities in his region that he is a partner in the operational group of region A. The managing authority in region B considers that implementation of the cooperation project also brings an added value to region B. The conditions for such an approach are:

(a) the managing authority of region A confirms that the activity of the partner in region B forms a substantial part of the activities of the operational group project (information exchange between managing authorities in regions A and B is needed)

(b) the managing authority in region B confirms that the work of the operational group in region A is coherent with the RDP strategy and priorities of region B

(c) the managing authorities from region A and B agree on an approach for control on the activities of the operational group

Note that an operational group can also directly **buy services from a service provider located outside the programme area** (i.e. in a relationship of pure service provision rather than "co-operation") if the operation and the beneficiaries are located inside the programme area. (Examples of this would be the hiring of services from a knowledge expert with particular expertise needed for the objectives of the project, or the leasing of specific machinery/tools of particular value to the project activities.)

Thematic networks (funded by H2020 or by other sources), or various multi-actor projects, may provide an opportunity for actors from different regions/countries to find each other around a common theme and in this way may incentivise cross-border operational groups with activities under rural development funding.

4.6 Dissemination of the results of operational groups

Operational groups have a dissemination obligation which relates to substantial results of use to others, but does not absolutely preclude intellectual property rights (IPR). However, the emphasis of the "experimental" aspects of Art. 35 / measure 16 is on creating knowledge which is freely available for the use of all, also in the case private funding would be used. In the framework of the EIP network, it would seem useful for

raising awareness and opening up contact possibilities between OGs to communicate on the activities of operational groups as from the start of their project.

A common format ("practice abstract") to communicate on operational groups during their activities and to disseminate their results is recommended. Guidance for the elements of the format and on the content of the "abstract" for practitioners is provided in Annex.

All EIP projects that wish to connect with the EIP network and apply the interactive approach are welcomed to use the same format, including projects funded by sources other than CAP rural development and Horizon 2020, for instance national/ regional funding, Interreg, etc.

According to Art. 57(3), "operational groups shall disseminate the result of their projects in particular through the EIP network": here the European EIP network is meant. An interactive EIP website is available at EU level. This website will, using the common format, disseminate the results of operational groups and facilitate contacts between groups and partners. Member States are free but not obliged to create their own additional website(s).

5. EIP NETWORKING

5.1 EIP network

Article 53 of the regulation introduces the EIP network. The EIP network facility - "Service Point" - will provide a help desk function at EU level; it will gather and disseminate information, animate discussions, screen and report on research results, facilitate the sharing of information on good practices, and bring together innovation actors in focus groups, seminars, and workshops. In order to ensure those functions, a dedicated facility team and service point is established in Brussels. The EIP network will act at EU level.

The EIP "Service Point" will make efforts to connect with networks at national, regional and/or local levels.

Each Member State has to establish a national rural network (Art 54) and these networks have to provide for networking for innovation support services (Art 54 (3) (b) (iv)). Member States are welcome to set up specialised EIP networks but there is no obligation to do so. Technical assistance under Article 51 of the regulation can be used to co-finance such networking activities.

5.2 EIP focus groups

EIP focus groups form part of the EIP networking activities at EU level. A focus group brings together 20 participants from the farming sector, researchers, advisors and other relevant innovation actors to discuss and develop a very specific topic. They make a report summarizing the state of the art of practice, listing problems and opportunities, and combining it with experience gained in related research and innovation projects. The report will be disseminated through the EIP Network by various means and may bring ideas for projects that could be taken up by operational groups at rural development programme area level.

6. PROGRAMMING

6.1 Analysis of the situation and identification of needs

Innovation in agriculture is a horizontal priority of the rural development policy. Innovation should lead to the achievement of other priorities and focus areas. Innovation could help to achieve, for instance, improvements in soil management, increased resource efficiency, restoring and preserving biodiversity and ecosystems, or a better integration of producers into the food chain.

Creating favourable conditions for innovation would require a coherent approach towards programming in view of encouraging and facilitating the occurrence of innovation and the use of available instruments. Programming authorities would follow standard programming procedures (SWOT analysis, consultation, determination of measures and ex ante assessment) and describe their approach towards innovation.

6.2 Determination of appropriate operations

As stipulated in Articles 55 and 56, the EIP has its focus on agricultural and forestry issues. An operational group project may involve a wide range of actors in pursuit of this focus. Projects beyond this focus would not be eligible under the EIP.

