



Brussels, 12.2.2014
C(2014) 660

COMMISSION REGULATION (EU) No .../..

of 12.2.2014

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 Functioning of the European Union and repealing Commission Regulation (EC) No 1857/2006
– DRAFT –

TABLE OF CONTENTS

CHAPTER 1 COMMON PROVISIONS.....	18
CHAPTER 2 PROCEDURAL REQUIREMENTS	31
CHAPTER 3 CATEGORIES OF AID.....	32
Section 1 Aid in favour of SMEs active in the primary agricultural production, processing of agricultural products or marketing of agricultural products.....	32
Section 2 Aid for research and development in the agricultural sector	52
Section 3 Aid in favour of making good the damage caused by natural disaster in the agricultural sector.....	53
Section 4 Aid for investments in favour of conservation of cultural and natural heritage located on the agricultural holding.....	54
Section 5 Aid in favour of forestry, co-financed by the EAFRD or granted as additional national financing to such co-financed measures.....	55
Section 6 aids in favour of SMEs in Rural Areas co-financed by the EAFRD or granted as additional national financing to such co-financed measures.....	67
CHAPTER 4 TRANSITIONAL AND FINAL PROVISIONS	74

COMMISSION REGULATION (EU) No .../..

of 12.2.2014

**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 Functioning of the European Union and repealing Commission Regulation (EC) No 1857/2006
– DRAFT –**

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 108(4) thereof,

Having regard to Council Regulation (EC) No 994/98 of 7 May 1998 on the application of Articles 107 and 108 of the Treaty on Functioning of the European Union to certain categories of horizontal State aid, and in particular Article 1(1) (a) and (b) thereof¹,

Having published a draft of this Regulation,

Having consulted the Advisory Committee on State Aid,

Whereas:

- (1) State funding meeting the criteria laid down in Article 107(1) of the Treaty constitutes State aid and is required to be notified to the Commission by virtue of Article 108(3) thereof. However, pursuant to Article 109 of the Treaty, the Council may determine categories of aid that are exempted from this notification requirement. In accordance with Article 108(4) of the Treaty the Commission may adopt regulations relating to these categories of aid. By virtue of Regulation (EC) No 994/98 the Council decided, in accordance with Article 109 of the Treaty, that certain aid may be exempted from the procedure provided for in Article 108(3) of the Treaty. On the basis of Regulation (EC) No 994/98, the Commission adopted Commission Regulation (EC) No 1857/2006 which applies until 30 June 2014².
- (2) In addition, on 22 July 2013 the Council adopted Council Regulation (EU) No 733/2013³ through which it enabled the Commission to extend the block exemption to new categories of aid in relation to which the Commission's experience allows to define compatibility conditions. Such new categories of aid should include: aid in favour of heritage conservation, aid in favour of making good the damage caused by natural disaster and aid in favour of forestry which can, under certain

¹ OJ L 142, 14.5.1998, p. 1, as amended by Council Regulation (EU) No 733/2013, OJ L 204, 31.7.2013, p. 11.

² Commission Regulation (EC) No 1857/2006 of 15 December 2006 on the application of Articles 87 and 88 of the Treaty to State aid to small and medium-sized enterprises active in the production of agricultural products and amending Regulation (EC) 70/2001, OJ L 358, 16.12.2006, p. 3, as amended by Commission Regulation (EU) No 1114/2013 of 7 November 2013 amending Regulation (EC) No 1857/2006 as regards its period of application, OJ L 298, 8.11.2013, p. 34.

³ Council Regulation (EU) No 733/2013 of 22 July 2013 amending Regulation (EC) No 994/98 on the application of Articles 92 and 93 of the Treaty establishing the European Community to certain categories of horizontal State aid, OJ L 204, 31.7.2013, p. 11.

conditions, be exempted from the notification requirement of Article 108(3) of the Treaty.

- (3) Article 42 of the Treaty provides that the rules on competition apply to the production of and trade in agricultural products only to the extent determined by the European Parliament and the Council. By virtue of Article 211(1) of Regulation (EU) No 1308/2013 of the European Parliament and the Council⁴ State aid rules apply to aid for the production of and trade in agricultural products, subject to specific exceptions. According to Article 211(2) of Regulation (EU) No 1308/2013, State aid rules do not apply to payments made by Member States for measures provided for in that Regulation which are partly or wholly financed by the Union and for measures included in Articles 213 to 218 of that Regulation. Moreover, State aid rules do not apply to payments made by Member States pursuant to Regulation (EU) No 1305/2013 of the European Parliament and of the Council⁵ nor to additional national financing, within the scope of Article 42 of the Treaty. Such payments intended to provide additional national financing within the scope of Article 42 have to comply with the criteria of Regulation (EU) No 1305/2013 in order to be approved by the Commission as part of the rural development programme of a given Member State. Nevertheless, State aid rules apply, both to the part co-financed under the European Agricultural Fund for Rural Development (EAFRD) and to additional national financing for measures falling outside the scope of Article 42 of the Treaty.
- (4) As the economic effects of aid do not change depending on whether or not it is partly financed by the Union, or whether it is financed by a Member State alone, there should be consistency and coherence between the Commission's policy in respect of the control of State aid, and the support which is granted under the Union's own common agricultural and rural development policy.
- (5) The scope of this Regulation should therefore be aligned with that of Regulation (EU) No 1305/2013, in particular as regards aid in favour of the forestry sector and aid in favour of SMEs active in rural areas. For that purpose, this Regulation should apply to aid measures in favour of forestry and in favour of micro and small-sized undertakings (SMEs) active in the rural areas which fall outside the scope of Article 42 of the Treaty, only and insofar as those measures are included in the rural development programmes and are co-financed by the EAFRD. For the same purpose, this Regulation should apply to aid measures in favour of the forestry sector only where such measures are included in the rural development programmes and are co-financed by the EAFRD. On the other hand, this Regulation should not apply to aid to undertakings in rural areas for activities falling outside the scope of Article 42 of the Treaty or to the forestry sector where there is no direct link to the rural development programmes and no co-financing from the EAFRD. However, aid for knowledge transfer and information actions in the forestry sector and aid for advisory services in the forestry sector may be granted outside the rural development programmes wholly financed by the Member States.

⁴ Regulation (EU) No 1308/2013 of the European Parliament and of the Council of 17 December 2013 establishing a common organisation of the markets in agricultural products and repealing Council Regulation (EEC) No 922/72, (EEC) No 234/79, (EC) No 1037/2001 and (EC) No 1234/2007, OJ L 347, 20.12.2013, p. 671.

⁵ 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, OJ L 347, 20.12.2013, p. 487.

- (6) A simplified procedure should be made available for Member States when they are required to obtain State aid clearance for both the co-financed part and the additional financing of their national rural development programmes, in accordance with Article 81 (1) of Regulation (EU) No 1305/2013. In that respect such aid should be exempted from the notification requirement of Article 108(3) of the Treaty provided that it complies with the respective compatibility conditions laid down in this Regulation.
- (7) With the Communication of 8 May 2012 from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee on the Regions - EU State Aid Modernisation (SAM)⁶, the Commission launched a wider review of the State aid rules. The main objectives of this modernisation are: (i) to achieve sustainable, smart and inclusive growth in a competitive internal market, while contributing to Member State efforts towards a more efficient use of public finances; (ii) to focus Commission *ex ante* scrutiny on cases with the biggest impact on the internal market, while strengthening Member State cooperation in State aid enforcement; and (iii) to streamline the rules and provide for faster, better informed and more robust decisions based on a clear economic rationale, a common approach and clear obligations.
- (8) This Regulation should allow for a better prioritisation of enforcement activities as well as greater simplification and should be combined with greater transparency, effective evaluation and the control of compliance with the State aid rules at national and Union levels, while keeping proportionality and preserving the institutional competences of the Commission and the Member States.
- (9) The Commission has applied Articles 107 and 108 of the Treaty to SMEs active in the production, processing and marketing of agricultural products in numerous cases, in particular in the framework of Regulation (EC) No 1857/2006, Commission Regulation (EC) No 800/2008⁷ and the Community Guidelines on State aid in the agriculture and forestry sector 2007 to 2013⁸. It has thus gained considerable experience in this field. The Commission's experience has allowed it, on the one hand, to better define the conditions under which certain categories of aid can be considered compatible with the internal market and to extend the scope of block exemptions and, on the other hand, made clear the necessity to strengthen transparency as well as monitoring and allow for a proper evaluation of large schemes in light of their effect on competition in the internal market.
- (10) The general conditions for the application of this Regulation should be defined on the basis of a set of common principles that ensure that the aid serves a purpose of common interest, has a clear incentive effect, is appropriate and proportionate, is awarded in full transparency and subject to a control mechanism and regular evaluation, and does not adversely affect trading conditions to extent that is contrary to the common interest.
- (11) Any aid that fulfils all the conditions laid down in this Regulation, both general and specific to the relevant categories of aid, should be exempted from the notification obligation laid down in Article 108(3) of the Treaty. With a view to ensuring efficient supervision and simplifying administration without weakening Commission

⁶ COM (2012) 209 final.

⁷ Commission Regulation (EC) No 800/2008 of 6 August 2008 declaring certain categories of aid compatible with the common market in application of Articles 87 and 88 of the Treaty (General block exemption Regulation), OJ L 214, 9.8.2008, p. 3.

⁸ OJ C 319, 27.12.2006, p. 1.

monitoring, exempted aid (schemes and individual aids outside any aid scheme) should contain an express reference to this Regulation.

- (12) State aid within the meaning of Article 107(1) of the Treaty not covered by this Regulation remains subject to the notification requirement of Article 108(3) of the Treaty. This Regulation is without prejudice to the possibility for Member States to notify aid the objectives of which correspond to objectives covered by this Regulation. Such notifications will be assessed by the Commission on the basis of the Union Guidelines for State aid in the agriculture and forestry sector and in rural areas 2014-2020⁹ or any other applicable Union legislation on State aid.
- (13) In view of the larger potential impact of large schemes on trade and competition, this Regulation should not apply to schemes with an annual State aid expenditure exceeding a threshold based on national GDP and an absolute value, notably with a view to subjecting them to ex-post evaluation. Such schemes should be notified pursuant to Article 108(3) of the Treaty with a view to assessing their compliance with the compatibility criteria set in the present Regulation, and defining upfront an evaluation plan and the temporal duration of the scheme. The ex-post evaluation should aim at verifying whether the assumptions and conditions underlying the compatibility of the scheme have been achieved, the effectiveness of the aid measure in light of its pre-defined general and specific objectives and indicators and the impact of the measure on competition and trade. Prolongation or successors of schemes subject to evaluation should be assessed taking account the outcome of such evaluation.
- (14) This Regulation should not apply to aid contingent upon the use of domestic over imported products or aid to export-related activities. In particular, it should not apply to aid financing the establishment and operation of a distribution network in other countries. Aid towards the cost of participating in trade fairs or of studies or consultancy services needed for the launch of a new or existing product on a new market in another Member State or third country should not normally constitute aid to export-related activities.
- (15) The Commission must ensure that authorised aid does not adversely affect trading conditions to an extent that is contrary to the general interest. Therefore, aid in favour of a beneficiary which is subject to an outstanding recovery order following a previous Commission decision declaring an aid illegal and incompatible with the internal market should be excluded from the scope of this Regulation with the exception of aid to make good the damage caused by certain natural disasters.
- (16) Aid granted to undertakings in difficulty should be excluded from the scope of this Regulation, since such aid should be assessed under the Guidelines on State aid for rescuing and restructuring firms in difficulty¹⁰ in order to avoid their circumvention, with the exception of aid granted to compensate for damages caused by natural disasters, by an adverse climatic event which can be assimilated to a natural disaster, by animal disease or plants pest and aid for the restoration of damage to forests from fires, natural disasters, adverse climatic events, pests, diseases, catastrophic events and climate change related events. In order to provide legal certainty, it is appropriate to establish clear criteria that do not require an assessment of all the particularities of the situation of an undertaking to determine whether an undertaking is considered to be in difficulty for the purposes of this Regulation.

⁹ OJ ...

¹⁰ OJ C 244, 1.10.2004, p. 2.

- (17) If a State aid or the conditions attached to it, including its financing method when it forms an integral part of it, entail a non-severable violation of Union legislation, the aid may not be declared compatible with the internal market. This Regulation should therefore not apply to aid which entails a non-severable violation of Union legislation.
- (18) State aid enforcement is highly dependent on the cooperation of Member States. Therefore, Member States should take all necessary measures to ensure compliance with this Regulation, including compliance of individual aid grants under block-exempted schemes.
- (19) In view of the need to strike the appropriate balance between minimising distortions of competition in the aided sector and the objectives of this Regulation, it should not exempt individual investment aid, whether granted ad hoc or on the basis of an aid scheme, which exceed, either alone or cumulatively, a fixed maximum threshold. Any aid granted above those thresholds should remain subject to the notification requirement of Article 108(3) of the Treaty. Non-investment aid that complies with the compatibility conditions and does not exceed the maximum aid intensities or the maximum aid amounts laid down in this Regulation should be considered to strike the appropriate balance between minimising distortions of competition in the aided sector and the objectives of this Regulation.
- (20) In order to ensure transparency, equal treatment and effective monitoring, this Regulation should apply only to aid which is transparent. Transparent aid should be aid in respect of which it is possible to calculate precisely the gross grant equivalent *ex ante* without a need to undertake a risk assessment.
- (21) For certain specific aid instruments, such as loans, guarantees, fiscal measures and, in particular, repayable advances, this Regulation should define the conditions under which they can be considered transparent. Aid comprised in guarantees should be considered as transparent if the gross grant equivalent has been calculated on the basis of safe-harbour premiums laid down for the respective type of undertaking. For instance, for SMEs the Commission, Notice on the application of Articles 87 and 88 of the EC Treaty to State aid in the form of guarantees¹¹ indicates levels of annual premium above which a State guarantee would be deemed not to constitute aid. It should also be considered transparent if before the implementation of the measure, the methodology used to calculate the aid intensity of the state guarantee has been notified to and approved by the Commission in line with the Commission Notice on the application of Articles 87 and 88 of the EC Treaty to State aid in the form of guarantees. For the purpose of this Regulation, aid comprised in risk finance measures and capital injections should not be considered as transparent aid.
- (22) Aid which is not transparent should always be notified to the Commission. Notification of non-transparent aid should be assessed by the Commission in particular in the light of the criteria set out in the Union Guidelines for State aid in the agriculture and forestry sector and in rural areas 2014 to 2020.
- (23) To ensure that the aid is necessary and acts as an incentive to further develop activities or projects, this Regulation should not apply to aid for activities or projects in which the beneficiary would engage also absent the aid. No aid should be granted retroactively in respect of activities or projects which have already been undertaken by the beneficiary. Aid should only be exempted from the notification requirement of Article 108(3) of the Treaty in accordance with this Regulation where the activity or

¹¹ OJ C 155, 20.6.2008, p. 10.

the work on the aided project starts after the beneficiary has submitted a written application for the aid.

- (24) As regards any ad hoc aid covered by this Regulation granted to a beneficiary which is a large undertaking, the Member State should, in addition to the conditions applying to SMEs, also ensure that the beneficiary has analysed, in an internal document, the viability of the aided project or activity with aid and without aid. The Member State should verify that this internal document confirms a material increase in scope of the project/activity, a material increase in the total amount spent by the beneficiary on the aided project or activity or a material increase in the speed of completion of the project/activity concerned. It should also be possible to establish the incentive effect on the basis of the fact that the investment project or the activity would not have been carried out as such in the rural area concerned in the absence of the aid.
- (25) Automatic aid schemes in the form of tax advantages should continue to be subject to a specific condition concerning the incentive effect, in the light of the fact that the aid resulting from such schemes is granted within the framework of different procedures than other categories of aid. That specific condition means that the aforementioned schemes should have been adopted before the activity or the work on the aided project/activity started. However, this condition should not apply in the case of fiscal successor schemes provided the activity was already covered by the previous fiscal schemes in the form of tax advantages. For the assessment of the incentive effect of such schemes, the crucial moment is the moment when the tax measure was set out for the first time in the original scheme, which is then replaced by the successor scheme.
- (26) As regards aid for promotional measures in form of publications aimed at raising awareness of agricultural products among the wider public, aid to compensate for losses caused by adverse climatic event which can be assimilated to a natural disaster, aid to compensate for the costs of the eradication of animal diseases and plant pests and for losses caused by those animal diseases or plant pests, aid to cover the costs of the removal and destruction of fallen stock, aid to make good the damage caused by natural disaster and aid for investments in favour of conservation of cultural and natural heritage on the agricultural holding the existence of an incentive effect does not apply or should be presumed if specific conditions set out for those categories of aid in this Regulation are fulfilled.
- (27) To ensure that the appropriate balance between minimising distortions of competition and the objectives of this Regulation is respected, this Regulation should apply only to proportionate aid. The aid should be deemed to be proportionate if it complies with the maximum aid intensities or the maximum aid amounts laid down in this Regulation.
- (28) With a view to ensuring that aid is proportionate and limited to the amount necessary, the aid amounts should whenever possible be expressed in terms of aid intensities in relation to a set of eligible costs. Where the maximum aid intensity cannot be set, because eligible costs cannot be identified or in order to provide simpler instruments for small amounts, maximum aid amounts defined in nominal terms should be set out in order to ensure proportionality of the aid. The aid intensity and the maximum aid amounts should be fixed, in the light of the Commission's experience, at a level that minimises distortions of competition in the aided sector while appropriately addressing the objective of facilitating the development of the economic activities of SMEs in the agriculture, in the rural areas, and the forestry sector. In the interests of coherence with Union-financed rural development measures, the ceilings should be harmonised with those set out in Regulation (EU) No 1305/2013.

- (29) For the calculation of the aid intensity, all figures used should be taken before any deduction of tax or other charges. Aid payable in several instalments should be discounted to its value at the moment of granting. The eligible costs should also be discounted to their value at the moment of granting. The interest rate to be used for discounting purposes and for calculating the amount of aid in the case of aid which does not take the form of a grant should be the reference rate applicable at the time of the grant, as laid down in the Communication from the Commission on the revision of the method for setting the reference and discount rates¹². The identification of eligible costs should be supported by clear, specific and up-to date documentary evidence. Where aid is granted in a form other than a grant, the aid amount should be expressed in gross grant equivalent. Where aid is awarded by means of tax advantages, aid tranches should be discounted on the basis of the reference rates applicable on the various dates when the tax advantages become effective. The use of aid in the form of repayable advances should be promoted, since such risk-sharing instruments are conducive to a strengthened incentive effect of the aid. It is therefore appropriate to establish that where aid is granted in the form of repayable advances the applicable aid intensities laid down in this Regulation might be increased.
- (30) In the case of tax advantages on future taxes, the applicable reference rate and the exact amount of the aid tranches may not be known in advance. In such a case, Member States should set in advance a cap on the discounted value of the aid respecting the applicable aid intensity. Subsequently, when the amount of the aid tranche at a given date becomes known, discounting can take place on the basis of the reference rate applicable at that time. The discounted value of each aid tranche should be deducted from the overall amount of the cap ("capped amount").
- (31) To determine whether the individual notification thresholds and the maximum aid intensities or the maximum aid amounts laid down in this Regulation are respected, the total amount of the state aid for the aided activity or project should be taken into account. Moreover, this Regulation should specify the circumstances under which different categories of aid may be cumulated. Aid exempted by this Regulation and any other compatible aid exempted under this Regulation or approved by the Commission may be cumulated as long as those measures concern different identifiable eligible costs. Where different sources of aid are related to the same – partly or fully overlapping – identifiable eligible costs, cumulation should be allowed up to the highest aid intensity or aid amount applicable to that aid under this Regulation. This Regulation should also set out special rules for cumulation of aid with and without identifiable eligible costs, and for cumulation with de minimis aid
- (32) Union funding centrally managed by the institutions, agencies, joint undertakings or other bodies of the Union, that is not directly or indirectly under the control of Member States, does not constitute State aid. Where such Union funding is combined with State aid, only the latter should be considered for determining whether notification thresholds and maximum aid intensities are respected, provided the total amount of public funding granted in relation to the same eligible costs does not exceed the most favourable funding rate laid down in the applicable rules of Union law.
- (33) Given that State aid within the meaning of Article 107(1) of the Treaty is, in principle, prohibited, it is important that all parties have a possibility to check whether an aid is granted in compliance with the applicable rules. Transparency of State aid is, therefore, essential for the correct application of Treaty rules and leads to better

¹² OJ C 14, 19.1.2008, p. 6.

compliance, greater accountability, peer review and ultimately more effective public spending. To ensure transparency, this Regulation should require the establishment of State aid websites, at regional or national level. On those websites the Member States should publish summary information about each aid measure exempted under this Regulation in a standardized format, the full text of each aid measure and information about the award of individual aid. That obligation should be a condition for the compatibility of the individual aid with the internal market. The links to the State aid websites of all the Member States should be published on the Commission's website.

- (34) To ensure effective monitoring, it is appropriate in accordance with Article 3 (2) of Regulation (EC) No 994/98, to establish a standard format in which Member States should provide the Commission with summary information whenever, in accordance with this Regulation, an aid scheme is implemented or individual aid is granted outside aid scheme, with a view to publication on the internet site of the Commission.
- (35) To ensure effective monitoring, it is appropriate in accordance with Article 5 of Commission Regulation (EC) No 794/2004¹³ and Article 3 (4) of Regulation (EC) No 994/98 to establish rules concerning annual reporting on aid exempted from the notification requirement of Article 108(3) of the Treaty in accordance with the conditions laid down in this Regulation, including specific requirements for certain categories of aid, to be submitted to the Commission by Member States.
- (36) In view of the wide availability of the necessary technology, the summary information and the annual report should be in computerised format and transmitted to the Commission via the Commission electronic systems.
- (37) Moreover, it is appropriate in accordance with Article 3 (3) of Regulation (EC) No 994/98 to establish rules concerning the records that Member States should keep regarding the aid exempted from the notification requirement of Article 108(3) of the Treaty by this Regulation, in the light of the limitation period established by Article 15 of Council Regulation (EC) No 659/1999¹⁴.
- (38) To reinforce the effectiveness of compatibility conditions set out in this Regulation, it should be possible for the Commission to withdraw the benefit of the block exemption for the future aid measures in the event of failure to comply with these requirements. The Commission should be able to restrict the withdrawal of the benefit of the block exemption to certain types of aid, certain beneficiaries or aid measures adopted by certain authorities, where non-compliance with this Regulation affects only a limited group of measures or certain authorities. Such a targeted withdrawal should provide a proportionate remedy directly linked to the identified non-compliance with this Regulation. In case of failure to meet compatibility conditions set out in Chapters I and III, aid granted is not covered by this Regulation and, as a consequence, constitutes unlawful aid, which the Commission will examine in the framework of the relevant procedure as set out in Regulation No (EC) No 659/1999. In case of failure to fulfil the requirements of Chapter II, the withdrawal of the benefit of the block exemption in respect of the future aid measures does not affect the fact that the past measures complying with this Regulation were block exempted.

¹³ Commission Regulation (EC) No 794/2004 of 21 April 2004 implementing Council Regulation (EC) No 659/1999 laying down detailed rules for the application of Article 93 of the EC Treaty, OJ L 140, 30.4.2004, p. 1.

¹⁴ Council Regulation (EC) No 659/1999 laying down detailed rules for the application of Article 93 of the EC Treaty, OJ L83, 27.3.1999, p. 1.

- (39) Having regard to Article 107(3)(c) of the Treaty, aid should not have the sole effect of continuously or periodically reducing the operating costs which the beneficiary would normally have to bear, and should be proportionate to the handicaps that have to be overcome in order to secure the socio-economic benefits deemed to be in the Union interest. Unilateral State aid which simply seeks to improve the financial situation of producers but which in no way contributes to the development of the sector, and in particular aid which is granted solely on the basis of price, quantity, unit of production or unit of means of production should be considered to constitute operating aid which is incompatible with the internal market. Furthermore, if granted in the agriculture sector, such aid is also likely to interfere with the mechanisms of the common organisations of the markets. It is therefore appropriate to limit the scope of this Regulation to certain types of aid.
- (40) SMEs play a decisive role in job creation and, more generally, act as a factor of social stability and drive the economy. However, their development may be limited by market failures, leading to SMEs suffering from typical handicaps. SMEs often have difficulty in obtaining capital or loans, given the risk-averse nature of certain financial markets and the limited collateral that they may be able to offer. Their limited resources may also restrict their access to information, notably as regards new technology and potential markets. To facilitate the development of the economic activities of SMEs, this Regulation should therefore exempt certain categories of aid in favour of SMEs from the notification requirement of Article 108(3) of the Treaty.
- (41) To eliminate differences that might give rise to distortions of competition and to facilitate coordination between different Union and national initiatives concerning SMEs as well as for reasons of administrative clarity and legal certainty, the definition of SME used for the purpose of this Regulation should be based on the definitions laid down in Commission Recommendation 2003/361/EC¹⁵.
- (42) To ensure coherence with the rural development policy and to achieve simplification of the rules based on the experience already gained by the Commission in the light of the application of Regulation 1857/2006 and Regulation 800/2008 it is appropriate to exempt different categories of aid in favour of SMEs active in primary agricultural production, processing of agricultural products and marketing of agricultural products.
- (43) These categories of aid should in particular encompass investment aid such as investments in tangible or intangible assets or for the relocation of farm buildings, aid for business start-ups and business opportunities such as aid for young farmers and small farms, aid for producer groups, as well as aid for participation in quality schemes, aid to facilitate business development, such as aid for knowledge transfer and information actions, aid for advisory services, aid for promotional activities, aid for farm replacement services, risk and crisis management aid such as aid to compensate for losses caused by adverse climatic events which can be assimilated to a natural disaster, aid for the costs of the prevention and eradication of animal diseases and plant pests and aid for insurance premiums, as well as aid for the livestock sector pursuing common public objectives such as preservation of the genetic quality and the protection of animal and public health. That aid should be especially aimed at enhancing the competitiveness and the viability of the whole agricultural sector.
- (44) Moreover, aids granted in favour of SMEs active in rural areas should also be exempted from the notification requirement of Article 108(3) of the Treaty under this

¹⁵ Commission Recommendation 2003/361/EC concerning the definition of micro, small and medium-sized enterprises, OJ, L 124, 20.5.2003, p.36.

Regulation. In this regard and in order to ensure coherence between rural development measures co-financed under the EAFRD and measures financed from additional national resources or rural development measures financed purely through State aid, the rules laid down in this Regulation should be consistent as far as possible with the rules laid down in Regulation (EU) No 1305/2013 and in the delegated and implementing acts.

- (45) Other categories of aid such as aid for research and development in the agricultural sector, aid to make good the damage caused by natural disaster, aid for investments in favour of the conservation of cultural and natural heritage located on agricultural holdings and aid in favour of forestry granted to both, SMEs and large undertakings should be exempted from the notification requirement of Article 108(3) of the Treaty. In particular, as regard aid in favour of forestry and in order to ensure coherence between rural development measures co-financed under the EAFRD and measures financed from additional national resources or rural development measures financed purely through State aid, the rules laid down in this Regulation should be consistent as far as possible with the rules laid down in Regulation (EU) No 1305/2013 and in the delegated and implementing acts.
- (46) Aid granted to SMEs active in the primary agricultural production, in the processing of agricultural products and in the marketing of agricultural products, aid for research and development, aid in favour of the forestry sector or aid in favour of SMEs in the rural areas for activities falling outside the scope of Article 42 of the Treaty may also be exempted from the notification requirements of Article 108(3) of the Treaty in accordance with the conditions laid down in Commission Regulation (EU) No [GBER/2014]¹⁶ under the conditions laid down therein. Where Member States deem it more appropriate, they may alternatively choose to grant aid falling under the above mentioned categories in accordance with the conditions laid down in Regulation (EU) No [GBER/2014]. In particular, Member State may choose to grant to SMEs active in the primary agricultural production regional operating aid to compensate additional costs other than transport costs in outermost regions, risk finance aid, aid for research, development and innovation, aid for SMEs, environmental aid and aid for disadvantaged workers and aid for investments related to the use of wood as energy source in accordance with the conditions laid down in Regulation (EU) No [GBER/2014]. In that context and in order to clarify the relation between the scope of application of this Regulation and Regulation (EU) No [GBER/2014], it should be noted that the objectives, the categories of aid and the aid conditions laid down in the two Regulations are different although they may target the same type of beneficiaries.
- (47) To improve the economic and environmental performance and efficiency of the SMEs active in the agricultural sector and to provide the infrastructure needed for the development of agriculture and to support non-remunerative investments necessary to achieve environmental aims, aid should be provided for investments in tangible or intangible assets contributing to those objectives. Those investments should comply with Union legislation and with the national laws of the Member States concerned. Furthermore, only investments that do not require an environmental impact assessment under Union should be exempted from the notification requirement of Article 108(3) of the Treaty under this Regulation. Nevertheless, investments carried out within the framework of a regional or national rural development programme, approved by the Commission, for which an environmental impact assessment has been carried out in

¹⁶ Commission Regulation (EU) N° .../...of XXX declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty, OJ xxx

accordance with Regulation (EU) No 1305/2013, should be exempted from the notification requirement of Article 108(3) of the Treaty under this Regulation.

- (48) Because of the risk of distortions of competition resulting from targeted investment aid in the agricultural sector, investment aid exempted from the notification requirement of Article 108(3) of the Treaty under this Regulation should not be limited to a specific agricultural product. This condition should not prevent a Member State from excluding certain agricultural products from the scope of a particular aid, notably where no normal market outlets can be found. Moreover, aid to certain types of investment should per se not qualify for exemption from the notification requirement of Article 108(3) of the Treaty under this Regulation.
- (49) To ensure the appropriate balance between minimising distortions of competition and promoting energy and resource efficiency this Regulation should provide that aid should be granted for investment linked to the production on farm-level of biofuels or energy from renewable sources only where that production does not exceed the average annual consumption of fuel or energy of the farm.
- (50) To encourage and to facilitate the initial establishment of young farmers and the development of small farms which are potentially economically viable it is appropriate to exempt from the notification requirement of Article 108(3) of the Treaty aid for business start-up. In order to ensure the viability of the newly established agricultural activities, the aid should be made conditional on the submission of a business plan. Aid for business start-up should cover only the initial period of the existence of a business and not become operating aid.
- (51) To enhance competitiveness and resource efficiency and to improve the environmental performance, the sustainable management and overall performance of the SMEs it is appropriate to exempt from the notification requirement of Article 108(3) of the Treaty aid for knowledge transfer, information actions and farm advisory services as well as promotional measures.
- (52) To enhance market opportunities and to achieve added value for the agricultural products concerned it is appropriate to encourage SMEs to participate in Union or national quality schemes and therefore aid for participation in quality schemes should be exempted from the notification requirement of Article 108(3) of the Treaty. Given that it is at the moment of entering such quality schemes and in the early years of their participation that additional costs and obligations imposed on the SMEs as a result of their participation are not fully remunerated by the market, the direct aid to the beneficiary should be limited to new participation and cover a period of not more than five years. In addition, aid in the form of subsidized services should be granted towards the costs for compulsory control measures in relation to the quality schemes or towards the costs for market research activities or for preparation of application for recognition of Union quality scheme.
- (53) To help the agricultural sector to face the challenges posed by increased competition and consolidation of downstream markets in relation to the marketing of the agricultural products including in local markets the setting up of producer groups should be encouraged. It is therefore appropriate to exempt from the notification requirement of Article 108(3) of the Treaty start up aid to producer groups. Only producer groups that qualify as SMEs should benefit from the aid. In order to ensure that the producer group becomes a viable entity, a business plan should be submitted the competent authority as a condition for the official recognition of a producer group

by Member States. To avoid providing operating aid and maintain the incentive effect, the maximum aid duration should be limited to five years.

- (54) Good risk and crisis management is a key tool for a sustainable and competitive agricultural sector. The primary agricultural production is exposed to particular natural, climatic and health risks and crises. Therefore risk and crisis management aid and the aid for the livestock sector should be limited to SMEs active in primary agricultural production. State aid for making good losses caused by adverse climatic events that can be assimilated to natural disasters, aid for combating animal diseases and plant pests and aid for paying insurance premiums should be limited to helping beneficiaries facing various difficulties despite having undertaken reasonable efforts to minimise such risks. State aid should not have as its effect to entice beneficiaries into taking unnecessary risk. SMEs active in primary agricultural production should themselves bear the consequences of imprudent choices of production methods or products.
- (55) Aid for research and development can contribute to sustainable economic growth and strengthen competitiveness. Based on the Commission's experience in applying the Community Guidelines on State aid in the agriculture and forestry sector 2007 to 2013, the Community Framework for State aid for research and development and innovation¹⁷ and Regulation (EC) No 800/2008 to aid for research and development in the agricultural sector, it is appropriate to exempt from the notification requirement of Article 108(3) of the Treaty aid for research and development which fulfills the conditions laid down in this Regulation. Since the promotion of research and development is an important objective in the common interest, this Regulation should require that the research project is of interest of all undertakings active in a particular agricultural sector or sub-sector. The information on the research project and the results of it should be made publicly available on internet. Moreover, the results of the research should be available to interested undertakings at no costs.
- (56) Emergency situations caused by natural disasters require urgent action by the granting authorities. It is therefore important to ensure a swift implementation of the envisaged aid. The Commission has applied Articles 107 and 108 of the Treaty in a considerable number of decisions concerning compensation for damage caused to the agricultural sector by natural disasters. The Community Guidelines on State aid in the agriculture and forestry sector 2007 to 2013 already covered the possibility to authorise aid schemes to compensate for damages caused by natural disasters. In the period from 2007 to 2012 and in application of the Community Guidelines on State aid in the agriculture and forestry sector 2007 to 2013, the Commission approved more than 25 measures regarding compensation for damages caused by natural disasters to the agricultural sector. The Commission's experience has shown that such measures need to be implemented swiftly in order to be effective. Accordingly, it is necessary to simplify the notification procedure for such measures. Moreover, they do not give rise to a significant distortion of competition in the internal market due to their compensatory nature and the existence of clear criteria for compatibility with the internal market. It is therefore appropriate that the Commission should also make use of the powers conferred on it by Regulation (EC) No 994/98 as regards aids for compensation for damage caused by natural disasters in the agricultural sector.
- (57) Aid to make good damage caused by natural disasters should therefore be available to undertakings in the whole agricultural sector and be granted to both SMEs and large

¹⁷ OJ C 323, 30.12.2006, p. 1.

undertakings. The conditions to exempt aid to make good damage caused by natural disasters follow the already established practice and relate to the formal recognition by the Member States' authorities of the character of the event as a natural disaster, to the existence of a direct causal link between the natural disaster and the damage suffered by the beneficiary and should ensure that overcompensation is avoided. In particular, Member States should avoid overcompensation as a result of the combination of such aid with other compensations received by the beneficiaries including payments received under an insurance scheme.

- (58) The Commission has applied Articles 107 and 109 of the Treaty to aid in favour of heritage conservation in numerous cases, in particular in the framework of the Community Guidelines on State aid in the agriculture and forestry sector 2007 to 2013 and Regulation (EC) No 1857/2006. In the period from 2007 to 2013 investment aid for conservation of traditional landscapes and buildings in favour of SMEs has been exempted from the notification requirement under Regulation (EC) No 1857/2006, while investment aid for conservation of traditional landscapes and buildings in favour of large undertaking has been subject to the notification requirement and approved by the Commission in accordance with the Community Guidelines on State aid in the agriculture and forestry sector 2007-2013. In that period the Commission has assessed more than 87 investment aids concerning the conservation of traditional landscapes and buildings located on agricultural holdings. Heritage conservation projects, even carried out by larger companies, do not typically give rise to any significant distortion of competition. It is therefore appropriate that the Commission should make use of the powers conferred on it by Regulation (EC) No 994/98, as regards aids in favour of heritage conservation.
- (59) For aid in favour of cultural and natural heritage to be exempted from the notification requirement under this Regulation, it should be granted for investments in tangible assets or capital works aimed at the conservation of the cultural or natural heritage. The cultural or natural heritage should be located on the agricultural holding of the beneficiary and should be officially recognised as such by the competent public authority in the Member State. The aid intensity should be made conditional on whether the investment is non-productive, thereby allowing higher aid intensity in such case, or whether it leads to an increase of the production capacity, in which case the aid intensity should be limited.
- (60) Forestry is an integral part of rural development. The Commission has applied Articles 107 and 108 of the Treaty to undertakings active in the forestry sector in numerous decisions, in particular in the framework of the Community Guidelines on State aid in the agriculture and forestry sector 2007 to 2013. In the period from 2007 to 2012 the Commission approved 140 aids in favour of the forestry sector in accordance with those Guidelines. In the light of the considerable experience gained by the Commission in the context of applying those Guidelines to undertakings active in the forestry sector, it is appropriate, with a view to simplifying procedures but at the same time ensuring efficient supervision and Commission monitoring, that the Commission should also make use of the powers conferred on it by Regulation (EC) No 994/98 as regards aid in favour of the forestry sector. According to the Commission's experience aid granted in the forestry sector for measures that are part of the rural development programmes and which is either co-financed by the EAFRD or granted as an additional national financing to such co-financed measures does not significantly distort competition in the internal market. Moreover, aid for knowledge transfer in the forestry sector and aid for advisory services in the forestry sector do not significantly

distort competition in the internal market even though they are granted outside the rural development programmes as pure State aid. Clear conditions for the compatibility of such measures with the internal market should be defined in this Regulation. Those conditions should be consistent as far as possible with the rules laid down in Regulation (EU) No 1305/2013 and in the delegated and implementing acts.

- (61) Those categories of aid should in particular encompass aid for afforestation and the creation of woodland, aid for agro-forestry systems, aid for the prevention and restoration of forests damaged by fire, natural disasters, adverse climatic events, plant pests or catastrophic events, aid for investments improving the resilience and environmental value of forest ecosystems, aid for disadvantages related to Natura 2000 forest areas as defined in Article 3 of Council Directive 92/43/EEC¹⁸ and in Article 3 Directive 2009/147/EC¹⁹ of the European Parliament and of the Council, aid for forest-environmental and climate services and for forest conservation, aid for knowledge transfer and information actions, aid for advisory services, aid for infrastructure investments and aid for investments in new forestry technologies and in the processing mobilising and marketing of forestry products. The aid to the forestry sector should avoid distorting competition and be market neutral.
- (62) In order to ensure coherence with Regulation (EU) No 1305/2013 and to achieve simplification of the rules to obtain State aid clearance for the co-financed part and the additional financing of the national rural development programmes, the aid in favour of the forestry sector exempted from the notification requirement of Article 108(3) of the Treaty under this Regulation should be identical to the underlying rural development measures and the exempted aid should only be granted pursuant to and in conformity with the rural development Programme of the Member State concerned, with exception of aid for knowledge transfer and aid for advisory services.
- (63) Economic diversification and the creation of new economic activities are essential for the development and competitiveness of rural areas and in particular for the SMEs which are the backbone of the Union rural economy. Regulation (EU) No 1305/2013 provides for measures to support non-agricultural business development in rural areas aimed at employment promotion, the setting up of quality jobs in rural areas, the maintenance of already existing jobs, a reduction of seasonality fluctuations in employment, development of non-agricultural sectors outside agriculture and food processing while fostering at the same time business integration and local inter-sectoral links.
- (64) To ensure coherence with Regulation (EU) No 1305/2013 and to achieve simplification of the rules to obtain State aid clearance for the co-financed part and the additional financing of the national rural development programmes this Regulation should exempt from the notification requirement of Article 108(3) of the Treaty different categories of aid in favour of SMEs active in rural areas. Those categories of aid should, in particular, encompass aid for investments concerning the processing of agricultural products into non-agricultural products or the production of cotton, aid for business start-ups for non-agricultural activities, aid for advisory services, aid for knowledge transfer and information actions and aid for the new participation of farmers in quality schemes for cotton and foodstuff and promotional measures in

¹⁸ Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora, OJ L 206, 22.7.1992, p. 7.