As it is the case for other priorities and focus areas, programming authorities are free to select those measures that are most likely to deliver on the priorities. For innovation, the following measures seem particularly suitable:

- Article 35, co-operation measure (see below)
- Article 14, knowledge transfer and information actions
- Article 15, advisory services
- Article 17, investments in physical assets
- Article 19, farm and business development
- Article 26, investments in forestry technologies and in processing, in mobilising and in the marketing of forest products
- Article 27, setting up of producer groups

The **co-operation measure** plays a key role in the implementation of the EIP (Article 35(1)(c) on establishment and operation of operational groups). Under sub-measure 16.1, support can be given both for the setting up of an EIP operational group and for the implementation of its project through the actions mentioned under Article 35(2) (a) to (k), for instance for the development of new products or practices, for pilot projects, for supply chain cooperation, for joint environmental project approaches or climate change actions, for cooperation in biomass provision or renewable energy, for forest management and much more. The project of an operational group will usually be matching the description of one of the sub-measures 16.2-16.10 but should always be linked to sub-measure 16.1 for the sake of monitoring. In view of tagging that operation as EIP relevant in the rural development programme, type of operations of EIP

operational groups would therefore be described either under the heading 16.1 or alternatively under another sub-measure but then with a double heading 16.1 + 16.x².

Article 35(6) stipulates that, where a business plan or a development strategy is implemented, a project of an operational group can be funded in total under Article 35 ("*as a global amount*"). This means that a funding decision under this article could integrate the "running costs of the co-operation" of an operational group as well as direct costs of the project carried out by the operational group, and combine it with support under other measures such as training (Art.14), advice (Art.15) etc. If a managing authority opts for paying combined projects in a global amount under Article 35(6), the maximum amount or rate of support of the measures covered under other Articles should be respected.

Article 17(3) provides for increased aid intensity for operations supported in the framework of the EIP. This requires the involvement of an operational group. Also one of the partners in the operational group could make use of this increased aid intensity for investments on condition that the investment forms part of the group's project and is clearly described as such in the internal arrangements of the group (see Article 56-57). An operation not carried out by an operational group (or one of its members, where the operation nevertheless forms part of the group's project) is not considered as being supported "in the framework of the EIP", even if the objectives of the operation are similar to those of the EIP.

6.3 State aid

The State aid rules of the Treaty (Articles 107-109) in principle apply to public support for the economic activities of the EIP operational group, which means that the conditions laid down in the applicable State aid rules (eligibility conditions and aid intensities, etc.) need to be respected.

The Treaty provisions on State aid do not apply to payments made by Member States pursuant to, and in conformity with, the Rural Development Regulation³, or to additional national financing within the scope of Article 42 TFEU. This exception concerns operations related to the production or marketing of products listed in Annex I TFEU or their processing into other products listed in that Annex.

Under Article 81(2) of Regulation 1305/2013, payments made by Member States to EIP operational groups in conformity with that regulation fall outside State aid control when the payment relates to production of or trade in agricultural products (i.e. products listed in Annex I TFEU). In deciding whether this condition is met, what is decisive is not the membership of the operational group which receives support, nor the inputs involved in the supported operation, but whether the immediate benefit of the support accrues only to the agricultural sector. That condition could potentially be met even if non-agricultural entities were involved in the operation, depending on the details of the case. For example, if a researcher took part with a group of farmers in a project supported by RD measure 16, it would be important that the researcher did not retain any intellectual property rights

² See the Guidance document on the co-operation measure (section 8.2.1) on how to present support for Operational group projects in the rural development programme

³ Articles 81(2) and 82 of Regulation (EU) No 1305/2013 of 17 December 2013 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) and repealing Council Regulation (EC) No 1698/2005 provides from the exceptions from State aid control.

(IPR). If the researcher did retain IPR, it seems logical that the support could not be considered as benefiting only the agricultural sector.