¹⁹ Directive 2009/147/EC of the European Parliament and of the Council of 30 November 2009 on the conservation of wild birds, OJ L 20, 26.1.2010, p. 7.

favour of foodstuffs. The aid to be exempted from the notification requirement of Article 108(3) of the Treaty under this Regulation should be identical to the underlying rural development measures and the exempted aid should only be granted pursuant to and in conformity with the rural development programme of the Member State concerned.

- (65) In the case of several categories of aid such as aid towards the costs of market research activities, product conception and design and for preparation of applications for recognition of quality schemes, aid towards the costs for compulsory control measures in relation to the quality schemes, aid for knowledge transfer and information actions, aid for advisory services, aid for farm replacements services, aid for promotional measures, aid to compensate for the costs of the prevention and eradication of animal diseases and plant pests and aid to the livestock sector the aid is granted to the final aid beneficiaries indirectly, in kind, by means of subsidized services. In such cases the aid should be paid to the provider of the service or activity in question. When selecting the provider due regard should be made to the respective applicable public procurement rules and to the principles of transparency, openness and non-discrimination in the selection procedure.
- (66) In the light of the Commission's experience in this area, and in particular the frequency with which it is generally necessary to revise State aid policy in the Union, it is appropriate to limit the period of application of this Regulation. To give Member States time to adapt, aid exempted from the notification requirement of Article 108(3) of the Treaty in accordance with this Regulation should continue to be so exempted for an adjustment period of six months following the date of expiry of this Regulation.

HAS ADOPTED THIS REGULATION:

CHAPTER I COMMON PROVISIONS

Article 1 Scope

1. This Regulation shall apply to the following categories of aid:
 - (a) aid in favour of SMEs:
 - (i) active in the agricultural sector (primary agricultural production, the processing of agricultural products and the marketing of agricultural products), with the exception of Articles 14, 15, 16, 18 and 23 and Articles 25 to 28 which shall only apply to SMEs active in the primary agricultural production;
 - (ii) for activities falling outside the scope of Article 42 of the Treaty insofar as such aid falls within the scope of Regulation (EU) No 1305/2013 and is either co-financed by the European Agricultural Fund for Rural Development (EAFRD) or granted as additional national financing for such co-financed measures.
 - (b) aid for research and development in the agricultural sector;
 - (c) aid in favour of making good damage caused by natural disasters in the agricultural sector;

- (d) aid for investments for the conservation of cultural and natural heritage located on agricultural holdings;
 - (e) aid in favour of forestry.
- 2. Where Member States deem it appropriate, they may choose to grant aid referred to in paragraphs 2(a), 2(b) and 2(e) under the conditions and in compliance with Regulation (EU) No [GBER/2014].
- 3. This Regulation shall not apply to aid in favour of:
 - (a) forestry sector which is not co-financed by the EAFRD or granted as additional national financing for such co-financed measure, with the exception of Articles 38 and 39;
 - (b) SMEs for activities falling outside the scope of Article 42 of the Treaty which is not co-financed by the EAFRD or granted as additional national financing for such co-financed measure.
- 4. This Regulation shall not apply to:
 - (a) schemes under articles 17, 32, 33, 34, 35, 40, 41, and 42 of this Regulation, for which the annual State aid expenditure exceeds 0,01 % of national gross domestic product (GDP) for the Member State concerned²⁰, in so far as the annual State aid expenditure of the scheme in question exceeds EUR 100 million.
 - (b) aid to export-related activities towards third countries or Member States, namely aid directly linked to the quantities exported, to the establishment and operation of a distribution network or to other current costs linked to export activity;
 - (c) aid contingent upon the use of domestic over imported goods.
- 5. With the exception of Article 30, this Regulation shall not apply to:
 - (a) aid schemes which do not explicitly exclude the payment of individual aid in favour of an undertaking which is subject to an outstanding recovery order following a previous Commission Decision declaring an aid illegal and incompatible with the internal market;
 - (b) ad hoc aid in favour of an undertaking which is subject to an outstanding recovery order following a previous Commission Decision declaring an aid illegal and incompatible with the internal market.
- 6. This Regulation shall not apply to aid to undertakings in difficulty with the exception of:
 - (a) aid to make good the damage caused by a natural disaster in accordance with Article 30;
 - (b) aid to compensate for losses caused by an adverse climatic event which can be assimilated to a natural disaster in accordance with Article 25, aid to compensate the costs of the eradication of animal diseases and plant pests and for losses caused by those animal diseases and plant pests in accordance with Article 26(9) and (10) and aid for the restoration of damage to forests from

²⁰ Using Eurostat annual data on national GDP in purchasing power standards (PPS) for the second calendar year before the calendar year in question.

fires, natural disasters, adverse climatic events, plant pests, animal diseases, catastrophic events and climate change related events in accordance with Article 34(6)(1)(b)(d) and (7), provided that the undertaking became an undertaking in difficulty due to the losses or damages caused by that adverse climatic event which can be assimilated to a natural disaster, outbreak of animal disease or plant pest, adverse climatic event, catastrophic event or climate change related event.

7. This Regulation shall not apply to aid which entail, by themselves, by the conditions attached to them or by their financing method a non-severable violation of Union law, in particular to:
- (a) aid where the grant of aid is subject to the obligation for the beneficiary to have its headquarters in the relevant Member State or to be predominantly established in that Member State;
 - (b) aid where the grant of aid is subject to the obligation for the beneficiary to use nationally produced goods or national services;
 - (c) aid restricting the possibility for the beneficiaries to exploit the research, development and innovation results in other Member States.

Article 2 *Definitions*

For the purpose of this Regulation the following definitions shall apply:

1. 'aid' means any measure fulfilling all the criteria laid down in Article 107(1) of the Treaty;
2. 'individual aid' means aid granted to a specific undertaking and includes:
 - (a) ad hoc aid; and
 - (b) awards of aid on the basis of an aid scheme;
3. 'ad hoc aid' means aid not awarded on the basis of an aid scheme;
4. 'aid scheme' means any act on the basis of which, without further implementing measures being required, individual aid awards may be made to undertakings defined within the act in a general and abstract manner and any act on the basis of which aid which is not linked to a specific project may be awarded to one or several undertakings;
5. 'agricultural product' means the products listed in Annex I to the Treaty, except fishery and aquaculture products listed in Annex I to Regulation (EU) No 1379/2013 of the European Parliament and of the Council²¹;
6. 'primary agricultural production' means the production of products of the soil and of stock farming, listed in Annex I to the Treaty, without performing any further operation changing the nature of such products;

²¹ Regulation (EU) No 1379/2013 of the European Parliament and of the Council on the common organisation of the markets in fishery and aquaculture products, amending Council Regulations (EC) No 1184/2006 and (EC) No 1224/2009 and repealing Council Regulation (EC) No 104/2000, OJ L 354, 28.12.2013, p. 1.

7. 'processing of agricultural products' means any operation on an agricultural product resulting in a product which is also an agricultural product, except on-farm activities necessary for preparing an animal or plant product for first sale;
8. 'processing of agricultural products into non-agricultural products' means any operation on an agricultural product resulting in a product which is not an agricultural product;
9. 'marketing of agricultural products' means the holding or display with a view to sale, offering for sale, delivery or any other manner of placing on the market, except the first sale by a primary producer to resellers or processors and any activity preparing a product for such first sale; a sale by a primary producer to final consumers is considered as marketing of agricultural products if it takes place in separate premises reserved for that purpose;
10. 'agricultural sector' means all undertakings active in primary agricultural production, processing and marketing of agricultural products;
11. 'SME' or "micro, small and medium-sized undertakings" means undertakings fulfilling the criteria laid down in Annex I;
12. 'undertaking in difficulty' means an undertaking that fulfils the conditions of paragraph 10 of the Community Guidelines on State aid for rescuing and restructuring firms in difficulty;
13. 'gross grant equivalent' or 'GGE' means the discounted value of the aid expressed as a percentage of the discounted value of the eligible costs calculated at the moment of award of the aid on the basis of the discount rate applicable at that moment in time;
14. 'start of project or activity' means either the actual start of construction works or activities, or the first legally binding commitment to order equipment or employ services or any other commitment that makes the investment irreversible, whichever comes first, excluding preparatory works; preparatory works such as obtaining permits and conducting feasibility studies and acquisition of land, other than acquisition of land by young farmers as provided for in Article 14(6)(a), last sentence, are not considered start of works or activity;
15. 'large undertakings' means undertakings not fulfilling the criteria laid down in Annex I';
16. 'aid intensity' means the aid amount expressed as a percentage of the eligible costs;
17. "agricultural holding" means a unit comprising of land, premises and facilities used for primary agricultural production;
18. 'tangible assets' means assets relating to land, buildings and plant, machinery and equipment;
19. 'intangible assets' means assets entailed by the transfer of technology through the acquisition of patent rights, licences, know-how or unpatented technical knowledge;
20. 'non-productive investment' means investment which does not lead to a net increase in the value or profitability of the agricultural holding;
21. 'EU standard' means mandatory standard laid down in Union legislation setting the level of protection which individual undertakings must achieve, in particular as regards the environment, hygiene and animal welfare; however standards or

- objectives set at Union level which are compulsory for the Member State but not for the undertakings individually are not considered as mandatory EU standards;
22. 'investments to comply with EU standard' means investments made to comply with an EU standard after the expiry of the transitional period provided for in Union legislation;
 23. 'less developed regions' means regions where the gross domestic product (GDP) per capita is less than 75 % of average GDP of the EU-27;
 24. 'outermost regions' means the regions referred to in the first paragraph of Article 349 of the Treaty;
 25. 'smaller Aegean islands' means the smaller islands referred to in Article 1(2) of Regulation (EU) No 229/2013 of the European Parliament and of the Council²²;
 26. 'areas facing natural constraints' means areas designated by Member States pursuant to Article 31 of Regulation (EU) No 1305/2013;
 27. 'capital works' means building and engineering works, undertaken by the farmer himself or by his workers, that create an asset;
 28. 'young farmer' means a natural person who is no more than 40 years of age on the date of submitting the aid application, and who possesses adequate occupational skills and competences and is setting up for the first time in an agricultural holding as a head of that holding;
 29. 'active farmer' means active farmer within the meaning of Article 9 of Regulation (EU) No 1307/2013 of the European Parliament and of the Council;
 30. 'producer group and organisation' means a group or organisation set up for the purpose of:
 - (a) adapting the production and output of producers who are members of such producer groups or organisations to market requirements, or
 - (b) jointly placing goods on the market, including the preparation for sale, centralisation of sales and supply to bulk buyers, or
 - (c) establishing common rules on production information, with particular regard to harvesting and availability, or
 - (d) other activities that may be carried out by producer groups or organisations, such as the development of business and marketing skills and the organisation and facilitation of innovation processes.
 31. 'advice' means complete advice given in the framework of one and the same contract;
 32. "fixed costs arising from participation in quality scheme" means the costs incurred for entering a supported quality scheme and the annual contribution for participating in that quality scheme, including, where necessary, expenditure on checks required to verify compliance with the specifications of the quality scheme;
 33. 'adverse climatic event which can be assimilated to a natural disaster' means unfavourable weather conditions such as frost, storms and hail, ice, heavy rain or

²² Regulation (EU) No 229/2013 of the European Parliament and of the Council of 13 March 2013 laying down specific measures for agriculture in favour of the smaller Aegean islands and repealing Council Regulation (EC) No 1405/2006, OJ L 78, 20.3.2013, p. 41.

severe drought which destroy more than 30 % of the average of the annual production of a given farmer:

- (a) in the preceding three-year period or
 - (b) a three-year average based on the preceding five-year period, excluding the highest and the lowest entry;
34. "herd book" means any book, register, file or data medium:
- (a) which is maintained by a breeders' organisation or association officially recognised by a Member State in which the breeders' organisation or association was constituted; and
 - (b) in which pure-bred breeding animals of a given breed are entered or registered with mention of their ancestors.
35. 'fallen stock' means animals which have been killed by euthanasia with or without a definite diagnosis or which have died, including stillborn and unborn animals, on a farm or on any premises or during transport, but which have not been slaughtered for human consumption;
36. 'Transmissible Spongiform Encephalopathy (TSE) and Bovine Spongiform Encephalopathy (BSE) test costs' means all costs, including those for test kits and for the taking, transporting, testing, storing and destruction of samples necessary for sampling and laboratory testing in accordance with Chapter C of Annex X to Regulation (EC) No 999/2001 of the European Parliament and of the Council²³;
37. 'research and knowledge-dissemination organisation' means an entity (such as universities or research institutes, technology transfer agencies, innovation intermediaries, research-oriented physical or virtual collaborative entities), irrespective of its legal status (organised under public or private law) or way of financing, whose primary goal is to independently conduct fundamental research, industrial research or experimental development, or to widely disseminate the results of such activities by way of teaching, publication or knowledge transfer. Where such entity also pursues economic activities the financing, the costs and the revenues of those economic activities must be accounted for separately. Undertakings that can exert influence upon such an entity, in the quality of, for example, shareholders or members, may not enjoy a preferential access to its research capacities or to the results generated by it;
38. 'at arm's length' means that the conditions of the transaction between the contracting parties do not differ from those which would be stipulated between independent undertakings and contain no element of collusion. The setting up of an open, transparent and unconditional tender procedure for the transaction is considered as meeting the arm's length principle;
39. 'natural disasters' means earthquakes, avalanches, landslides and floods, tornadoes, hurricanes, volcanic eruptions and wild fires;
40. 'rural development programme' means rural development programme as provided for in Article 6(1) of Regulation (EU) No 1305/2013;

²³ Regulation (EC) No 999/2001 of the European Parliament and of the Council of 22 May 2001 laying down rules for the prevention, control and eradication of certain transmissible spongiform encephalopathies, OJ L 147, 31.5.2001, p. 1.

41. ["trees for short rotation coppicing" means tree species of CN code 06 02 9041 to be defined by Member States that consist of woody, perennial crops, the rootstock or stools of which remaining in the ground after harvesting, with new shoots emerging in the following season and with a maximum harvest cycle to be determined by the Member States as established in the Article 4(1)(k) in the Regulation (EU) No 1307/2013];
42. [fast growing trees' means short rotation forest, where trees are grown with a rotation time between 8-20 years (period between two harvest cuts on the same parcel)];
43. 'agroforestry systems' means land use systems where trees are grown in combination with agriculture on the same land;
44. 'catastrophic event' means an unforeseen event of biotic or abiotic nature caused by human action that leads to important disturbances of forest structures, eventually causing important economic damage to the forest sectors;
45. 'transaction cost' means a cost linked to a commitment but not directly attributable to its implementation;
46. "land manager" means undertaking who manages land other than undertaking active in the agricultural sector;
47. 'a' areas" mean those areas designated in a regional aid map in application of the provisions of Article 107(3)(a) of the Treaty;
48. 'c' areas" mean those areas designated in a regional aid map in application of the provisions of Article 107(3)(c) of the Treaty;
49. 'regional aid map' means the list of areas designated by a Member State in accordance with the conditions laid down in the Guidelines on regional state aid for 2014 – 2020²⁴ and approved by the Commission;
50. 'sparsely populated areas' mean those areas designated by the Member State concerned in accordance with paragraph 161 of the Guidelines on regional state aid for 2014 – 2020;
51. "member of a farm household" means a natural or legal person or a group of natural or legal persons, whatever legal status is granted to the group and its members by national law, with the exception of farm workers;
52. 'foodstuffs" means foodstuffs which are not agricultural products and which are listed in Annex I to Regulation (EU) No 1151/2012 of the European Parliament and of the Council²⁵.

Article 3
Conditions for exemption

1. Aid schemes, individual aid granted under aid schemes and ad hoc aid shall be compatible with the internal market within the meaning of Article 107(3) of the Treaty and shall be exempt from the notification requirement of Article 108(3) of the Treaty provided that such aid:

²⁴ OJ xxx

²⁵ Regulation (EU) No 1151/2012 of the European Parliament and of the Council of 21 November 2012 on quality schemes for agricultural products and foodstuffs, OJ, L 343, 14.12.2012, p. 1.

- (a) fulfils all the conditions laid down in Chapter 1, as well as the relevant conditions laid down in Chapter 3 and
 - (b) contains an express reference to the relevant provisions of this Regulation, by citing the relevant provisions, the title of this Regulation and its publication reference in the *Official Journal of the European Union*.
2. Member States shall take all necessary measures to ensure effective compliance with this Regulation, including compliance of individual aid granted under aid schemes which are exempt from the notification requirement of Article 108(3) of the treaty pursuant to this Regulation.

Article 4
Notification thresholds

This Regulation shall not apply to any individual aid, the gross grant equivalent of which exceeds the following thresholds:

- (a) aid for investments in tangible or intangible assets on agricultural holdings as referred to in Article 14: EUR 500 000 per undertaking per investment project;
- (b) aid for investments concerning the relocation of a farm building resulting in a modernisation of facilities or in an increase in production capacity as referred to in Article 16(5): EUR 500 000 per undertaking per investment project;
- (c) aid for investments in connection with the processing of agricultural products and the marketing of agricultural products as referred to in Article 17: EUR 7.5 million per undertaking per investment project;
- (d) aid for research and development in the agricultural sector as referred to in Article 29: [EUR 7.5] million per project;
- (e) aid for investments in favour of conservation of cultural and natural heritage located on the agricultural holding as referred to in Article 31: [EUR 500 000] per undertaking per investment project;
- (f) aid for afforestation and the creation of woodland as referred to in Article 32: EUR 7.5 million per woodland establishment project;
- (g) aid for agroforestry systems as referred to Article 33: EUR 7.5 million per agroforestry system establishment project;
- (h) aid for investments improving the resilience and environmental value of forest ecosystems as referred to in Article 35: EUR 7.5 million per investment project;
- (i) aid for investments in infrastructure related to the development, modernisation or adaptation of the forestry sector as referred to in Article 40: EUR 7.5 million per investment project;
- (j) aid for investments in forestry technologies and in the processing, mobilising and marketing of forestry products as referred to in Article 41: EUR 7.5 million per investment project;
- (k) aid for investments concerning the processing of agricultural products into non-agricultural products or the production of cotton as referred to in Article 42: EUR 7.5 million per investment project.