In any other cases, State aid rules apply, unless support is considered under de minimis aid⁴. The State aid clearance depending on the aim and the conditions of the support may be obtained by ensuring compliance with the substantive and procedural rules of the applicable European State aid instruments. These may be, depending on the case:

- General block exemption regulation,⁵
- Framework for state aid for research and development and innovation,⁶
- European Union Guidelines for State aid in the agricultural and forestry sectors and in rural areas 2014 to 2020⁷,
- Commission Regulation (EU) No 702/2014 of 25 June 2014 declaring certain categories of aid in the agricultural and forestry sectors and in rural areas compatible with the internal market in application of Articles 107 and 108 of the Treaty on the Functioning of the European Union.⁸

7. MONITORING

The Regulation requires Member States to monitor the implementation of the rural development policy via a common monitoring and evaluation system. This common system lays down what information the Member States have to provide and, therefore, it defines a certain framework for the presentation of programmes.

In view of keeping the monitoring obligations light only minimal information needs to be required for EIP related projects funded by Article 35. See for more information the specific monitoring guidance⁹.

8. INNOVATION SUPPORT SERVICES AND NETWORKING

8.1 Animating innovative actions

Raising awareness and animating the participation in innovative actions are key for the successful implementation of the EIP. Managing authorities should pay particular attention to the difficulties in finding partners and establishing operational groups.

A lot of existing networks and platforms can contribute to connecting stakeholders and to preparing and discussing potential innovative ideas. Part of the action plan of National Rural Networks (NRN) will focus on thematic and analytical exchanges between rural development stakeholders (Art. 54(3)(b)(ii)). For incentivising actions of operational

⁴ For example, under Commission Regulation (EU) No 1407/2013, OJ L 352, 24.12.2013, p1.

⁵ Commission Regulation (EU) No 651/2014, OJ L 187, 26.6.2014, p1

⁶ OJ C 198, 27.6.2014, p1

⁷ OJ C 204, 1.7.2014, p. 1–97

⁸ OJ L 193, 1.7.2014, p. 1

⁹ Guidelines on eligibility conditions and selection criteria for the programming period 2014-2020

groups, it makes sense to exploit available means and involve existing networks/clusters where useful, in particular for linking up to researchers and advisors.

Article 35 also provides support for "networks", bringing together a variety of actors who - by sharing needs and knowledge - may support the implementation of the EIP. However, it must be noted that such networks should be newly formed and, beyond discussion only, need to present specific planned action and specific planned outcomes. According to the guidance document on the co-operation measure¹⁰, to merit support, a potential network would demonstrably have to plan to carry out one or more "projects" which would address the priorities of rural development policy. However, such "projects" need not be quite as specific as those carried out by EIP operational groups. A network could, for example, draw on the results of projects carried out by EIP operational groups, work on them further and propose further avenues of practical exploration for operational groups. They would thereby play a supporting role to operational groups. This work could itself potentially be considered a "project" if it had very clear goals and intended outputs / outcomes: funding should not be used to support general discussion with no practical result.

8.2 Innovation support for setting up operational groups

As part of innovation support services, "**innovation brokering**" could have an important role in discovering innovative ideas, facilitating the start-up of operational groups, notably by acting as a go-between who connects innovation actors (farmers, researchers, advisors, NGO's, etc.) in interactive innovation projects. An "innovation broker" aims to discover bottom-up initiatives, help to refine innovative ideas, and provide support for finding partners and funding.

The broker's main task is to help prepare a solid project proposal on which all actors of the operational group want to engage and agree that it will bring what they expect to be an innovative solution or opportunity. If through the innovation brokering a good project plan is developed, it will have a better chance of passing a selection process for innovation projects with good result.

Ideally, innovation brokers should have a good connection to and a thorough understanding of the agricultural world as well as well-developed communication skills for interfacing and animating. The regulation offers the following possibilities to fund innovation brokering:

- (a) Innovation networking under the National Rural Network – Article 54(2)(d) and Article 54(3)(iii) and (iv)

Article 54(2)(d) on networking by National Rural Networks (NRNs) refers to the fostering of innovation as one of the aims of networking to be supported via technical assistance funding. The action plan of NRNs should cover at least the search of partners for the cooperation measure (Art.35) and provide networking for advisors and innovation support services. Accordingly, the general NRNs, or dedicated EIP networking functions under the umbrella of NRNs, could install or contract an innovation support service. In the case of regionalised Member States, synergies and complementarities would need to be sought between national/federal and regional innovation supporting activities.

¹⁰ Guidance document on the co-operation measure (section 4.2)

(b) Cooperation - Article 35

The costs of an operational group using an innovation broker to assist it in preparing a project proposal (including by finding additional participants etc.) could be covered under article 35 (5) (b). At least two entities who are already working together to form an OG (and who therefore have at least an outline / idea of a project, even if this will need further development) can engage the services of the innovation broker. The broker would charge them for its services and the OG-information could receive support for this.

(c) Support for the use of advisory services with a particular focus on innovation - (Article 15(1)(a))

If a managing authority wishes to pay support directly to innovation brokers, this could be done through Art. 15 (1)(a). The "advice" in question would be the service of helping operational groups to get set up (and possibly to develop their projects further).

(d) Support for setting up of advisory services with a particular focus on innovation - (Article 15(1)(b))

Innovation brokerage could also be offered by (a) newly set up (branch of existing) advisory services which focus in particular on finding innovative ideas, connecting partners, and providing support for the preparation of project proposals.

8.3 Wider innovation support services

Innovation support services, besides providing innovation brokering services, can help promoting innovation and innovation funding formats, organise brainstorming events and animation of thematic or cross-sectoral groups, coordinate and facilitate projects as an intermediate between partners bridging between science and practice, and support broad dissemination of innovative project results.

Working with intermediates in the operational group project, so-called "facilitators", is important in view of getting and keeping the discussion on the farmers' problems and bridging between the language of science and entrepreneurial practice which may have different objectives and time horizons.

If the project gets funded under rural development, coordination and facilitation of the operational group project once it is running can be provided for under Article 35 (5) (c). The innovation broker who helped the group to build its project could also provide organisational support and become the facilitator of the project, but this would not automatically be the case.

As effective mediation and innovation brokerage in agriculture is often linked to a good knowledge of the sector, a close connection and interaction of innovation support services with other agricultural services is useful.

9. CALLS FOR OPERATIONAL GROUP PROPOSALS

9.1 Targeting

Rural development programmes have to deliver on the priorities and focus areas that are listed in Article 5 of the proposed regulation, through the choice of measures but also

through the application of eligibility and selection criteria. Choices will have to be made based on a SWOT analysis.

While the EU-level eligibility conditions are relatively general, fine-tuning may be achieved through defining further eligibility conditions and project selection criteria within a given rural development programme. Selection criteria are established on the basis of Article 49 which provides for introducing those criteria for most measures, including cooperation. Selection criteria could be used allowing managing authorities to prioritise support to certain types of projects or areas of action, or to certain compositions of operational groups. Selection criteria do not limit eligibility but are used to "rank" project proposals according to their specific quality and/or correspondence to specific objectives.

9.2 Selection criteria for operational group projects

Selection criteria chosen according to Article 49 should be well documented and established according to a transparent procedure, ensuring equal treatment of applicants and an adequate use of financial resources.

Where innovation is expected to result from bottom-up initiative, funding of cooperation would be pursued without determining specific project themes in the call for proposals. Of course, the calls must stipulate that projects themes are well described and justified in the applications and that they fall into the scope of the EIP as defined by article 55 and of the rural development priorities stipulated in article 5. Selection criteria could, nevertheless, prioritise certain types of action, for instance interactive innovation projects, or projects that in particular interlink research and practice. In the latter case, the criteria could require operational groups to be pre-dominantly composed of farmers and researchers, possibly with some additional intermediate actors such as advisors that could multiply the use of results.

In general, to encourage co-creation and interactivity during the implementation of innovation projects, selection criteria could put emphasis on the targeted composition of the project partnership to get targeted involvement of particular key actors with different types of knowledge in view of reaching the project objectives and spreading results.

Furthermore, the selection may take into account how the project objectives are targeted to problems and / or opportunities of practitioners. Elements illustrating the interaction between partners of the operational group can be used to measure the quality and quantity of knowledge exchange between the actors. Selection criteria could also refer to the quality of the organisation of activities, and the added value expected from the project compared with the available knowledge. Finally, selection criteria may weigh the expected effect of the planned dissemination of project results via courses, networks, advising or permanent databases.

9.3 Organisation of calls for proposals

EIP projects supported with EARDF funding will have to fit into the rural development programming logic which means they will have to address a certain focus area and priority. Member States and regions may opt to launch calls for EIP projects per individual focus area. Alternatively, common calls can be launched in one go for all focus areas for which EIP actions are supported. This would give managing authorities more flexibility in ensuring the commitment of budgets (and later on expenditure) as

money foreseen for one focus area could – temporarily – be allocated to another focus area for which there are more applications.