Article 5
Transparent aid

1. This Regulation shall apply only to transparent aid that is aid in respect of which it is possible to calculate precisely the gross grant equivalent ex ante without need to undertake a risk assessment.
2. The following categories of aid shall be considered to be transparent aid:
 - (a) aid comprised in grants and interest rate subsidies;
 - (b) aid comprised in loans, where the gross grant equivalent has been calculated on the basis of the reference rate prevailing at the time of the grant;
 - (c) aid comprised in guarantees:
 - (i) where the gross grant equivalent has been calculated on the basis of safe-harbour premiums laid down in Commission Notice; or
 - (ii) where before the implementation (of the aid), the methodology used to calculate the gross grant equivalent of the guarantee has been accepted following the notification of that methodology to the Commission under any regulation adopted by the Commission in the State aid area applicable at the time, and the approved methodology explicitly addresses the type of guarantee and the type of underlying transaction at stake in the context of the application of this Regulation;
 - (d) aid in a form of tax advantages, where the measure provides for a cap ensuring that the applicable threshold is not exceeded;
 - (e) aid comprised in repayable advances, if the total nominal amount of the repayable advance does not exceed the thresholds applicable under this Regulation or if, before implementation of the measure, the methodology to calculate the gross grant equivalent of the repayable advance has been accepted following its notification to the Commission.
3. For the purpose of this Regulation, the following categories of aid shall not be considered to be transparent aid:
 - (a) aid comprised in capital injections;
 - (b) aid comprised in risk capital measures.

Article 6
Incentive effect

1. This Regulation shall apply only to aid which has an incentive effect.
2. Aid shall be considered to have an incentive effect if the beneficiary has submitted a written application for the aid to the Member State concerned before work on the project or activity has started. The application for the aid must contain at least the following information:
 - (a) the undertaking's name and size;
 - (b) a description of the project or the activity, including its start and end dates;
 - (c) the location of the project or the activity;
 - (d) a list of eligible costs;

- (e) the aid amount.
3. Ad hoc aid granted to large undertakings shall be considered to have an incentive effect if, in addition to fulfilling the condition laid down in paragraph 2, the Member State has verified, before granting the ad hoc aid concerned, that documentation prepared by the beneficiary establishes one or more of the following criteria:
- (a) a material increase in the scope of the project or activity due to the aid;
 - (b) a material increase in the total amount spent by the beneficiary on the project or activity due to the aid;
 - (c) a material increase in the speed of completion of the project or activity concerned;
 - (d) in the case of investment ad hoc aid, that the project would not have been carried out as such in the rural area concerned in the absence of the aid.
4. By way of derogation from paragraph 2 and 3, aid in the form of tax advantages shall be deemed to have an incentive effect if the following conditions are fulfilled:
- (a) the aid in the form of tax advantages establishes a right to aid in accordance with objective criteria and without further exercise of discretion by the Member State; and
 - (b) the aid in the form of tax advantages has been adopted and in force before work on the aided project or activity has started; this requirement shall not apply in the case of fiscal successor schemes provided the activity was already covered by the previous schemes the form of tax advantages.
5. By way of derogation of paragraph 1, 2 and 3 the following categories of aid are not required to have or shall be presumed to have an incentive effect:
- (a) aid for promotional measures in the form of publications aimed at raising awareness of agricultural products among the wider public where the conditions laid down in Article 24(2)(b) are fulfilled;
 - (b) aid to compensate for losses caused by adverse climatic event which can be assimilated to a natural disaster where the conditions laid down in Articles 25 are fulfilled;
 - (c) aid to compensate for the costs of the eradication of animal diseases and plant pests and for losses caused by those animal diseases or plant pests where the conditions laid down in Article 26(9) and (10) are fulfilled;
 - (d) aid to cover the costs of the removal and destruction of fallen stock where the conditions laid down in Article 27 are fulfilled;
 - (e) aid to make good the damage caused by a natural disaster where the conditions laid down in Article 30 are fulfilled;
 - (f) aid for investments in favour of conservation of non-productive heritage features on the agricultural holding in accordance with Article 31(5).

Article 7

Aid intensity and eligible costs

1. For the purposes of calculating the aid intensity and the eligible costs, all figures used shall be taken before any deduction of tax or other charge. The eligible costs

shall be supported by documentary evidence which shall be clear, specific and contemporary.

2. Value added tax (VAT) shall not be eligible for aid, except where it is non recoverable under national VAT legislation.
3. Where aid is awarded in a form other than a grant, the aid amount shall be the gross grant equivalent of the aid.
4. Aid payable in several instalments shall be discounted to its value at the moment of granting. The eligible costs shall be discounted to their value at the moment of granting. The interest rate to be used for discounting purposes shall be the discount rate applicable at the time of grant.
5. Where aid is granted by means of tax advantages, discounting of aid tranches shall take place on the basis of the discount rates applicable when a tax advantage takes effect.
6. Where aid is granted in the form of repayable advances which, in the absence of an accepted methodology to calculate their gross grant equivalent, are expressed as a percentage of the eligible costs and the measure provides that in the case of a successful outcome of the project, as defined on the basis of reasonable and prudent hypothesis, the advances shall be repaid with an interest rate at least equal to the discount rate applicable at the time of grant, the maximum aid intensities laid down in Chapter III may be increased by [10] percentage points.

Article 8 *Cumulation*

1. In determining whether the notification thresholds provided for in Article 4 and the maximum aid intensities and maximum aid amounts laid down in Chapter III are respected, the total amount of State aid for the aided activity or project or undertaking shall be taken into account.
2. Union funding centrally managed by the institutions, agencies, joint undertakings or other bodies of the Union that is not directly or indirectly under the control of the Member State and does not constitute state aid. Where such Union funding is combined with state aid, only the latter shall be considered for determining whether notification thresholds and maximum aid intensities and ceilings are respected, provided that the total amount of public funding granted in relation to the same eligible costs does not exceed the maximum funding rates laid down in the applicable rules of Union law.
3. Aid with identifiable eligible costs exempted by this Regulation may be cumulated with:
 - (a) any other State aid, as long as those aids concern different identifiable eligible costs,
 - (b) any other State aid, in relation to the same eligible costs, partly or fully overlapping, only if such cumulation does not result in exceeding the highest aid intensity or aid amount applicable to this aid under this Regulation.
4. Aid without identifiable eligible costs exempted under Articles 18 and 43 of this Regulation may be cumulated with any other State aid with identifiable eligible costs.

Aid without identifiable eligible costs may be cumulated with other State aid without identifiable eligible costs, up to the highest relevant total financing threshold fixed in the specific circumstances of each case by this or another block exemption regulation or decision adopted by the Commission.

5. State aid exempted under this Regulation shall not be cumulated with any de minimis aid in respect of the same eligible costs if such cumulation would result in an aid intensity or aid amount exceeding those laid down in Chapter III.
6. Aid for investments aimed at the restoration of agricultural production potential as referred to in Article 14(4)(b)(e) of this Regulation shall not be cumulated with aid for compensation for material damage referred to in Articles 25, 26 and 30 of this Regulation.

Article 9 *Publication and information*

1. The Member State concerned shall publish on a comprehensive State aid website at national or regional level:
 - (a) the summary information about each aid exempt under this Regulation in the standardized format laid down in Annex II;
 - (b) the full text of each such aid, including its amendments, or a link providing access to it;
 - (c) the information as set out in Annex III to this Regulation on each individual aid award exceeding the following:
 - (i) EUR 15 000 for beneficiaries active in the primary agricultural production;
 - (ii) EUR 200 000 for beneficiaries active in the sectors of processing of agricultural products, marketing of agricultural products, forestry or activities falling outside Article 42 of the Treaty.
2. For schemes in a form of tax advantages, that conditions shall be considered fulfilled if Member States publish the required information on individual aid amounts by range of EUR [150 000] for primary agricultural production and EUR [2 million] for processing of agricultural products, marketing of agricultural products, forestry or activities falling outside Article 42 of the Treaty.
3. The information mentioned in paragraph 1 above shall be organised and accessible in a standardized manner, described in Annex IV and shall allow for effective search and download functions. The information referred to in paragraph 1 shall be up to date and available for at least 10 years from the date on which the aid was granted.
4. The full text of the aid scheme or of the ad hoc aid referred to in paragraph 1 shall include, in particular, an explicit reference to this Regulation, by citing its title and publication reference in the Official Journal of the European Union and to the specific provisions of Chapter III concerned by that act, or where applicable, to the national law which ensures that the relevant provisions of this Regulation are complied with. It shall be accompanied by its implementing provisions and its amendments.
5. The Commission shall publish on its website:

- (a) the links to the State aid websites, of all Member States, referred to in paragraph 1;
- (b) the summary information referred to in point (a) paragraph 1.

Article 10
Avoidance of double publication

If the individual aid award falls within the scope of Regulation (EU) No 1305/2013 and is either co-financed by the EAFRD or granted as additional national financing for such co-financed measures, the Member State may choose not to publish it on the state aid website referred to in Article 10(1), provided that the individual aid award has been published in accordance with Articles 111, 112 and 113 of Regulation (EU) No 1306/2013 of the European Parliament and the Council²⁶. In that case the Member State shall make on the state aid website referred to Article 10(1) a reference to the website referred to in Article 111 of Regulation (EU) No 1306/2013.

CHAPTER II

PROCEDURAL REQUIREMENTS

Article 11
Withdrawal of the benefit of the block exemption

Where the Member State concerned grants aid allegedly exempted from the notification requirement under this regulation without fulfilling the conditions set out in Chapter 1, Article 12 and Chapter 3, the Commission may, after having provided the Member State concerned with the possibility to make its views known, adopt a decision stating that all or some of the future aid measures adopted by the Member State concerned are to be notified to the Commission in accordance with Article 108(3) of the Treaty. The aids to be notified may include, in particular, the aids adopted in favour of certain beneficiaries or the aids adopted by certain authorities of the Member State concerned.

Article 12
Reporting

1. Member States shall transmit to the Commission:
 - (a) via the Commission's web notification application in accordance with Article 3 of Regulation (EC) No 794/2004, the summary information referred to in Article (1)(a), together with a link providing access to the full text of the aid as referred to in Article (1)(b), within 20 working days following its entry into force;
 - (b) as referred to in Chapter III of Regulation (EC) No 794/2004, in electronic form an annual report, on the application of this Regulation, containing the information set

²⁶ Regulation (EU) No 1306/2013 of the European Parliament and of the Council of 17 December 2013 on the financing, management and monitoring of the common agricultural policy and repealing Council Regulations (EEC) No 352/78, (EC) No 165/94, (EC) No 2799/98, (EC) No 814/2000, (EC) No 12390/2005 and (EC) No 485/2008, OJ L 347, 20.12.2013, p. 549.

out in Annex V to this Regulation, in respect of each whole year or each part of the year during which this Regulation applies.

The annual report shall contain also the information concerning the following:

- (i) diseases or pest concerned under Article 26;
- (ii) meteorological information on type, timing, relative magnitude and location of the climatic event or the natural disaster under Articles 25 and Article 30 respectively.

Article 13
Monitoring

Member States shall maintain detailed records with the information and supporting documentation necessary to establish that all the conditions laid down in this Regulation are fulfilled. Such records shall be kept for 10 years from the date on which the individual aid was granted or the last aid was granted under an aid schemes. The Member State concerned shall provide the Commission within a period of 20 working days or such longer period as may be fixed in the request, with all the information and supporting documentation which the Commission considers necessary to monitor the application of this Regulation.

CHAPTER III **CATEGORIES OF AID**

SECTION 1

AID IN FAVOUR OF SMES ACTIVE IN PRIMARY AGRICULTURAL PRODUCTION, THE PROCESSING OF AGRICULTURAL PRODUCTS AND THE MARKETING OF AGRICULTURAL PRODUCTS

Article 14

Aid for investments in tangible or intangible assets on agricultural holdings linked to primary agricultural production

1. Aid for investments in tangible assets or intangible assets on agricultural holdings linked to the primary agricultural production shall be compatible with the internal market within the meaning of Article 107(3)(c) of the Treaty and shall be exempt from the notification requirement of Article 108(3) thereof where it fulfils the conditions laid down in paragraphs 2 to 15 of this Article and in Chapter I.
2. The investment shall be carried out by one or more beneficiaries or concern a tangible asset or intangible asset used by one or more beneficiaries.
3. The investment may be linked to the production at farm-level of biofuels or of energy from renewable sources, provided that such production does not exceed the average annual consumption of fuels or energy of the given farm.

If electricity is supplied to the grid, the producers or where relevant aggregator shall be subject to standard balancing responsibilities where competitive intra-day balancing markets exist.

4. The investment shall pursue notably the following objectives:

- (a) the improvement of the overall performance and sustainability of the agricultural holding, in particular through a reduction of production costs or the improvement and re-deployment of production;
 - (b) the improvement of the natural environment, hygiene conditions or animal welfare standards, provided that the investment concerned goes beyond EU standards in force;
 - (c) the creation and improvement of infrastructure related to the development, adaptation and modernisation of agriculture, including access to farm land, land consolidation and improvement, the supply and saving of energy and water;
 - (d) the achievement of agri-environmental-climate objectives, including biodiversity conservation status of species and habitat as well as enhancing the public amenity value of a Natura 2000 area or other high nature value systems, defined in the national or regional rural development programmes of Member States, as long as investments are non-productive;
 - (e) the restoration of production potential damaged by natural disasters, adverse climatic events which can be assimilated to natural disasters, animal diseases and plant pests and the prevention of damages caused by those events.
5. Only investments which do not require an environmental impact assessment pursuant to Union legislation shall be eligible for aid under this Article.
6. The aid shall cover the following eligible costs:
- (a) the costs for the construction, acquisition, including leasing, or improvement of immovable property, with land only being eligible to an extent not exceeding 10% of the total eligible costs of the operation concerned; the acquisition of land by young farmers may reach [...] % of the eligible costs of the operation concerned;
 - (b) the purchase or lease purchase of machinery and equipment up to the market value of the asset;
 - (c) the general costs linked to the expenditure referred to in points (a) and (b), such as architect, engineer and consultation fees, fees relating to advice on environmental and economic sustainability, including feasibility studies; feasibility studies shall remain eligible expenditure even where, based on their results, no expenditure under in points (a) and (b) is incurred;
 - (d) the following intangible investments: the acquisition or development of computer software and acquisitions of patents, licences, copyrights and trademarks;
 - (e) expenses for non-productive investments linked to the objectives referred to in paragraph 4(d);
 - (f) in the case of irrigation, only the costs for investments that fulfil the following conditions:
 - (i) a river basin management plan, as required by Article 13 of Directive 2000/60/EC of the European Parliament and of the Council²⁷, shall have

²⁷ Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework for Community action in the field of water policy, OJ L 327, 22.12.2000, p. 1.

been notified to the Commission for the entire area in which the investment is to take place, as well as in any other areas whose environment may be affected by the investment. The measures taking effect under the river basin management plan in accordance with Article 11 of the that Directive and of relevance to the agricultural sector must be specified in the relevant programme of measures. Water metering enabling measurement of water use at the level of the supported investment must be in place or must be put in place as part of the investment;

- (ii) the investment shall lead to a reduction of previous water use of at least 25%;

However, investments affecting bodies of ground- or surface water whose status has been identified as less than good in the relevant river basin management plan for reasons related to water quantity as well as investments resulting in a net increase of the irrigated area affecting a given body of ground- or surface water shall not be eligible for aid under this Article.

- (g) in the case of investments aimed at the restoration of agricultural production potential damaged by natural disasters, adverse climatic events which can be assimilated to natural disasters, animal diseases or plant pests the eligible costs may include the costs incurred for restoring the agricultural production potential up to the level it was at before the occurrence of those events;
 - (h) in the case of investments aimed at the prevention of damages caused by natural disasters, adverse climatic events which can be assimilated to natural disasters, animal diseases or plant pests, the eligible costs may include the costs of specific preventive actions.
7. Costs, other than those referred to in paragraph 6, connected with leasing contracts, such as lessor's margin, interest refinancing costs, overheads and insurance charges shall not be considered to be eligible costs.
 8. In the case of irrigation aid shall be paid only by Member States which have fully implemented Article 9 of Directive 2000/60/EC in respect of agriculture, on water pricing and on the recovery of costs for water services.
 9. The aid shall not be limited to specific agricultural products and must therefore be available either to all sectors of the primary agriculture production or to the whole plant production sector or to the whole animal production sector. However, Member State may exclude certain products because of overcapacity in the internal market or a lack of market outlets.
 10. Aid shall not be granted in respect of the following:
 - (a) the purchase of production rights, payment entitlements and annual plants;
 - (b) the planting of annual plants;
 - (c) investments to comply with EU standards, with exception of aid granted to young farmers within 24 months from the date of their setting-up;
 - (d) the purchase of animals, with exception of aid granted for investments pursuant to paragraph 4(e).
 11. The aid referred to in paragraph 1 shall not be granted in contravention of any prohibition or restriction laid down in Regulation (EU) No 1308/2013, even where

such prohibitions and restrictions only refer to the Union support provided for in that regulation.

12. The aid intensity shall not exceed:
- (a) 75% of the amount of the eligible costs in outermost regions;
 - (b) 75% of the amount of the eligible costs in the smaller Aegean islands;
 - (c) 50% of the amount of the eligible costs in less developed regions and in all regions whose GDP per capita for the 2007-2013 period was less than 75% of the average of the EU-25 for the reference period but whose GDP per capita is above 75% of the GDP average of the EU-27;
 - (d) 40% of the amount of the eligible costs in other regions.
13. The rates provided for in paragraph 12 may be increased by 20 percentage points, provided that the maximum aid intensity does not exceed 90% for:
- (a) young farmers who have already set up during the five years preceding the application for aid;
 - (b) collective investments, such as storage facilities which are used by a group of farmers or facilities to prepare the agricultural products before marketing, and integrated projects covering several measures provided for in Regulation (EU) No 1305/2013), including those linked to a merger of producer organisations;
 - (c) investments in areas facing natural and other specific constraints;
 - (d) operations supported in the framework of the European Innovation Partnership (EIP), such as an investment in a new stable, allowing the testing of a new practice of animal housing, which has been developed in an operational group composed of farmers, scientists, and animal welfare non-governmental organisation;
 - (e) investments for the improvement of the natural environment, hygiene conditions or animal welfare standards, as referred to in paragraph 4(b); in this case the increased rate as provided for in this paragraph shall only apply to the additional costs necessary to obtain a level exceeding the EU standards in force and not leading to an increase in production capacity.
14. As regards non-productive investments referred to in paragraph 4(d) and investments for the restoration of production potential referred to in paragraph 4(e), the maximum aid intensity shall not exceed 100%.

For investments in relation to preventive measures, referred to in paragraph 4(e) the maximum aid intensity shall not exceed 80%. However, it may be increased to up to 100% if the investment is carried out collectively by more than one beneficiary.

Article 15
Aid for land consolidation

Aid for land consolidation shall be compatible with the internal market within the meaning of Article 107(3)(c) of the Treaty and shall be exempt from the notification requirement of Article 108(3) thereof where it fulfils the conditions laid down in Chapter I and is granted towards and limited to the legal and administrative costs, including survey costs, up to 100 % of the real costs incurred.

Article 16

Aid for investments concerning the relocation of farm buildings

1. Aid for investments concerning the relocation of farm buildings shall be compatible with the internal market within the meaning of Article 107(3)(c) of the Treaty and shall be exempt from the notification requirement of Article 108(3) thereof where it fulfils the conditions laid down in paragraphs 2 to 5 of this Article and in Chapter I.
2. The relocation of a farm building shall pursue an objective of public interest.
The public interest invoked to justify the granting of aid under this Article shall be specified in the relevant provisions of the Member State concerned.
3. Where the relocation of a farm building consists of the dismantling, removal and re-building of existing facilities the aid intensity shall be limited to 100% of the real costs incurred for such activities.
4. Where, in addition to the dismantling, removal and re-building of existing facilities as referred to in paragraph 3, the relocation results in a modernisation of these facilities or in an increase in production capacity the aid intensities for investments referred to in Article 14 (12) and (13) shall apply in respect to the costs relating to the modernisation of the facilities or the increase in the production capacity.
For the purpose of this paragraph, the pure replacement of an existing building or facilities by a new up-to-date building or facilities without fundamentally changing the production or the technology involved shall not be considered to be related to the modernisation.
5. The maximum aid intensity may reach up to 100% of the eligible costs where the relocation concerns activities close to rural settlements, with a view to improving the quality of life or increasing the environmental performance of the settlement and concerns small-scale infrastructures.