In view of allowing a sufficiently flexible and open handling of matters, it may be useful to publish calls that define upfront specific themes and leave part of the call open for applications on non prioritised focus areas. The latter may be in particular useful for cross-border operational groups funded by different rural development programme regions that find each other on a common cross-border theme (see section 4.5).

In general it would help the potential operational groups if intended calls for proposals are announced far in advance. This will allow the preparation by the groups and will improve the quality of the proposals.

Calls may be permanently open and proposals received and administratively processed all along the year. The selection of the proposals however should not be done on a "first come first served" basis. The guidelines on eligibility conditions and selection criteria foresee that Member States shall, if they wish to use a permanently open call for proposals, work in a "block procedure". Submitted applications within this defined period of time, shall be scored and ranked against the applicable selection criteria, as well as checked for eligibility conformity, and the best projects shall be selected for support. When a period of time ends, MS can immediately open the next one (while evaluating the applications submitted in the previous). This procedure shall be repeated over the period of the permanently open call for proposals. Thus, Member States have to define the duration of each "block procedure", the cutting dates and the budget allocated for each block". Unsuccessful applications may be improved and re-submitted for another evaluation within the calls to follow if the rules and procedures by the MS allow for that. It is also possible to define an annual budget if it is ensured that there will be budget available for the last years of the programming period and also that selection criteria linked to the quality of the project are applied.¹¹

9.4 Transparency, simplicity and verifiability

Eligibility and selection criteria should be verifiable, for instance by referring to easy-to-prove characteristics of beneficiaries or types of actions, to tangible deliverables such as databases or services such as advisory activities or vocational training.

Managing authorities would have a strong interest in avoiding excessively complex or too narrowly defined eligibility criteria, not the least in view of avoiding financial errors. Cases of non-compliance with eligibility criteria lead to severe financial consequences (100% correction).

9.5 Termination and adjustment of projects

The nature of the projects supported under Article 35 is such that it may involve a series of payments over several years. Managing authorities can carry out these (interim) payments on the basis of invoices, equivalent documents or calculations of standard costs (see Article 60 (4)).

The operational groups concerned may realise during project implementation that the idea that was to be tested and developed does not deliver on its promise and that it is better to stop or adjust the project. In case interim deliverables show that the initial

¹¹ Guidelines on eligibility conditions and selection criteria for the programming period 2014 – 2020

project plan should be adjusted in line with the project objectives, the adjustment of the project plan and continued funding may be agreed within the limits of the initially agreed budget of the project. In case a project is stopped, managing authorities would reimburse the costs made this far, and, if the operational group followed properly the established project plan, there would be no financial consequences for the beneficiary with one exception as referred to in Article 71 of Regulation (EU) No 1303/2013¹² (see below). In this respect managing authorities are invited to reflect on the usefulness of setting stages in the project implementing phase when the operational group would be asked to assess interim deliverables in order to check whether the project is developing according to plan or whether it is better to adjust or even stop the project. Such a procedure does justice to the fact that success of innovation projects can never be guaranteed while ensuring that no further funding is granted once the experience gained through the respective project provides evidence that an envisaged approach does not work.

If an OG project is stopped before the initially planned end date, results should be disseminated even if project implementation is not delivering as expected. OG projects are intended to test possible new approaches, techniques, products etc. The results of OG projects may prove useful in future whether they match initial expectations or not. The dissemination obligation therefore remains relevant and it applies in any case.

9.6 Operations involving productive investments

Article 71 (1) of Regulation (EU) No 1303/2013 applies if the project comprises an investment in infrastructure or a productive investment. If a project implemented by an operational group comprises an investment in infrastructure or a productive investment, the fund contribution has to be repaid if the investment ceases or is relocated, changes ownership, or has a substantial change affecting its nature within five years after final payment to the beneficiary. The guidance document on the co-operation measure (section 6.2) provides more info in this regard.

9.7 Eligible expenditure

The categories of costs set out in Art. 35(5) are relatively broad, provided that the costs covered are clearly related to a given operation approved by the managing authorities and the support paid reflects the actual work carried out¹³. Operational Groups can be funded to cover the work and/or participation by farmers or advisors, the work of a facilitator, the work of a researcher, the cost of meeting room hire, the cost of travel to meetings, some training on the use of particular equipment, a networking event, preparatory meetings of the potential partners in a future OG to be set up, the cost of a coordinator etc.

¹² OJ L 347, 20 .12.2013, p. 320. Regulation (EU) No 1303/2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006

¹³ "Lump sum" approaches in line with Art. 67 of Regulation (EU) 1303/2013 are possible in principle.

9.8 Non-eligible expenditure

Starting from the idea that innovation is a new idea that would eventually be broadly applied or find a market, and taking into account the impossibility of defining "innovative" upfront, it would nevertheless seem reasonable that Managing Authorities exclude certain types of actions from funding which evidently not lead to innovative outcomes. This concerns, for instance, the intention to form an operational group for the purpose of comparing the performance of machines, such as combine harvesters, which are readily available on the market. Obviously, such exclusion would not apply to projects that accommodate the introduction of a new technology, even if available on the market, to the specific adjustment requirements of existing production systems (e.g. milking robots are widely available on the market, however, they still require numerous adaptations to established farming systems to ensure their usefulness).

With regard to economic risk: open-ended compensation for loss of production should not be covered. However, support for mitigating measures such as the use of relevant insurance could be covered. There might also be other ways of converting expected losses into refundable costs to be specified and approved clearly at the start of a project – for example, in the case of an experimental project carried out on arable land, by hiring the land from the farmer concerned for the period of the project at an agreed rate.

9.9 Involving researchers under Rural Development

The EIP is helping to build bridges between research and practice. Alone-standing research as such, basic or applied, cannot be financed.

However, researchers can have a role in operational groups. Practitioners are not the study-object in operational group projects, but work together with researchers in view of creating co-ownership and using their entrepreneurial skills and practical knowledge for developing the solution to the problem/opportunity the group put forward. Researchers may be involved as one of the actors in the implementation of the group's project. If it serves a practical purpose, operational groups could try out ideas that have been developed in a first stage by researchers. Innovation brokers may collect innovative ideas from farmers and entrepreneurs and get researchers involved in operational groups to test out these ideas.

9.10 Controls

The Regulation imposes two particular obligations on operational groups, fulfilment of which must be checked: it should be checked whether (1) operational groups have a plan describing their project and expected results and (2) the results of the projects are disseminated. Please note that a project will only be completed and ready for final payment when the results have been disseminated. The application of other eligibility criteria and selection criteria established by Member States will also be subject to controls according to the relevant rules.

If the planned activities of a selected project targeted towards innovation have been performed and documented in good order and according to plan, payment may be executed even in cases where the expected result as described in the project proposal was not fully reached.

10. LINKS TO OTHER POLICIES

Horizon 2020

Rural Development Policy and the Union Research and Innovation Policy "Horizon 2020" complement each other in providing opportunities for EIP interactive innovation groups. Rural development programmes are applied within a specific programme region, whilst research policy must go beyond this scale by co-funding innovative actions at transnational level. In order to be eligible for support under research policy, projects have to involve partners from at least 3 Member States. This cross border eligibility condition is likely to prove clear delimitation with regard to projects funded under rural development.

European research policy is more practice oriented in the period 2014-2020. It will in particular pay more attention to linking up to practice, for instance via multi-actor projects or thematic networks.

Synergies and complementarities are being developed between the research and rural development policy. The EIP network and the common format for informing and reporting on operational groups will definitely play an important role in this regard as this can help connecting operational groups under rural development with Horizon 2020 research consortia on specific topics.

Moreover, interactive and practice-oriented formats under Horizon 2020, such as thematic networks and multi-actor projects, may provide innovative ideas to operational groups. The multi-actor approach requires that end-users and multipliers of research results such as farmers and farmers' groups, advisors, enterprises and others, should be closely involved throughout the whole project period. This should lead to innovative solutions that are more likely to be applied in the field, because those who need the solutions will be involved right from the start: from defining the questions, to planning, to implementing research work, to experiments and right up until possible demonstrations and dissemination. Openness to involve relevant "groups operating in the EIP context" (such as rural development operational groups) has been strongly recommended in the first bi-annual work programme 2014-2015 of Horizon 2020.

Thematic networks are a particular format of multi-actor projects that aims to develop end-user material, such as info sheets in a common format and audio-visual material. This material should be easy understandable for practitioners, stay available beyond the project period, and is to be shared through the EIP network. Projects will synthesize and present best practices and research results with a focus on themes and issues that are near to be put into practice, but not known yet by practitioners.