Article 17

Aid for investments in connection with the processing of agricultural products and the marketing of agricultural products

1. Aid for investments in tangible or intangible assets in connection with the processing of agricultural products and the marketing of agricultural products shall be compatible with the internal market within the meaning of Article 107(3)(c) of the Treaty and shall be exempt from the notification requirement of Article 108(3) thereof where it fulfils the conditions laid down in paragraphs 2 to 9 of this Article and in Chapter I.
2. The investment shall concern the processing of agricultural products or the marketing of agricultural products.
3. Only investments which do not require an environmental impact assessment pursuant to Union legislation shall be eligible for aid under this Article.
4. The aid shall cover the following eligible costs:
 - (a) the construction, acquisition, including leasing, or improvement of immovable property, with land only being eligible to an extent not exceeding 10% of total eligible costs of the operation concerned;
 - (b) the purchase or lease purchase of machinery and equipment up to the market value of the asset;

- (c) general costs linked to expenditure referred to in points (a) and (b), such as architect, engineer and consultation fees, fees relating to advice on environmental and economic sustainability, including feasibility studies; feasibility studies shall remain eligible expenditure even where, based on their results, no expenditure under in points (a) and (b) is incurred;
 - (d) the following intangible investments costs: acquisition or development of computer software and acquisitions of patents, licenses, copyrights, trademarks.
5. Costs, other than those referred to in paragraph 4, connected with leasing contracts, such as lessor's margin, interest refinancing costs, overheads and insurance charges shall not be considered to be eligible costs.
 6. Aid shall not be granted in respect of investments to comply with EU standards in force.
 7. Aid shall not be granted in contravention of any prohibition or restriction laid down in Regulation (EU) No [1308/2013], even where such prohibitions and restrictions only refer to Union support provided for in that regulation.
 8. The aid intensity shall not exceed:
 - (a) 75% of the amount of the eligible costs in outermost regions;
 - (b) 75% of the amount of the eligible costs in the smaller Aegean islands;
 - (c) 50% of the amount of the eligible costs in less developed regions and in all regions whose GDP per capita for the 2007-2013 period was less than 75% of the average of the EU-25 for the reference period but whose GDP per capita is above 75% of the GDP average of the EU-27;
 - (d) 40% of the amount of the eligible costs in other regions.
 9. The rates referred to in paragraph 8 may be increased by 20%, provided that the maximum combined support does not exceed 90% for operations:
 - (a) linked to a merger of producer organisations;
 - (b) supported in the framework of the EIP.

Article 18

Start-up aid for young farmers and the development of small farms

1. Start-up aid for young farmers and start-up aid for the development of small farms shall be compatible with the internal market within the meaning of Article 107(3)(c) of the Treaty and shall be exempt from the notification requirement of Article 108(3) thereof where it fulfils the conditions laid down in paragraphs 2 to 5 of this Article and in Chapter I.
2. The aid shall be granted to young farmers or to small farms as defined by Member States. The definition of small farms shall be the one included and approved by the Commission in the respective rural development programmes.

Member States shall define upper and lower thresholds [in terms of production potential of the agricultural holding] for access to start-up aid for young farmers and the development of small farms. The lower threshold for access to start-up aid for young farmers shall be higher than the upper threshold for access to aid for the development of small farms.

Aid shall be limited to micro-and small enterprises.

3. The aid shall be conditional on the submission of a business plan to the competent authority of the Member State concerned, the implementation of which shall start within nine months from the date of the adoption of the decision granting the aid.

[The business plan shall describe at least the following:

- (a) in the case of start-up aid to young farmers:
 - (i) the initial situation of the agricultural holding;
 - (ii) milestones and targets for the development of the activities of the agricultural holding;
 - (iii) details of the actions required for the development of the activities of the agricultural holding, such as investments, training, advice.
- (b) in the case of start-up aid for the development of small farms:
 - (i) the initial situation of the agricultural holding; and
 - (ii) details of actions that could support the achievement of economic viability, such as investments, training, co-operation.]

For young farmers the business plan shall provide that the beneficiary is required to fall with the definition of active farmer provided for in Article 2(22) within 18 months from the date of setting up. [However, where the beneficiary does not possess adequate occupational skills and competences to fall within that definition, the beneficiary shall be entitled to receive aid, provided that the beneficiary makes a commitment to acquire those skills and competences within 36 months from the date of the adoption of the decision granting the aid. That commitment must be included in the business plan.]

4. Aid shall be paid in at least two instalments over a maximum period of five years.

For young farmers, the payment of the last instalment of the aid shall be conditional upon the correct implementation of the business plan referred to in in paragraph 3.

5. The aid amount shall be limited to the following:

- (a) EUR 70 000 per young farmer; and
- (b) EUR 15 000 per small farm.

Article 19

Start-up aid for producer groups and organisations

1. Start-up aid for producer groups and organisations shall be compatible with the internal market within the meaning of Article 107(3)(c) of the Treaty and shall be exempt from the notification requirement of Article 108(3) thereof where it fulfils the conditions laid down in paragraphs 2 to 9 of this Article and in Chapter I.
2. Only producer groups or organisations that have been officially recognised by the competent authority of the Member State concerned on the basis of a submission of a business plan shall be eligible for aid.
3. The aid shall be granted subject to the obligation of the Member State concerned to verify that the objectives of the business plan referred to in paragraph 2 have been

reached within a period of five years from the date of the official recognition of the producer group or organisation.

4. The agreements, decisions and concerted practices concluded in the framework of the producer group or organisation shall comply with the competition rules as they apply by virtue of Articles 206 to 210 of the Regulation (EU) No 1308/2013.
5. Aid shall not be granted to:
 - (a) production organisations (entities/bodies) such as companies or co-operatives, the objective of which is the management of one or more agricultural holdings and which are therefore in effect single producers;
 - (b) other agricultural associations, which undertake tasks such as mutual support and farm relief and farm management services, in the members' holdings without being involved in the joint adaptation of supply to the market;
 - (c) producer groups, organisations or associations the objectives of which are incompatible with Article 152 and 159 of Regulation (EU) No 1308/2013.
6. The aid shall cover the following eligible costs: the costs of the rental of suitable premises, the acquisition of office equipment, including computer hardware and software, administrative staff costs, overheads and legal and administrative fees.

Where premises are purchased, the eligible costs for premises shall be limited to rental costs at market rates.
7. The aid shall be paid as a flat rate aid in annual instalments for the first five years from the date on which the producer group or organisation was officially recognised by the competent authority on the basis of the business plan referred to in paragraph 2.

Member States shall pay the last instalment only after having verified the correct implementation of that business plan.

The aid shall be degressive.
8. The aid intensity shall be limited to 100% of the eligible costs.
9. The total aid amount shall be limited to EUR 500 000.

Article 20

Aid for participation of producers of agricultural products in quality schemes

1. The following aid to producers of agricultural products shall be compatible with the internal market within the meaning of Article 107(3)(c) of the Treaty and shall be exempt from the notification requirement of Article 108(3) thereof:
 - (a) aid for new participation in quality schemes where it fulfils the conditions laid down in paragraphs 2 to 6 of this Article and in Chapter I;
 - (b) aid towards the costs for compulsory control measures in relation to the quality schemes as referred to in paragraph 2(a), (b) and (c) undertaken pursuant to Union or national legislation by or on behalf of the competent authority, where it fulfils the conditions laid down in paragraphs 6 to 8 of this Article and in Chapter I;
 - (c) [aid towards the costs of market research activities, product conception and design and for preparation of applications for recognition of designations of

origin, geographical indications and traditional specialities guaranteed in accordance with Regulation (EU) No 1151/2012 where it fulfils the conditions laid down in paragraphs 6 to 8 of this Article and in Chapter I.

2. Aid referred to in paragraph 1(a) shall be granted for new participation in the following categories of quality schemes:
 - (a) quality schemes established under the following Regulations and provisions:
 - (i) Part II, Title II, Chapter I, Section 2 of Regulation (EU) No 1308/2013 as concerned wine;
 - (ii) Regulation (EU) No 1151/2012;
 - (iii) Council Regulation (EC) No 834/2007²⁸;
 - (iv) Regulation (EC) No 110/2008 of the European Parliament and of the Council²⁹;
 - (v) Council Regulation (EEC) No 1601/91³⁰;
 - (b) quality schemes, including farm certification schemes, for agricultural products recognised by the Member States as complying with the following criteria:
 - (i) the specificity of the final product produced under such quality schemes is derived from clear obligations to guarantee:
 - specific product characteristics, or
 - specific farming or production methods, or
 - the quality of the final product that goes significantly beyond the commercial commodity standards as regards public, animal or plant health, animal welfare or environmental protection;
 - (ii) the quality scheme is open to all producers;
 - (iii) the quality scheme involves binding final product specifications and compliance with those specifications is verified by public authorities or by an independent inspection body;
 - (iv) the quality scheme is transparent and assures complete traceability of agricultural products.
 - (c) voluntary agricultural product certification schemes recognised by the Member State concerned as meeting the requirements laid down in the Commission Communication - Union best practice guidelines for the operation of voluntary certification schemes relating to agricultural products and foodstuffs³¹.
3. The aid referred to in paragraph 1(a) shall be granted in the form of an annual incentive payment, the level of which shall be determined according to the level of the fixed costs arising from participation in the quality schemes.

²⁸ Council Regulation (EC) No 834/2007 of 28 June 2007 on organic production and labelling of organic products and repealing Regulation (EEC) No 2092/91, OJ L 189, 20.7.2007, p. 1–23.

²⁹ Regulation (EC) No 110/2008 of the European Parliament and of the Council of 15 January 2008 on the definition, description, presentation, labelling and the protection of geographical indications of spirit drinks and repealing Council Regulation (EEC) No 1576/89, OJ L 39, 13.2.2008, p. 16–54.

³⁰ Council Regulation (EEC) No 1601/91 of 10 June 1991 laying down general rules on the definition, description and presentation of aromatised wines, aromatised wine-based drinks and aromatised wine-product cocktails, OJ L 149, 14.6.1991, p. 1.

³¹ OJ C 341, 16.12.2010, p. 5.

4. The aid shall not be granted towards the cost of controls undertaken by the beneficiary himself, or where Union legislation provides that the cost of control is to be met by producers of agricultural products and groups thereof, without specifying the actual level of charges.
5. The aid referred to in paragraph 1(a) shall be granted for a maximum period of five years and shall be limited to EUR 3 000 per beneficiary per year.
6. The aid shall be accessible to all those eligible undertakings in the area concerned, based on objectively defined conditions.
7. Aid referred to in paragraph 1(b) and (c) shall not involve direct payments to the producers of agricultural products.
The aid referred to in paragraph 1(b) and (c) shall be paid to the organism responsible for control measures, the research provider or the consultancy provider.
8. The aid referred to in paragraph 1(b) and (c) shall be limited to 100 % of the real costs incurred.

Article 21

Aid for knowledge transfer and information actions

1. Aid for knowledge transfer and information actions shall be compatible with the internal market within the meaning of Article 107(3)(c) of the Treaty and shall be exempt from the notification requirement of Article 108(3) thereof where it fulfils the conditions laid down in paragraphs 2 to 7 of this Article and in Chapter I.
2. Aid shall cover vocational training and skills acquisition actions, including training courses, workshops and coaching, demonstration activities and information actions.
Aid may also cover short-term farm management exchange and farm visits.
3. The aid shall cover the following eligible costs:
 - (a) the costs of organising the vocational training, skills acquisition actions, including training courses, workshops and coaching, demonstration activities or information actions;
 - (b) the costs for travel, accommodation and per diem expenses of the participants;
 - (c) the cost of the provision of replacement services during the absence of the farmer;
 - (d) in the case of demonstration projects:
 - (i) the construction, acquisition, including leasing, or improvement of immovable property, with land only being eligible to an extent not exceeding 10% of total eligible costs of the operation concerned;
 - (ii) the purchase or lease purchase of machinery and equipment up to the market value of the asset;
 - (iii) general costs linked to expenditure referred to in points (a) and (b), such as architect, engineer and consultation fees, fees relating to advice on environmental and economic sustainability, including feasibility studies; feasibility studies shall remain eligible expenditure even where, based on their results, no expenditure under in points (a) and (b) is incurred;

- (iv) the following intangible investments costs: acquisition or development of computer software and acquisitions of patents, licenses, copyrights, trademarks.
4. Aid referred to in paragraph 3(a), 3(c) and 3(d) shall not involve direct payments to the undertakings active in the agricultural sector.
- The aid referred to in paragraph 3(a), 3(c) and 3(d) shall be paid to the provider of the knowledge transfer and information action.
5. Bodies providing knowledge transfer and information action services shall have the appropriate capacities in the form of staff qualifications and regular training to carry out those tasks.
- The provision of activities referred to in paragraphs 2 may be undertaken by producer groups or other organisations, regardless of their size.
6. The aid shall be accessible to all those eligible undertakings in the area concerned, based on objectively defined conditions.
- Where the provision of the activities referred to in paragraph 2 is undertaken by producer groups or organisations, membership of such groups or organisations shall not be a condition for access to those activities.
- Any contribution of non-members towards the administrative costs of the producer group or organisation concerned shall be limited to the costs of providing the activities referred to in paragraph 2.
7. The aid intensity shall be limited to 100% of the eligible costs.

Article 22

Aid for advisory services

1. Aid for advisory services shall be compatible with the internal market within the meaning of Article 107(3)(c) of the Treaty and shall be exempt from the notification requirement of Article 108(3) thereof where it fulfils the conditions laid down in paragraphs 2 to 8 of this Article and in Chapter I.
2. The aid shall be designed to help undertakings active in the agricultural sector and young farmers benefit from the use of advisory services for the improvement of the economic and environmental performance as well as the climate friendliness and resilience of their holding or investment.
3. The advice shall be linked to at least one Union priority for rural development in accordance with Article 5 of Regulation (EU) 1305/2013 and shall cover as a minimum one of the following elements:
- (a) obligations deriving from the statutory management requirements or standards for good agricultural and environmental conditions provided for in Chapter I of Title VI of Regulation (EU) No 1306/2013;
- (b) where applicable, the agricultural practices beneficial for the climate and the environment laid down in Chapter 3 of Title III of Regulation (EU) No 1307/2013 and the maintenance of the agricultural area referred to in Article 4(1) of that Regulation;

- (c) measures aiming at modernisation, competitiveness building, sectoral integration, innovation, market orientation as well as the promotion of entrepreneurship;
 - (d) requirements defined by Member States for implementing Article 11 (3) of Directive 2000/60/EC of the European Parliament and of the Council³²;
 - (e) requirements defined by Member States for implementing Article 55 of Regulation (EC) No 1107/2009 of the European Parliament and of the Council³³, and in particular the compliance with the general principles of integrated pest management as referred to in Article 14 of Directive 2009/128/EC of the European Parliament and of the Council³⁴;
 - (f) where relevant, occupational safety standards or safety standards linked to the farm;
 - (g) specific advice for farmers setting up for the first time.
4. Advice may also cover issues, other than those referred to in paragraph 3, related to climate change mitigation and adaptation, biodiversity and protection of water as laid down in Annex I to Regulation (EU) No 1307/2013 or linked to the economic and environmental performance of the agricultural holding including competitiveness aspects. This may include advice for the development of short supply chains, organic farming and health aspects of animal husbandry.
 5. The aid shall not involve direct payments to the undertakings active in the agricultural sector. The aid shall be paid to the advisory service provider.
 6. The bodies selected to provide the advisory service shall have the appropriate resources in the form of regularly trained and qualified staff and advisory experience and reliability with respect to the fields they advise in.
The provision of advisory service may be undertaken by producer groups or other organisations, regardless of their size.
When providing advice, the provider of advisory services shall respect the non-disclosure obligations referred to in Article 13(2) of Regulation (EU) No 1306/2013.
 7. The aid shall be accessible to all those eligible undertakings in the area-concerned, based on objectively defined conditions.
Where the provision of advisory services is undertaken by producer groups or organisations, membership of such groups or organisations shall not be a condition for access to the service.
Any contribution of non-members towards the administrative costs of the group or organisation concerned shall be limited to the costs of providing the advisory service.
 8. The amount of aid shall be limited to EUR 1 500 per advice.

³² Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework for Community action in the field of water policy, OJ L 327, 22.12.2000, p. 1.

³³ Regulation (EC) No 1107/2009 of the European Parliament and of the Council of 21 October 2009 concerning the placing of plant protection products on the market and repealing Council Directives 79/117/EEC and 91/414/EEC, OJ L 309, 24.11.2009, p. 1–50.

³⁴ Directive 2009/128/EC of the European Parliament and of the Council of 21 October 2009 establishing a framework for Community action to achieve the sustainable use of pesticides, OJ L 309, 24.11.2009, p. 71–86.

Article 23

Aid for farm replacement services

1. Aid for farm replacement services shall be compatible with the internal market within the meaning of Article 107(3)(c) of the Treaty and shall be exempt from the notification requirement of Article 108(3) thereof where it fulfils the conditions laid down in paragraphs 2, 3 and 4 of this Article and in Chapter 1.
2. The aid shall cover the real costs incurred for the replacement of a farmer, a natural person who is a member of the farm household, or a farm worker, during illness and holidays.
3. The aid shall not involve direct payments to the farmer.
The aid shall be paid to the provider of the farm replacement service.
The provision of farm replacement service may be undertaken by producer groups or other organisations, regardless of their size.
4. The aid intensity shall be limited to 100% of the eligible costs.

Article 24

Aid for promotional measures in favour of agricultural products

1. Aid for promotional measures in favour of agricultural products shall be compatible with the internal market within the meaning of Article 107(3)(c) of the Treaty and shall be exempt from the notification requirement of Article 108(3) thereof where it fulfils the conditions laid down in paragraphs 2 to 8 of this Article and in Chapter 1.
2. The aid shall cover the costs for:
 - (a) the organisation of competitions, trade fairs or exhibitions;
 - (b) publications aimed at raising awareness of agricultural products among the wider public.
3. The publications referred to in paragraph 2(b) shall not refer to any particular undertaking, brand name or origin.
However that restriction shall not apply to reference to the origin of agricultural products covered by:
 - (a) quality schemes as referred to in Article 20(2)(a), provided that the reference corresponds exactly to that protected by the Union;
 - (b) quality schemes as referred to in Article 20(2)(b) and (c), provided that the reference is secondary in the message.
4. The aid shall cover the following eligible costs for the organisation of competitions, trade fairs or exhibitions referred to in paragraph 2(a):
 - (a) participation fees;
 - (b) travel costs;
 - (c) costs of publications and websites announcing the event;
 - (d) the rent of exhibition premises and stands and costs of their installation and dismantling;
 - (e) symbolic prizes up to a value of EUR 1000 per prize and winner of competition.

5. The aid shall cover the following eligible cost for publications aimed at raising awareness of agricultural products among the wider public referred to in paragraph 2(b):
 - (a) costs of publications and websites aimed at presenting factual information on beneficiaries from a given region or producing a given agricultural product, provided that the information is neutral and that all beneficiaries concerned have equal opportunities to be represented in the publication;
 - (b) costs for the dissemination of scientific knowledge and factual information on:
 - (i) quality schemes open to agricultural products from other Member States and third countries;
 - (ii) generic agricultural products and their nutritional benefits and suggested uses for them.
6. The aid shall be granted:
 - (a) in kind or
 - (b) on the basis of the reimbursement of the real costs incurred by the beneficiary.