European Structural and Investment Funds other than EAFRD

Under the European Structural and Investment Funds Selection (ESIF), Member States or regions are asked to draft a Smart Specialisation Strategy. It is very well possible that Member States or regions would target (parts of) the agriculture sector as a priority. In that case funding possibilities might become available and care should be taken to ensure complementarity of funding and to increase synergies.

Interactive projects funded under ESI funds other than the EAFRD can improve visibility through the EIP network and share information for practitioners through the common format.

Other policies

Within the 1st pillar there may be links in particular with the policies in the fruit and vegetable and wine sector. Furthermore, there are links with national and regional policies on innovation, with the EIT and the Knowledge and Information Communities etc. Care should be taken to ensure complementarity of funding and to increase synergies.

Annex. Common format for the output of EIP projects

Reporting on projects in the EIP network is linked to the following legal texts and to the description of topics in WP 2014-2015 under the EU research framework H2020:

- RD legislation Art 57(3): “Operational groups shall **disseminate the results** of their project, in particular through the EIP network”
- H2020 thematic networks: “The resulting innovative knowledge and easy accessible **end-user material should feed into the EIP for broad dissemination**” (factsheets,...)
- H2020 multi-actor projects: “**involvement up until the dissemination of results**” => material to involve end-users and other **actors** that have a lot of contact with end-users to help spreading results (advisors, leading farmers, farmers’ organisations, businesses, etc.)

The common element between the listed types of projects is that they all envisage implementing the EIP-AGRI interactive approach, with outputs expected to be used by practitioners.

A common format for output from practice-oriented projects to end-users is considered useful both for dissemination of results after the project and for communication on a project while it is running, since it facilitates the contacting of farmers, researchers and all other actors involved. Such common format agreed at EU level will contribute to the visibility and rewarding of researchers' work in practice-oriented interactive projects (e.g. rural development operational groups, thematic networks, multi-actor projects, etc), similar to the research abstracts in peer reviewed journals.

The common format ("practice abstract") will be available for all projects that wish to connect with the EIP network and apply the interactive approach, including funding sources other than CAP rural development and H2020, e.g. national/ regional funding, other ESI funds, etc.

Common elements for project information to be disseminated to practitioners/end-users:

*** Guidance for the content of the “abstract”(short summary) for practitioners :**

- Short and easily understandable **title** (one key sentence on the project, max 150 characters)
- **What problem/opportunity** will the knowledge generated tackle for the practitioner/end-user? (objective of the project)
- What would be the **main benefits/opportunities to the end-user** if the generated knowledge is implemented? (what does the project bring + how can the practitioner/end-user use the results?)
- Main **results** (max 2-3 main results: what has been done during the project)
- The **main outcome/recommendation:** provide the main outcome/practice/information/recommendation generated from this project

1) Obligatory elements

- Title of the project (max 150 characters)
- Editor of the text (person responsible for delivering the text)
- Project coordinator according to the cooperation agreement (name, address, e-mail, telephone)
- Project partners (name, address, e-mail, telephone)
- **Practice "abstract"**: short **summary** in native language according to the guidance above including objective, main activities, (expected) practical outcomes, ...): around 200 words/1200 characters (word count – no spaces)
- Keywords (use keywords from the list + propose new)
- Project status: ongoing (after selection of the project) /completed
- Funding source (RD, H2020, other)
- Project period (beginning/end)
- Geographical location (NUTS 3 level) where the main project activities take place (to enable contacting within/between a climatic/regional entities)
- Final report including a substantial description of the results (obligatory when the project is completed):
- Total budget of the project

2) Recommended elements

- **Practice "abstract"**: short **summary** according to the guidance above in English including objective, main activities, (expected) practical outcomes, ...): 1000-1500 characters (word count - no spaces)
- Audiovisual material attractive for practitioners (youtube,...)
- Website of the project (URL)
- Website(s) where results stay available after the project has ended
- Description of the context of the project (e.g. drivers in legislation/markets that were at the origin of the project, etc)

3) Optional elements

- National/regional additional part according to the guidance of MS/region (e.g. for monitoring purposes)
- Additional comments: i.e. space left open (e.g. advice for future activities/research, message to consumers, other,...)