Where the aid is granted in kind the aid shall be paid to the provider of the promotional measures.

The provision of promotional measures may be undertaken by producer groups or other organisations, regardless of their size.

The aid for symbolic prizes referred to in paragraph 4(e) shall only be paid to the provider of the promotional measures if the prize has been actually awarded and upon presentation of a proof of the award.
7. Aid for promotional measures shall be accessible to all eligible undertakings in the area-concerned, based on objectively defined conditions.

Where the promotional measure is undertaken by producer groups or organisations, participation shall not be subject to membership of these groups or organisations and any contribution in terms of administration fees for the group or organisation shall be limited to the cost of providing the promotional measures.
8. The aid intensity shall be limited to 100% of the eligible costs.

Article 25

Aid to compensate for losses caused by adverse climatic event which can be assimilated to a natural disaster

1. Aid to compensate SMEs active in the primary agricultural production for losses of plants or animals or farm buildings or farm equipment caused by adverse climatic events which can be assimilated to natural disasters shall be compatible with the internal market within the meaning of Article 107(3)(c) of the Treaty and shall be exempt from the notification requirement of Article 108(3) thereof where it fulfils the conditions laid down in paragraphs 2 to 11 of this Article and in Chapter I.
2. The occurrence of the adverse climatic event which can be assimilated to natural disaster shall be formally recognised as such by the competent authority of the Member State concerned.

3. [Aid for losses caused by drought shall be paid only by Member States which have fully implemented the provisions on water pricing and on recovery of costs for water services provided for in Article 9 of Directive 2000/60/EC, in the agricultural sector.]

4. Aid schemes shall be established within three years from the date of the occurrence of the adverse climatic event which can be assimilated to natural disaster. The aid shall be paid out within four years from that date.

5. Aid shall be paid directly to the undertaking concerned or to a producer group of which that undertaking is a member.

Where the aid is paid to a producer group, the amount of aid shall not exceed the amount of aid to which that undertaking is eligible.

6. The aid shall cover the following eligible costs:

(a) compensation for the reduction of the beneficiary's income from the sale of agricultural product resulting from the occurrence of an adverse climatic event which can be assimilated to natural disaster as referred to in paragraph 7;

(b) compensation for the damages to farm buildings and farm equipment and machinery caused by the adverse climatic event which can be assimilated to natural disaster as referred to in paragraph 8.

7. The reduction of the beneficiary's income from the sale of agricultural product resulting from the occurrence of an adverse climatic event which can be assimilated to natural disaster shall be calculated by subtracting:

(a) the result of multiplying the quantity of the agricultural products produced in the year of the adverse climatic event that which be assimilated to natural disaster by the average selling price obtained during that year

from

(b) the result of multiplying the average annual quantity of agricultural products produced in the preceding three-year period or a three year average based on the preceding five-year period, excluding the highest and lowest entry by the average selling price obtained.

That amount may be increased by other costs incurred by the beneficiary because of non-harvesting due to the adverse climatic event which can be assimilated to natural disaster.

That amount shall be reduced by any costs not incurred because of the adverse climatic event which can be assimilated to natural disaster.

Indexes may be used in order to calculate the annual agricultural production of the beneficiary provided that the calculation method used permits the determination of the real loss of the beneficiary in the given year.

8. Damages to farm buildings and farm equipment and machinery caused by the adverse climatic event which can be assimilated to natural disaster shall be calculated on the basis of the real value of the farm buildings and farm equipment and machinery, as assessed by a public authority independent of the granting authority, an independent expert recognised by the granting authority or an insurance undertaking.

9. The calculation of loss incurred due to the adverse climatic event which can be assimilated to natural disaster shall be made at the level of the individual beneficiary.

10. Aid granted under this Article shall be reduced by 50 % unless it is given to beneficiaries who have taken out insurance covering at least 50 % of their average annual production or production-related income and the statistically most frequent climatic risks in the Member State or region concerned for which insurance coverage is provided.
11. The aid and any other payments received to compensate the losses, including payments under other national or Union measures or insurance policies for the damage receiving aid, shall be limited to 80% of the eligible costs.
The aid intensity may be increased to 90% in areas facing natural constraints.

Article 26

Aid for the costs of the prevention and eradication of animal diseases and plant pests and aid to compensate for losses caused by animal diseases or plant pests

1. Aid to SMEs active in primary agricultural production for the costs of the prevention and eradication of animal diseases or plant pests and aid to compensate such undertakings for losses caused by those animal diseases or plant pests shall be compatible with the internal market within the meaning of Article 107(3)(c) of the Treaty and shall be exempt from the notification requirement of Article 108(3) thereof where it fulfils the conditions laid down in paragraphs 2 to 14 of this Article and in Chapter I.
2. Aid shall only be paid:
 - (a) in relation to animal diseases or plant pests for which Union or national rules exist, whether laid down by law, regulation or administrative action; and
 - (b) as part of:
 - (i) a public programme at Union, national or regional level for the prevention, control or eradication of the animal disease or the plant pest concerned, or
 - (ii) emergency measure imposed by competent authority; or
 - (iii) measures to eradicate or contain a plant pest implemented in accordance with Council Directive 2000/29/EC.

The programme and measures referred to in point (b) of the first subparagraph shall contain a description of the prevention, control or eradication measures concerned.

3. The aid shall not relate to an animal disease or a plant pest in respect of which Union legislation provides that the charges of control measures are to be borne by the beneficiary.
4. The aid shall not relate to measures in respect of which Union legislation provides that the cost of such measures is to be borne by the beneficiary, unless the cost of such measures is entirely offset by compulsory charges on the beneficiaries.
5. As regards animal diseases, the aid shall only be granted in respect of animal diseases referred to in the list of animal diseases established by the World Organisation for Animal Health or the animal diseases and zoonoses listed in Articles 3(1), 4(1) and 14 and in Annex I to Council Decision 2009/470/EC.
6. Aid schemes shall be introduced within three years from the date of the occurrence of the cost or loss caused by the animal disease or plant pest.

Aid shall be paid out within four years from that date.

7. The aid shall be limited to costs and losses caused by animal diseases and plant pests for which the competent authority:
 - (a) has formally recognised an outbreak, in the case of an animal disease, or
 - (b) has formally acknowledged their presence, in the case of plants pests.
8. In the case of prevention measures, the aid shall cover the following eligible costs:
 - (a) health checks;
 - (b) analyses;
 - (c) tests and other screening measures;
 - (d) the purchase and administration of vaccines, medicines and plant protection products;
 - (e) the preventive slaughtering of animals or the destruction of animal products and crops.
9. In the case of eradication measures, the aid shall cover the following eligible costs:
 - (a) the purchase and administration of vaccines, medicines, treatments and plant protection products;
 - (b) the slaughter and destruction of animals and the destruction of animal products and crops, including those that die or are destroyed as a result of vaccinations or other measures ordered by the competent authorities.
10. In the case of aid to compensate for losses caused by animal diseases or plant pests, compensation shall be calculated only in relation to:
 - (a) the market value of the animals slaughtered or died or the animal products or plants destroyed:
 - (i) as a result of the animal disease or the plant pest;
 - (ii) as part of public programme or measure as referred to in paragraph 2(b);
 - (b) the loss of income due to quarantine obligations and difficulties in restocking or replanting.
11. Costs and losses which are not directly incurred due to the animal disease or plant pest and which would otherwise have been incurred by the beneficiary shall not be eligible.
12. Aid in relation to the eligible costs referred to in paragraph 8 and 9 shall be granted in kind and shall be paid to the provider of the prevention and eradication measures.

By way of derogation, aid in relation to the eligible costs referred to in the following paragraphs may be granted directly to the beneficiary on the basis of reimbursement of the real costs incurred by the beneficiary:

 - (a) paragraphs 8(d) and 9(a) in the case of animal diseases or plant pests; and
 - (b) paragraphs 8(e) and 9(b) in the case of plant pests.
13. No individual aid shall be granted where it is established that the animal disease or the plant pest was caused deliberately or by negligence of the beneficiary.

14. The aid and any other payments received by the beneficiary, including payments under other national or Union measures or insurance policies for the same eligible costs as referred to in paragraph 8 and 9, shall be limited to 100% of the eligible costs.

Article 27
Aid to the livestock sector

1. The following aid to SMEs active in the livestock sector shall be compatible with the internal market within the meaning of Article 107(3)(c) of the Treaty and shall be exempt from the notification requirement of Article 108(3) thereof where it fulfils the conditions laid down in paragraphs 2 and 3 of this Article and in Chapter I:
- (a) aid at a rate of up to 100 % of the administrative costs of the establishment and maintenance of herd books;
 - (b) aid at a rate of up to 70 % of the costs of tests performed by or on behalf of third parties, to determine the genetic quality or yield of livestock, with the exception of controls undertaken by the owner of the livestock and routine controls of milk quality;
 - (c) aid at a rate of up to 100 % of costs of the removal of fallen stock, and 75 % of the costs of destruction of such fallen stock, or aid up to an equivalent aid intensity towards the costs of premiums paid by farmers for insurance covering the costs of the removal and destruction of fallen stock;
 - (d) aid at a rate of up to 100 % of the costs of the removal and destruction of fallen stock where the aid is financed through fees or through compulsory contributions destined for the financing of the destruction of such fallen stock, provided that such fees or contributions are limited to and directly imposed on the meat sector;
 - (e) aid at a rate of 100 % for the costs of the removal and destruction of fallen stock where there is an obligation to perform TSE tests on the fallen stock concerned;
 - (f) aid at a rate of up to 100 % for the TSE tests costs;
 - (g) aid at rate of EUR 40 per BSE test for compulsory BSE testing of bovine animals slaughtered for human consumption. That amount shall cover the total BSE test costs, comprising the test-kit and the taking, transporting, testing, storing and destruction of the sample and shall include all direct and indirect payments, including any Union payments.
2. The aid referred to in paragraph 1(c) to (f) shall be conditional on the existence of a consistent monitoring programme which ensures the safe disposal of all fallen stock in the Member State.
- The aid towards the costs of premiums paid by farmers for insurance covering the costs of the removal and destruction of fallen stock referred to in paragraph 1(c) shall comply with the conditions laid down in Article 28(2) [and (5)].
- The aid referred to in paragraph 1(g) shall be subject to the condition that the obligation to carry out BSE testing is based on Union legislation or national laws.
3. The aid shall not involve direct payments to undertakings active in the livestock sector.

In the case of the aid referred to in paragraph 1(c), (d) and (e) the aid shall be paid to economic operators that:

- (i) are active downstream from the undertakings active in the livestock sector, and
- (ii) provide services linked to the removal and destruction of carcasses of fallen stock.

Article 28

Aid for the payment of insurance premiums

1. Aid granted to SMEs active in primary agricultural production for the payment of insurance premiums shall be compatible with the internal market within the meaning of Article 107(3)(c) of the Treaty and shall be exempt from the notification requirement of Article 108(3) thereof where it fulfils the conditions laid down in paragraphs 2 to 6 of this Article and in Chapter I.
2. The aid shall not:
 - (a) constitute a barrier to the operation of the internal market for insurance services;
 - (b) be limited to insurance provided by a single insurance company or group of companies;
 - (c) be made subject to the condition that the insurance contract be taken out with a company established in the Member State concerned.
3. The insurance shall be intended to cover losses caused by:
 - (a) natural disasters;
 - (b) an adverse climatic event which can be assimilated to a natural disaster and other adverse climatic events;
 - (c) animal diseases or plant pest.
4. The insurance shall:
 - (a) compensate only the cost of making good the losses referred to in paragraph 3(a) and the costs for the implementation of the measures referred to in paragraph 3(b);
 - (b) not require or specify the type or quantity of future agricultural production.
5. Member States may limit the amount of the insurance premium that is eligible for aid by applying appropriate ceilings.
6. The aid intensity shall be limited to 65 % of the costs of the insurance premium.

SECTION 2

AID FOR RESEARCH AND DEVELOPMENT IN THE AGRICULTURAL SECTOR

Article 29 *Aid for research and development in the agricultural sector*

1. Aid for research and development in the agricultural sector shall be compatible with the internal market within the meaning of Article 107(3) of the Treaty and shall be exempt from the notification requirement of Article 108(3) thereof where it fulfils the conditions laid down in paragraphs 2 to 7 of this Article and in Chapter I.
2. The aided project shall be of interest to all undertakings active in the particular agricultural sector or sub-sector concerned.
3. Prior to the date of the start of the aided project the following information shall be published on the internet:
 - (a) that the aided project is to be carried out;
 - (b) the goals of the aided project;
 - (c) an approximate date for the publication of the results expected from the aided project;
 - (d) the place of publication of the results expected from the aided project on the internet;
 - (e) a reference that the results of the aided project are available to all undertakings active in the particular agricultural sector or sub-sector concerned at no cost.
4. The results of the aided project shall be:
 - (a) made available on internet, for a period of at least 5 years of the end date of the aided project;
 - (b) published no later than the date on which any information concerning those results may be given to members of any particular organisation.
5. Aid shall be granted directly to the research and knowledge-dissemination organisation and shall not involve the provision of aid based on the price of the agricultural products to undertakings active in the agricultural sector.
6. The aid shall cover the following eligible costs:
 - (a) personnel costs;
 - (b) the costs of instruments, equipment, buildings and land to the extent and for the period used for the aided project;
 - (c) the cost of contractual research, knowledge and patents bought or licensed from outside sources at arm's length;
 - (d) the costs of consultancy and equivalent services used exclusively for the aided project;
 - (e) additional overheads and other operating costs, including costs of materials, supplies and similar products, incurred directly as a result of the aided project.
7. The aid intensity shall be limited to 100 % of the eligible costs.

SECTION 3

AID TO MAKE GOOD THE DAMAGE CAUSED BY NATURAL DISASTERS IN THE AGRICULTURAL SECTOR

Article 30

Aid to make good damage caused by natural disasters in the agricultural sector

1. Aid schemes to make good damage caused by natural disasters shall be compatible with the internal market within the meaning of Article 107(2)(b) of the Treaty and shall be exempt from the notification requirement of Article 108(3) thereof where it fulfils the conditions laid down in paragraphs 2 to 6 of this Article and in Chapter I.
2. Aid granted under this Article shall be subject to the following conditions:
 - (a) the competent authority of the Member State has formally recognised the character of the event as a natural disaster; and
 - (b) there is a direct causal link between the natural disaster and the damage suffered by the undertaking.
3. Aid shall be paid directly to the undertaking concerned or to a producer group of which that undertaking is a member.

Where the aid is paid to a producer group, the amount of aid shall not exceed the amount of aid to which that undertaking is eligible.

4. Aid schemes related to a specific natural disaster shall be established within three years from the date of the occurrence of the natural disaster.

The aid shall be paid out within four years from that date.

5. The eligible costs shall be the damage incurred as a direct consequence of the natural disaster, as assessed by a public authority independent of the granting authority, an independent expert recognised by the granting authority or by an insurance undertaking.

That damage may include the following:

- (a) material damage to buildings, equipment, machinery and stocks;
- (b) loss of income resulting from the destruction of the agricultural production and the means of the primary agricultural production, the processing of agricultural products and the marketing of agricultural products.

The damage shall be calculated at the level of the individual beneficiary.

Indexes may be used in order to calculate the annual agricultural production of the beneficiary provided that the calculation method used permits the determination of the real loss of the beneficiary in the given year.

6. The aid and any other payments received to compensate the damage, including payments under insurance policies, shall be limited to 100% of the eligible costs.

SECTION 4
**AID FOR INVESTMENTS IN FAVOUR OF CONSERVATION OF CULTURAL AND
NATURAL HERITAGE LOCATED ON AGRICULTURAL HOLDINGS**

Article 31

Aid for investments in favour of the conservation of cultural and natural heritage located on agricultural holdings

1. Aid for investments aimed at the conservation of natural landscapes and buildings located on the agricultural holding which are cultural and natural heritage shall be compatible with the internal market within the meaning of Article 107(3)(c) of the Treaty and shall be exempt from the notification requirement of Article 108(3) thereof where it fulfils the conditions laid down in paragraphs 2 to 10 of this Article and in Chapter 1.
2. The investment shall comply with Union legislation and with the national laws of the Member State concerned.
3. The aid shall be granted for heritage in form of natural landscapes and buildings which is formally recognized as cultural or natural heritage by the competent public authorities of the Member State concerned.
4. The aid shall cover the following eligible costs intended for the conservation of cultural and natural heritage:
 - (a) investment costs in tangible assets;
 - (b) capital work.
5. In the case of investments aimed at the conservation of non-productive heritage features located on agricultural holdings, the aid intensity shall be limited to 100% of the eligible costs.
6. In the case of investments aimed at the conservation of productive heritage features located on agricultural holding and provided that the investment does not entail any increase in the production capacity, the aid intensity shall be limited to:
 - (a) 60% of the eligible costs; or
 - (b) 70% of the eligible costs in less developed regions; and
 - (c) 80% of the eligible costs in areas facing natural constraints.
7. Where there is an increase in production capacity, the aid intensities for the investments referred to in Article 14 (12) and (13) shall apply.
8. Additional aid may be granted to cover the extra costs incurred by using traditional materials necessary to maintain the heritage features of building on agricultural holding. That aid shall be limited to 100 % of those extra costs.
9. Notwithstanding the rules provided for in paragraph 5, 6, 7 and 8, the maximum aid intensity shall be limited to 100% of the eligible costs where the investment concerns small-scale infrastructures.
10. Aid for capital works shall be limited to EUR 10 000 per year.

SECTION 5 AID IN FAVOUR OF FORESTRY

Article 32

Aid for afforestation and the creation of woodland

1. Aid for afforestation and the creation of woodland granted to public and private land holders and their associations shall be compatible with the internal market within the meaning of Article 107(3)(c) of the Treaty and shall be exempt from the notification requirement of Article 108(3) thereof where it fulfils the conditions laid down in paragraphs 2 to 11 of this Article and in Chapter I.
2. The aid shall:
 - (a) be granted in the framework of a rural development programme pursuant to and in conformity with Regulation (EU) No 1305/2013 either:
 - (i) as aid co-financed by the EAFRD; or
 - (ii) as additional national financing to the aid referred to in point (i),
 - and
 - (b) be identical to the underlying rural development measure provided for in the rural development programme referred to in point (a).
3. The legal basis for the aid shall specify that the aid shall not be put into effect before the approval of the relevant rural development programme by the Commission.
4. In the case of afforestation of state-owned land, aid shall only be granted if the body managing such land is a private body or a municipality.
5. Limitations on ownership of forests shall not apply to the tropical or subtropical forests and to the wooded areas of the territories of the Azores, Madeira, the Canary islands, the smaller Aegean islands and the French overseas departments.
6. Aid for a woodland establishment on agricultural and non-agricultural land shall cover:
 - (a) the costs of the plantation material, including the purchase of propagation material, the storing and treatments of seedlings with the necessary prevention and protection materials;
 - (b) the plantation costs and the costs directly linked to plantation, such as the preparation of an afforestation plan, soil examination and soil preparation and protection;
 - (c) the costs for the necessary treatment connected to the establishment and planting; including watering, cutting, and in exceptional and well justified cases using fertilizers to support the successful establishment.

Aid in the form of an annual premium per hectare shall cover the costs for the agricultural income foregone and for maintenance, including early and late cleansings, and shall be paid for a maximum period of 12 years from the date of granting the aid.

Aid for afforestation of land owned by public authorities or for fast growing trees shall cover only the costs of establishment.
7. Aid shall not be granted for the planting of the following:

- (a) trees for short rotation coppicing;
 - (b) Christmas trees; or
 - (c) fast growing trees for energy production.
8. The species planted shall be adapted to the environmental and climatic conditions of the area and comply with minimum environmental requirements.
9. In areas where afforestation is difficult due to severe pedo-climatic conditions aid may be provided for planting perennial woody species such as shrubs or bushes suitable to the local conditions.
10. For beneficiaries above a certain size, to be determined by the Member States in the rural development programmes, the aid shall be conditional on the presentation of the relevant information from a forest management plan or equivalent instrument in line with sustainable forest management as defined by the Second Ministerial Conference on the Protection of Forests in Europe of 1993.
11. The aid intensity shall be limited to 100 % of the eligible costs.

Article 33

Aid for agroforestry systems

1. Aid for agroforestry systems granted to private land holders, municipalities and their associations shall be compatible with the internal market within the meaning of Article 107(3)(c) of the Treaty and shall be exempt from the notification requirement of Article 108(3) thereof where it fulfils the conditions laid down in paragraphs 2 to 8 of this Article and in Chapter I.
2. The aid shall:
- (a) be granted in the framework of a rural development programme pursuant to and in conformity with Regulation (EU) No 1305/2013 either:
 - (i) as aid co-financed by the EAFRD; or
 - (ii) as additional national financing to the aid referred to in point (i),
- and
- (b) be identical to the underlying rural development measure provided for in the rural development programme referred to in point (a).
3. The legal basis for the aid shall specify that the aid shall not be put into effect before the approval of the relevant rural development programme by the Commission.
4. Limitations on ownership of forests shall not apply to the tropical or subtropical forests and to the wooded areas of the territories of the Azores, Madeira, the Canary islands, the smaller Aegean islands and the French overseas departments.
5. The aid for the establishment of the agroforestry system shall cover:
- (a) the costs of the plantation material and plantation, including the storing and treatments of seedlings with the necessary prevention and protection materials;
 - (b) other costs directly linked to the creation of an agroforestry system such as the preparation of the establishment plan, soil examination, soil preparation and protection, the preparing of existing forest or other wooded land, including thinning and pruning, to be converted to agroforestry system;

- (c) in the case of silvopastoral (namely, grazing) system, the costs of watering and protective facilities proportionate with the size of the investment;
- (d) the costs of the necessary treatment connected to the establishment and planting including watering, cutting back and in exceptional and well justified cases using fertilizers to help the successful establishment.

Aid in a form of an annual premium per hectare shall cover the costs of maintenance, such as weeding, pruning, mowing, watering or maintaining protection equipment, such as fences or individual protection tools or tubes, and shall be paid for a maximum period of five years from the date of granting the aid.

6. Member States shall determine the maximum number of trees to be planted per hectare, taking account of the following:
 - (a) local pedo-climatic and environmental conditions;
 - (b) forestry species; and
 - (c) the need to ensure sustainable agricultural use of the land.
7. For beneficiaries above a certain size, to be determined by the Member States, the aid shall be conditional on the presentation of the relevant information from a forest management plan or equivalent instrument in line with sustainable forest management as defined by the Second Ministerial Conference on the Protection of Forests in Europe of 1993.
8. The maximum aid intensity shall be limited to:
 - (a) 80% of the eligible costs for the establishment of agroforestry systems referred to in paragraph 5 and
 - (b) 100% of the annual premium referred to in that paragraph.

Article 34

Aid for the prevention and restoration of damage to forests from forest fire, natural disasters, adverse climatic events, diseases, pest and catastrophic events

1. Aid for the prevention and restoration of damage to forests from forest fire, natural disasters, adverse climatic events, diseases, pests and catastrophic events and climate change events pursuant to Article 24 of Regulation (EU) No 1305/2013 granted to private and public forest holders, and other private law and public bodies and their associations shall be compatible with the internal market within the meaning of Article 107(2)(b) or, as the case may be, Article 107(3)(c) of the Treaty and shall be exempt from the notification requirement of Article 108(3) thereof where it fulfils the conditions laid down in paragraphs 2 to 11 of this Article and in Chapter I.
2. The aid shall:
 - (a) be granted in the framework of a rural development programme pursuant to and in conformity with Regulation (EU) No 1305/2013 either:
 - (i) as aid co-financed by the EAFRD; or
 - (ii) as additional national financing to the aid referred to in point (i),
 and
 - (b) be identical to the underlying rural development measure provided for in the rural development programme referred to in point (a).

3. The legal basis for the aid shall specify that the aid shall not be put into effect before the approval of the relevant rural development programme by the Commission.
4. Limitations on ownership of forests shall not apply to the tropical or subtropical forests and to the wooded areas of the territories of the Azores, Madeira, the Canary islands, the smaller Aegean islands and the French overseas departments.
5. Only forest areas which are classified as medium to high forest fire risk according to the forest protection plan established by the Member State concerned shall be eligible for aid for prevention of fire.
6. The aid shall cover the following eligible costs:
 - (a) the establishment of protective infrastructure such as forest paths, tracks, water supply points or landing zones for helicopters or fixed wing planes, excluding landing facilities for commercial activities. In the case of firebreaks, aid may cover maintenance costs. However, aid shall not be granted for agricultural related activities in areas covered by agri-environment commitments;
 - (b) local, small scale prevention activities against fire, or other natural hazards, including the use of grazing animals;
 - (c) establishing and improving forest fire, pest and diseases monitoring facilities and communication equipment;
 - (d) restoring forest potential damaged from fires, natural disasters, adverse climatic events, pests, diseases, catastrophic events and climate change related events.
7. In the case of the restoration of forest potential referred to in paragraph 6 (d) the aid shall be subject to the formal recognition by the competent authorities of the Member State concerned that:
 - (a) the fire, natural disaster, adverse climatic event, pest, disease, catastrophic event or climate change related event has occurred and
 - (b) the event referred to in point (a), or measures adopted in accordance with Directive 2000/29/EC to eradicate or contain a plant disease or pest, has caused the destruction of at least 20% of the relevant forest potential.
8. In the case of aid for prevention of damage to forest from diseases and pests, the risk of occurrence of the disease or the pest shall be supported by scientific evidence and acknowledged by scientific public organisation.

The list of species of harmful organisms which may cause a disease or pest shall be provided for in the rural development programme.
9. Eligible costs shall be consistent with the forest protection plan established by the Member States.

For beneficiaries above a certain size, to be determined by the Member States, the aid shall be conditional on the presentation of the relevant information from a forest management plan or equivalent instrument in line with sustainable forest management as defined by the Second Ministerial Conference on the Protection of Forests in Europe of 1993, detailing the preventive objectives.

Costs other than those referred to in paragraph 6 related to the particularities of the forestry sector may be considered to be eligible costs.

10. Aid shall not be granted for loss of income resulting from fire, natural disasters, adverse climatic events, diseases, pest and catastrophic events.
11. The aid and any other payments received by the beneficiary, including payments under other national or Union measures or insurance policies for the same eligible costs as referred to in paragraph 6 and 9, shall be limited to 100% of the eligible costs.

Article 35

Aid for investments improving the resilience and environmental value of forest ecosystems

1. Aid for investments improving the resilience and environmental value of forest ecosystems granted to natural persons, private and public forest holders, private law and public bodies and their associations shall be compatible with the internal market within the meaning of Article 107(3)(c) of the Treaty and shall be exempt from the notification requirement of Article 108(3) thereof where it fulfils the conditions laid down in paragraphs 2 to 9 of this Article and in Chapter I.
2. The aid shall:
 - (a) be granted in the framework of a rural development programme pursuant to and in conformity with Regulation (EU) No 1305/2013 either:
 - (i) as aid co-financed by the EAFRD; or
 - (ii) as additional national financing to the aid referred to in point (i),
 - and
 - (b) be identical to the underlying rural development measure provided for in the rural development programme referred to in point (a).
3. The legal basis for the aid shall specify that the aid shall not be put into effect before the approval of the relevant rural development programme by the Commission.
4. Limitations on ownership of forests shall not apply to the tropical or subtropical forests and to the wooded areas of the territories of the Azores, Madeira, the Canary islands, the smaller Aegean islands and the French overseas departments.
5. Investments shall be aimed at the achievement of commitments for environmental aims, for provision of ecosystem services or enhancement of the public amenity value of forest and wooded land in the area concerned or the improvement of the climate change mitigation potential of ecosystems, without excluding economic benefits in the long term.
6. Only investments which do not require an environmental impact assessment pursuant to Union legislation shall be eligible for aid under this Article.
7. The aid shall cover the following eligible costs:
 - (a) the construction, acquisition, including leasing, or improvement of immovable property with land only being eligible to an extent not exceeding 10% of the total eligible costs of the operation concerned;
 - (b) the purchase or lease purchase of machinery and equipment up to the market value of the asset;
 - (c) general costs linked to expenditure referred to in points (a) and (b), such as architect, engineer and consultation fees, fees relating to advice on

environmental and economic sustainability, including feasibility studies; feasibility studies shall remain eligible expenditure even where, based on their results, no expenditure under in points (a) and (b) is being incurred;

- (d) the following intangible investments costs: the acquisition or development of computer software and the acquisitions of patents, licenses, copyrights, trademarks;
 - (e) the costs of establishing forest management plans or equivalent instrument.
8. Costs other than those referred to in paragraph 7 connected with leasing contracts, such as lessor's margin, interest refinancing costs, overheads and insurance charges shall not be considered to be eligible costs.
9. The aid intensity shall be limited to 100 % of the eligible costs.

Article 36

Aid for disadvantages related to Natura 2000 forest areas

1. Aid for disadvantages related to Natura 2000 forest areas as defined in Article 3 of Directive 92/43/EEC and in Article 3 Directive 2009/147/EC granted to private forest holders and associations of private forest holders shall be compatible with the internal market within the meaning of Article 107(3)(c) of the Treaty and shall be exempt from the notification requirement of Article 108(3) thereof where it fulfils the conditions laid down in paragraphs 2 to 6 of this Article and in Chapter I.
2. The aid shall:
 - (a) be granted in the framework of a rural development programme pursuant to and in conformity with Regulation (EU) No 1305/2013 either:
 - (i) as aid co-financed by the EAFRD; or
 - (ii) as additional national financing to the aid referred to in point (i),
 - and
 - (b) be identical to the underlying rural development measure provided for in the rural development programme referred to in point (a).
3. The legal basis for the aid shall specify that the aid shall not be put into effect before the approval of the relevant rural development programme by the Commission.
4. The aid shall be granted annually and per hectare of forest in order to compensate beneficiaries for additional costs and income foregone resulting from disadvantages in the forest areas referred to in paragraph 5, related to the implementation of Directive 92/43/EEC and Directive 2009/147/EC .
5. The following forest areas shall be eligible for aid:
 - (a) Natura 2000 forest areas in accordance with Article 3 of Directive 92/43/EEC and Article 3 of Directive 2009/147/EC;
 - (b) features of the landscape which contribute to the implementation of Article 10 of Directive 92/43/EEC; those areas shall not exceed 5% of the areas included in Natura 2000 network covered by the territorial scope of the rural development programme concerned.

6. The aid shall be limited to the maximum amounts of EUR 500 per hectare per year in the initial period not exceeding five years and to EUR 200 per hectare per year afterwards.

Those amounts may be increased in exceptional cases taking into account specific circumstances to be justified in the rural development programmes.

Member States shall deduct from the aid the necessary amount in order to exclude double funding of the practices referred to in Article 29 of Regulation (EU) No 1307/2013.

Article 37

Aid for forest - environmental and climate services and forest conservation

1. Aid for forest - environmental and climate services and for forest conservation granted to public or private forest holders, private law or public bodies and their associations shall be compatible with the internal market within the meaning of Article 107(3)(c) of the Treaty and shall be exempt from the notification requirement of Article 108(3) thereof where it fulfils the conditions laid down in paragraphs 2 to 9 of this Article and in Chapter I.
2. The aid shall:
 - (a) be granted in the framework of a rural development programme pursuant to and in conformity with Regulation (EU) No 1305/2013 either:
 - (i) as aid co-financed by the EAFRD; or
 - (ii) as additional national financing to the aid referred to in point (i),
 - and
 - (b) be identical to the underlying rural development measure provided for in the rural development programme referred to in point (a).
3. The legal basis for the aid shall specify that the aid shall not be put into effect before the approval of the relevant rural development programme by the Commission.
4. In the case of forest - environmental and climate services and forest conservation of state-owned land, aid shall only be granted if the body managing such land is a private body or a municipality.
5. For forest holdings above a certain threshold to be determined by Member States, aid shall be conditional on the presentation of the relevant information from of a forest management plan or equivalent instrument in line with sustainable forest management as defined by the Second Ministerial Conference on the Protection of Forests in Europe of 1993.
6. The aid shall be granted per hectare of forest land.
7. Aid shall cover only commitments which go beyond the mandatory requirements established by national forestry act or other relevant national or Union legislation. The mandatory national requirements shall be clearly identified.

Commitments shall be undertaken for a period of between five and seven years. However, where necessary and duly justified, Member States may determine a longer period for particular types of commitments.

8. The aid shall compensate beneficiaries for all or part of the additional costs and income foregone resulting from undertaking the commitments referred to in paragraph 7.

Where necessary the aid may cover transaction costs up to a value of 20% of the aid.

In duly justified cases for operations concerning environmental conservation, the aid for commitments to renounce commercial use of trees and forests may be granted as a flat-rate or one-off payment per unit calculated on basis of additional costs and income foregone.

9. The aid shall be limited to the maximum amount of EUR 200 per hectare per year.

That maximum amount may be increased in exceptional cases taking into account specific circumstances to be justified in the rural development programmes.

Article 38

Aid for knowledge transfer and information actions in the forestry sector

1. Aid for knowledge transfer and information actions granted in favour of undertakings active in the forestry sector shall be compatible with the internal market within the meaning of Article 107(3)(c) of the Treaty and shall be exempt from the notification requirement of Article 108(3) thereof where it fulfils the conditions laid down in paragraphs 2 to 8 of this Article and in Chapter I.
2. The aid shall cover vocational training and skills acquisition actions, including training courses, workshops and coaching, demonstration activities and information actions.
3. Aid may also cover short-term forest management exchange and forest visits.
4. The aid shall cover the the following eligible costs:
 - (a) the costs of organising and delivering the knowledge transfer or information action;
 - (b) in the case of demonstration projects:
 - (i) the construction, acquisition, including leasing, or improvement of immovable property, with land only being eligible to an extend not exceeding 10% of total eligible costs of the operation concerned;
 - (ii) the purchase or lease purchase of machinery and equipment up to the market value of the asset;
 - (iii) general costs linked to expenditure referred to in points (a) and (b), such as architect, engineer and consultation fees, fees relating to advice on environmental and economic sustainability, including feasibility studies; feasibility studies shall remain eligible expenditure even where, based on their results, no expenditure under in points (a) and (b) is made;
 - (iv) the following intangible investments costs: acquisition or development of computer software and acquisitions of patents, licenses, copyrights, trademarks.
 - (c) the costs for travel, accommodation and per diem expenses of the participants.
5. The aid shall not include courses of instruction or training, which form part of normal education programs or systems at secondary or higher levels.

6. The aid referred to in paragraph 4(a) and 4(b) shall not involve direct payments to undertakings active in the forestry sector. That aid shall be paid to the knowledge transfer and information actions provider.
7. Bodies providing knowledge transfer and information actions shall have the appropriate capacities in the form of staff qualifications and regular training to carry out such tasks.
8. The aid intensity shall be limited to 100% of the eligible costs.

Article 39

Aid for advisory services in the forestry sector

1. Aid for advisory services granted in favour of forest holders and other land managers shall be compatible with the internal market within the meaning of Article 107(3)(c) of the Treaty and shall be exempt from the notification requirement of Article 108(3) thereof where it fulfils the conditions laid down in paragraphs 1 to 7 of this Article and in Chapter I.
2. Aid shall be granted to help forest holders and other land managers benefit from the use of advisory services for the improvement of the economic and environmental performance and climate friendliness and resilience of their holdings, enterprise or investment.
3. The advice shall cover as a minimum issues related to the implementation of Directives 92/43/EEC, Directive 2000/60/EC and Directive 2009/147/EC.
The advice may also cover issues linked to the economic and environmental performance of forestry holdings.
4. The aid shall not involve direct payments to the forest holders and the other land managers. The aid shall be paid to the provider of advisory services.
The provider of advisory service shall have the appropriate resources in the form of regularly trained and qualified staff and advisory experience and reliability with respect to the fields they advise in.
5. When providing advice, the provider of advisory services shall respect the non-disclosure obligations referred to in Article 13(2) of Regulation (EU) No 1306/2013.
6. Where justified and appropriate, the advice may be partly provided in group, while taking into account the situations of the individual beneficiary of the advisory services.
7. The aid shall be limited to EUR 1 500 per advice.

Article 40

Aid for investments in infrastructure related to the development, modernisation or adaptation of the forestry sector

1. Aid for investments in infrastructure related to the development, modernisation or adaptation of the forestry sector granted to undertakings active in the forest sector shall be compatible with the internal market within the meaning of Article 107(3)(c) of the Treaty and shall be exempt from the notification requirement of Article 108(3) thereof where it fulfils the conditions laid down in paragraphs 2 to 9 of this Article and in Chapter I.

2. The aid shall:
 - (a) be granted in the framework of a rural development programme pursuant to and in conformity with Regulation (EU) No 1305/2013 either:
 - (i) as aid co-financed by the EAFRD; or
 - (ii) as additional national financing to the aid referred to in point (i),
 - and
 - (b) be identical to the underlying rural development measure provided for in the rural development programme referred to in point (a).
3. The legal basis for the aid shall specify that the aid shall not be put into effect before the approval of the relevant rural development programme by the Commission.
4. Only investments which do not require an environmental impact assessment pursuant to Union legislation shall be eligible for aid under this Article.
5. The aid shall cover investments in tangible assets and intangible assets which concern infrastructure related to the development, modernisation or adaptation of forests, including the following:
 - (a) access to forest land;
 - (b) land consolidation and improvement;
 - (c) supply of energy and water.
6. The aid shall cover the following eligible costs :
 - (a) the construction, acquisition, including leasing, or improvement of immovable property with land only being eligible to an extent not exceeding 10% of the total eligible costs of the operation concerned;
 - (b) the purchase or lease purchase of machinery and equipment up to the market value of the asset;
 - (c) general costs linked to the expenditure referred to in points (a) and (b), such as architect, engineer and consultation fees, fees relating to advice on environmental and economic sustainability, including feasibility studies; feasibility studies shall remain eligible expenditure even where, based on their results, no expenditure under in points (a) and (b) is incurred;
 - (d) the following intangible investments costs: acquisition or development of computer software and acquisitions of patents, licenses, copyrights, trademarks;
 - (e) the costs of establishing forest management plans and their equivalent instruments.
7. Costs other than those referred to in paragraph 6 connected with leasing contracts, such as lessor's margin, interest refinancing costs, overheads and insurance charges shall not be considered to be eligible costs.
8. In the case of investments aimed exclusively at improving the environmental value of forests and for forest roads, which are open to the public free of charge and which serve the multifunctional aspects of forest the aid intensity shall be limited to 100% of the eligible costs.

9. In the case of investments, which improve the short- or long term economic potential of forests, the aid intensity shall be limited to the following rates:
 - (a) 75% of the amount of the eligible costs for investment in outermost regions;
 - (b) 75% of the amount of the eligible costs for investment in the smaller Aegean islands;
 - (c) 50% of the amount of the eligible costs for investment in less developed regions and in all regions whose GDP per capita for the 2007 - 2013 period was less than 75% of the average of the EU-25 for the reference period but whose GDP per capita is above 75% of the GDP average of the EU-27.
 - (d) 40% of the amount of the eligible costs for investment in other regions.

Article 41

Aid for investments in forestry technologies and in processing, mobilising and marketing of forestry products

1. Aid for investments in forestry technologies and in the processing, mobilising and marketing of forestry products granted to private forest holders, municipalities and their associations and to SMEs shall be compatible with the internal market within the meaning of Article 107(3)(c) of the Treaty and shall be exempt from the notification requirement of Article 108(3) thereof where it fulfils the conditions laid down in paragraphs 2 to 12 of this Article and in Chapter I.
2. The aid shall:
 - (a) be granted in the framework of a rural development programme pursuant to and in conformity with Regulation (EU) No 1305/2013 either:
 - (i) as aid co-financed by the EAFRD; or
 - (ii) as additional national financing to the aid referred to in point (i),
 - and
 - (b) be identical to the underlying rural development measure provided for in the rural development programme referred to in point (a).
3. The legal basis for the aid shall specify that the aid shall not be put into effect before the approval of the relevant rural development programme by the Commission.
4. Only investments which do not require an environmental impact assessment pursuant to Union legislation shall be eligible for aid under this Article.
5. Limitations on ownership of forests shall not apply to the tropical or subtropical forests and to the wooded areas of the territories of the Azores, Madeira, the Canary islands, the smaller Aegean islands and the French overseas departments.
6. In the territories of the Azores, Madeira, the Canary islands, the smaller Aegean islands and the French overseas departments aid may also be granted to undertakings that are not SMEs.
7. The aid shall cover the following eligible costs:
 - (a) the construction, acquisition, including leasing, or improvement of immovable property with land only being eligible to an extent not exceeding 10% of the total eligible costs of the operation concerned;

- (b) the purchase or lease purchase of machinery and equipment up to the market value of the asset;
 - (c) general costs linked to the expenditure referred to in points (a) and (b), such as architect, engineer and consultation fees, fees relating to advice on environmental and economic sustainability, including feasibility studies; feasibility studies shall remain eligible expenditure even where, based on their results, no expenditure under in points (a) and (b) is incurred;
 - (d) the following intangible investments costs: acquisition or development of computer software and acquisitions of patents, licenses, copyrights, trademarks;
 - (e) the costs of establishing forest management plans and their equivalent.
8. Costs other than those referred to in paragraph 7 connected with leasing contracts, such as lessor's margin, interest refinancing costs, overheads and insurance charges shall not be considered to be eligible costs.
9. Investments related to the improvement of the economic value of forests shall be justified in relation to expected improvements to forests on one or more holdings and may include investments for soil and resource friendly harvesting machinery and practices.
10. Investments related to the use of wood as a raw material shall be limited to all working operations prior to industrial processing.
- Investments related to the use of wood as energy source shall not be eligible for aid under this Regulation.
11. For forest holdings above a certain threshold to be determined by Member States, aid shall be conditional on the presentation of the relevant information from of a forest management plan or equivalent instrument in line with sustainable forest management as defined by the Second Ministerial Conference on the Protection of Forests in Europe of 1993.
12. The aid intensity shall be limited to the following rates:
- (a) 75% of the amount of the eligible costs for investment in outermost regions;
 - (b) 75% of the amount of the eligible costs for investment in the smaller Aegean islands;
 - (c) 50% of the amount of the eligible costs for investment in less developed regions and in all regions whose GDP per capita for the 2007 - 2013 period was less than 75% of the average of the EU-25 for the reference period but whose GDP per capita is above 75% of the GDP average of the EU-27;
 - (d) 40% of the amount of the eligible costs for investment in other regions.

SECTION 6
AIDS IN FAVOUR OF SMEs IN RURAL AREAS CO-FINANCED BY THE EAFRD OR
GRANTED AS ADDITIONAL NATIONAL FINANCING TO SUCH CO-FINANCED
MEASURES

Article 42

Aid for investments concerning the processing of agricultural products into non-agricultural products or the production of cotton

1. Aid for investments concerning the processing of agricultural products into non-agricultural products or the production of cotton, including the activities of ginning, shall be compatible with the internal market within the meaning of Article 107(3)(c) of the Treaty and shall be exempt from the notification requirement of Article 108(3) thereof where it fulfils the conditions laid down in paragraphs 2 to 9 of this Article and in Chapter I.
2. The aid shall:
 - (a) be granted in the framework of a rural development programme pursuant to and in conformity with Regulation (EU) No 1305/2013 either:
 - (i) as aid co-financed by the EAFRD; or
 - (ii) as additional national financing to the aid referred to in point (i),
 - and
 - (b) be identical to the underlying rural development measure provided for in the rural development programme referred to in point (a).
3. The legal basis for the aid shall specify that the aid shall not be put into effect before the approval of the relevant rural development programme by the Commission.
4. The aid shall cover investments in tangible and intangible assets.
5. Only investments which do not require an environmental impact assessment pursuant to Union legislation shall be eligible for aid under this Article.
6. The aid shall cover the following eligible costs:
 - (a) the construction, acquisition, including leasing, or improvement of immovable property with land only being eligible to an extent not exceeding 10% of the total eligible costs of the operation concerned;
 - (b) the purchase or lease purchase of machinery and equipment up to the market value of the asset;
 - (c) general costs linked to expenditure referred to in points (a) and (b), such as architect, engineer and consultation fees, fees relating to advice on environmental and economic sustainability, including feasibility studies; feasibility studies shall remain eligible expenditure even where, based on their results, no expenditure under in points (a) and (b) is incurred;
 - (d) the following intangible investments costs: acquisition or development of computer software and acquisitions of patents, licenses, copyrights, trademarks.

7. Costs, other than those referred to in paragraph 8, connected with leasing contracts, such as lessor's margin, interest refinancing costs, overheads and insurance charges shall not be considered to be eligible costs.
8. The aid intensity shall be limited to the following rates:
 - (a) in the outermost regions:
 - (i) 80 % of the amount of the eligible costs for investment in regions whose GDP per capita is below 45 % of the EU-27 average;
 - (ii) 65 % of the amount of the eligible costs for investment in regions whose GDP per capita is between 45 % and 60 % of the EU-27 average;
 - (iii) 55 % of the amount of the eligible costs for investment in regions with a GDP per capita between 60 % and 75% of the EU-27 average;
 - (iv) 45% of the amount of the eligible costs for investment in other outermost regions.
 - (b) in less developed regions:
 - (i) 60 % of the amount of the eligible costs for investment in regions whose GDP per capita is below 45 % of the EU-27 average;
 - (ii) 45 % of the amount of the eligible costs for investment in regions whose GDP per capita is between 45 % and 60 % of the EU-27 average;
 - (iii) 35 % of the amount of the eligible costs for investment in regions with a GDP per capita above 60 % of the EU-27 average.
 - (c) in 'c' areas:
 - (i) 25 % of the amount of the eligible costs for investment in sparsely populated areas and in NUTS 3 regions or parts of NUTS 3 regions that share a land border with a country outside the European Economic Area or the European Free Trade Association;
 - (ii) 20 % of the amount of the eligible costs for investment in non-predefined 'c' areas;
 - (iii) in the former 'a' areas the aid intensities may be increased by up to 5 percentage points from 1 January 2014 to 31 December 2017;
 - (iv) where a 'c' area is adjacent to an 'a' area, the maximum aid intensity allowed in the NUTS 3 areas or parts of NUTS 3 areas within that 'c' area which are adjacent to the 'a' area may be increased as necessary so that the difference in aid intensity between both areas does not exceed 15 percentage points.
 - (d) 10% of the amount of the eligible costs for investment in all other regions
9. The maximum aid intensities provided for in paragraph 8 may be increased by up to 10 percentage points for micro and small enterprises.

Article 43

Business start-up aid for non-agricultural activities in rural areas

1. Business start-up aid for non-agricultural activities in rural areas shall be compatible with the internal market within the meaning of Article 107(3)(c) of the Treaty and

shall be exempt from the notification requirement of Article 108(3) thereof where it fulfils the conditions laid down in paragraphs 2 to 9 of this Article and in Chapter I.

2. The aid shall:
 - (a) be granted in the framework of a rural development programme pursuant to and in conformity with Regulation (EU) No 1305/2013 either:
 - (i) as aid co-financed by the EAFRD; or
 - (ii) as additional national financing to the aid referred to in point (i),
 - and
 - (b) be identical to the underlying rural development measure provided for in the rural development programme referred to in point (a).
3. The legal basis for the aid shall specify that the aid shall not be put into effect before the approval of the relevant rural development programme by the Commission.
4. Aid shall be granted to the following categories of beneficiaries:
 - (a) farmers or members of a farm household diversifying into non-agricultural activities;
 - (b) micro- and small enterprises in rural areas; and
 - (c) natural persons in rural areas.
5. Where the member of a farm household referred to in paragraph 4 is a legal person or a group of legal persons it must exercise an agricultural activity on the farm at the time of the submission of the application for the aid.
6. The aid shall be conditional on the submission of a business plan to the competent authority of the Member State concerned. The implementation of that business plan shall start within nine months from the date of the decision granting the aid.

The business plan shall describe the following:

 - (a) the initial economic situation of the beneficiary;
 - (b) milestones and targets for the development of the new activities of the beneficiary;
 - (c) details of the actions required for the development of the activities of the beneficiary, such as details of investments, training, advice.
7. The aid shall be paid in at least two instalments over a maximum period of five years.

The instalments may be degressive.

The payment of the last instalment shall be conditional upon the correct implementation of the business plan referred to in paragraph 6.
8. Member States shall define the amount of aid taking into account the socio-economic situation of the rural development programme area.
9. The total aid amount shall be limited to EUR 70 000.

Article 44

Aid for advisory services for SMEs in rural areas

1. Aid for advisory services for SMEs in rural areas shall be compatible with the internal market within the meaning of Article 107(3)(c) of the Treaty and shall be exempt from the notification requirement of Article 108(3) thereof where it fulfils the conditions laid down in paragraphs 2 to 9 of this Article and in Chapter I.
2. The aid shall:
 - (a) be granted in the framework of a rural development programme pursuant to and in conformity with Regulation (EU) No 1305/2013 either:
 - (i) as aid co-financed by the EAFRD; or
 - (ii) as additional national financing to the aid referred to in point (i),
 - and
 - (b) be identical to the underlying rural development measure provided for in the rural development programme referred to in point (a).
3. Aid shall be granted to help SMEs in rural areas benefit from the use of advisory services for the improvement of the economic and environmental performance, climate friendliness and resilience of their enterprise and investment.
4. The advice may cover issues linked to the economic and environmental performance of the beneficiary.
5. The aid shall not involve direct payment to the SMEs in rural areas. The aid shall be paid to the provider of advisory services.
6. The provider of the advisory services shall have the appropriate resources in the form of regularly trained and qualified staff and advisory experience and reliability in the fields they advise in.
7. When providing advice, the providers of advisory services shall respect the non-disclosure obligations referred to in Article 13(2) of Regulation (EU) No 1306/2013.
8. Where appropriate, advice may be partly provided in groups, while taking into account the situations of the individual user of the advisory services.
9. The amount of aid shall be limited to EUR 1 500 per advice.

Article 45

Aid for knowledge transfer and information actions in favour of SMEs in rural areas

1. Aid for knowledge transfer and information actions in favour of SMEs in rural areas shall be compatible with the internal market within the meaning of Article 107(3)(c) of the Treaty and shall be exempt from the notification requirement of Article 108(3) thereof where it fulfils the conditions laid down in paragraphs 2 to 8 of this Article and in Chapter I.
2. The aid shall:
 - (a) be granted in the framework of a rural development programme pursuant to and in conformity with Regulation (EU) No 1305/2013 either:
 - (i) as aid co-financed by the EAFRD; or
 - (ii) as additional national financing to the aid referred to in point (i),

and

- (b) be identical to the underlying rural development measure provided for in the rural development programme referred to in point (a).
3. The aid shall cover vocational training and skills acquisition actions, including training courses, workshops and coaching, demonstration activities and information actions.
 4. The aid shall cover the following eligible costs:
 - (a) the costs of organising and delivering the knowledge transfer or information action;
 - (b) in case of demonstration projects:
 - (i) the construction, acquisition, including leasing, or improvement of immovable property, with land only being eligible to an extent not exceeding 10% of total eligible costs of the operation concerned;
 - (ii) the purchase or lease purchase of machinery and equipment up to the market value of the asset;
 - (iii) general costs linked to expenditure referred to in points (a) and (b), such as architect, engineer and consultation fees, fees relating to advice on environmental and economic sustainability, including feasibility studies; feasibility studies shall remain eligible expenditure even where, based on their results, no expenditure under in points (a) and (b) is incurred;
 - (iv) the following intangible investments costs: acquisition or development of computer software and acquisitions of patents, licenses, copyrights, trademarks;
 - (c) costs for travel, accommodation and per diem expenses of participants.
 5. The aid shall not cover the costs for courses of instruction or training, which form part of normal education programs or systems at secondary or higher levels.
 6. The aid referred to in paragraph 4 (a) and 4 (b) shall not involve direct payments to the SMEs active in rural areas.

That aid shall be paid to the provider of the knowledge transfer and information actions.

Bodies providing knowledge transfer and information actions shall have the appropriate capacities in the form of staff qualifications and regular training to carry out those tasks.
 7. The aid shall be accessible to all those eligible undertakings active in the rural area concerned, based on objectively defined conditions.
 8. The aid intensity shall be limited to the following rates:
 - (a) 60% of the eligible costs in the case of medium-sized enterprises;
 - (b) 70% of the eligible costs in the case of micro and small enterprises.

Article 46

Aid for new participation of active farmers in quality schemes for cotton and foodstuffs

1. Aid for new participation of active farmers and groups thereof in quality schemes for cotton and foodstuffs shall be compatible with the internal market within the meaning of Article 107(3)(c) of the Treaty and shall be exempt from the notification requirement of Article 108(3) thereof where it fulfils the conditions laid down in paragraphs 2 to 7 of this Article and in Chapter I.
2. The aid shall:
 - (a) be granted in the framework of a rural development programme pursuant to and in conformity with Regulation (EU) No 1305/2013 either:
 - (i) as aid co-financed by the EAFRD; or
 - (ii) as additional national financing to the aid referred to in point (i),
 - and
 - (b) be identical to the underlying rural development measure provided for in the rural development programme referred to in point (a).
3. The legal basis for the aid shall specify that the aid shall not be put into effect before the approval of the relevant rural development programme by the Commission.
4. Aid shall be granted for new participation in one of the following types of quality schemes:
 - (a) quality schemes for cotton and foodstuffs established under Regulation (EU) No 1151/2012;
 - (b) quality schemes for cotton and foodstuffs, including certification schemes, recognised by the Member States as complying with the following criteria:
 - (i) the specificity of the final product produced under such quality schemes is derived from clear obligations to guarantee:
 - specific product characteristics;
 - specific farming or production methods, or
 - a quality of the final product that goes significantly beyond the commercial commodity standards as regards public, animal or plant health, animal welfare or environmental protection;
 - (ii) the scheme is open to all producers;
 - (iii) the scheme involves binding final product specifications and compliance with those specifications is verified by public authorities or by an independent inspection body;
 - (iv) the scheme is transparent and assures complete traceability of agricultural products.
 - (c) voluntary foodstuff certification schemes recognised by the Member State concerned as meeting the requirements laid down in the Commission Communication - Union best practice guidelines for the operation of voluntary certification schemes relating to agricultural products and foodstuffs.

5. The aid shall be granted in the form of an annual incentive payment, the level of which shall be determined according to the level of the fixed costs arising from participation in quality schemes.
6. The aid shall be granted for a maximum period of five years.
7. The aid shall be limited to EUR 3 000 per beneficiary per year.

Article 47

Aid for information and promotion activities concerning cotton and foodstuffs covered by a quality scheme

1. Aid for information and promotion activities concerning cotton and foodstuffs covered by a quality scheme shall be compatible with the internal market within the meaning of Article 107(3)(c) of the Treaty and shall be exempt from the notification requirement of Article 108(3) thereof where it fulfils the conditions laid down in paragraphs 2 to 8 of this Article and in Chapter I.
2. The aid shall:
 - (a) be granted in the framework of a rural development programme pursuant to and in conformity with Regulation (EU) No 1305/2013 either:
 - (i) as aid co-financed by the EAFRD; or
 - (ii) as additional national financing to the aid referred to in point (i),
 - and
 - (b) be identical to the underlying rural development measure provided for in the rural development programme referred to in point (a).
3. The legal basis for the aid shall specify that the aid shall not be put into effect before the approval of the relevant rural development programme by the Commission.
4. The aid shall be granted to groups of producers implementing the information and promotion activities.
5. Only information and promotion activities that are implemented in the internal market shall be eligible for aid
6. The aid shall be granted for information and promotion activities concerning cotton and foodstuffs which are covered by a quality scheme and for which aid is granted under Article 46.
7. [The aid shall cover the costs for actions:
 - (a) designed to induce consumers to buy the foodstuffs or the cotton covered by a quality scheme;
 - (b) drawing attention to specific features or advantages of the foodstuff or the cotton, notably to the quality, specific production method, high animal welfare standards and respect for the environment linked to the quality scheme concerned.]
8. [The actions referred to in paragraph 6 shall not incite consumers to buy a foodstuff or cotton due to their particular origin, except for those covered by the quality schemes introduced by Title II of Regulation (EU) No 1151/2012.

9. The origin of the foodstuff or cotton may be indicated, provided that the mention of the origin is subordinate to the main message.]
10. Activities related to the promotion of commercial brands shall not be eligible for aid.
11. The aid intensity shall be limited to 70% of the eligible costs.

CHAPTER IV TRANSITIONAL AND FINAL PROVISIONS

Article 48

Repeal

1. Regulation (EC) No 1857/2006 shall be repealed.
2. By way of derogation from paragraph 1, Regulation (EC) No 1857/2006 shall continue to apply until 31 December 2015 to aid granted in connection with Council Regulation (EC) No 1698/2005³⁵ and its implementing rules.

Article 49

Transitional provisions

1. This Regulation shall apply to individual aid granted before the date of entry into force of this Regulation, where that individual aid fulfils the conditions laid down in this Regulation, with the exception of Article 10.
2. [Any aid granted before 01.07.2014 by virtue of any regulation adopted pursuant to Article 1 of Regulation (EEC) No 994/98 previously in force shall be compatible with the internal market and exempted from the notification requirement of Article 108(3) of the Treaty.]
3. Any aid not exempted from the notification requirement of Article 108(3) of the Treaty by virtue of this or other regulations previously in force shall be assessed by the Commission in accordance with Union guidelines for State aid in the agriculture and forestry sector and rural areas 2014-2020 and the other relevant frameworks, guidelines, communications and notices.
4. At the end of the period of validity of this Regulation, any aid schemes exempted under this Regulation shall remain exempted during an adjustment period of six months.

[By way of derogation from the first sub-paragraph, at the end of the period of validity of this Regulation aid schemes falling within the scope of Regulation (EU) No 1305/2013 and either co-financed by EAFRD or granted as additional national financing for such co-financed measures shall remain exempted for the duration of the programming period in accordance with Regulation (EU) No 1305/2013 and its implementing rules.]
5. Member States shall comply with the provisions of Article 10(1)(c) within two years from the date of entry into force of this Regulation at the latest.

³⁵ Council Regulation (EC) No 1698/2005 of 20 September 2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD), OJ L 277, 21.10.2005, p. 1.

Article 50
Entry into force and applicability

This Regulation shall enter into force on the [*twentieth*] day following that of its publication in the *Official Journal of the European Union*.

It shall apply from [1 July 2014] until 31 December 2020.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 12.2.2014

For the Commission
The President
José Manuel BARROSO