



EUROPEAN COMMISSION

Brussels, 8.3.2019

C(2019) 2008 final

**Subject: State aid–Czech Republic  
SA.51940 (2018/N)  
Co-operation between participants in short supply chains and local  
markets – 7<sup>th</sup> round**

Sir,

The European Commission ("the Commission") wishes to inform the Czech Republic that, having examined the information supplied by your authorities on the State aid scheme referred to above, it has decided not to raise any objections to the relevant scheme as it is compatible with the internal market pursuant to Article 107(3)(c) of the Treaty on the Functioning of the European Union ("TFEU").

The Commission has based its decision on the following considerations:

#### **1. PROCEDURE**

- (1) By letter of 31 August 2018, registered by the Commission on the same day, the Czech Republic notified, according to Article 108(3) TFEU, the aid scheme SA.51940 (2018/N).
- (2) The Commission sent requests for additional information to the Czech authorities on 10 October 2018 and 28 November 2018, which the Czech authorities answered by letters of 8 November 2018 (registered by the Commission on the same day) and 20 December 2018 (registered by the Commission on the same day), respectively.

*(\* Ce timbre porte sur l'ensemble des documents qui composent le dossier.*

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## 2. DESCRIPTION

### 2.1. Title

- (3) Cooperation between participants in short supply chains and local markets — 7<sup>th</sup> round.

### 2.2. Objective

- (4) With the present notification, the authorities of the Czech Republic wish to amend the existing aid scheme ("original aid scheme"), SA.46173 (2016/N), approved on 9 December 2016 by Commission decision C(2016) 8570 final and amended by the aid schemes SA.49389 (2017/N), approved on 2 May 2018 by Commission decision C(2018) 2812 final, and SA.51500 (2018/N), approved on 14 December 2018 by Commission decision C(2018) 8973 final.

### 2.3. Legal basis

- (5) The legal basis is the following:
- Act no. 252/1997 on agriculture, as amended [*Zákon č. 252/1997 Sb., o zemědělství, ve znění pozdějších předpisů*]
  - Rural Development Programme of the Czech Republic 2014 – 2020 ("RDP")
  - Rules establishing conditions for granting aid under the RDP [*Pravidla, kterými se stanovují podmínky pro poskytování podpory z programu rozvoje venkova*]<sup>1</sup>
  - Resolution of the Government of the Czech Republic no. 532 of 9 July 2014 on the RDP [*Usnesení vlády České republiky č. 532 ze dne 9. července 2014 o programu rozvoje venkova*]

### 2.4. Duration

- (6) From the approval of the Commission until 31 December 2020, as approved under decision C(2016) 8570 final (recital (6)).

### 2.5. Budget

- (7) The overall budget is CZK 250 million (approx. EUR 9 million), as approved under decision C(2016) 8570 final (recital (7)).

### 2.6. Description of the aid scheme

- (8) The objective of the original aid scheme is to support horizontal and vertical cooperation among supply chain actors for the establishment and development of short supply chains and local markets in rural areas. The support is granted in the framework of the Czech RDP, namely the type of operation (TO) 16.4.1 ("Horizontal and vertical cooperation among actors in short supply chains and local markets").

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<sup>1</sup> <http://eagri.cz/public/web/mze/dotace/program-rozvoje-venkova-na-obdobi-2014/opatreni/m16-spoluprace/x16-4-1-horizontalni-a-vertikalni/>

- (9) For the detailed description of the aid scheme the Commission refers to the decisions C(2016) 8570 final<sup>2</sup>, C(2018) 2812 final<sup>3</sup> and C(2018) 8973 final<sup>4</sup>.
- (10) The Czech authorities wish to make changes to the Rules establishing conditions for granting aid under the Rural Development Programme 2014-2020 (recital (5)) as regards the TO 16.4.1. The Czech authorities explained that the TO 16.4.1 was introduced into the Czech RDP 2014-2020 without prior experience from the previous programming period 2007-2013. Despite the large-scale information measures (publicity and promotion), it presents low absorption capacity. Hence, the rules governing the various calls for applications (rounds of the application process) have been amended in such a way as to ensure greater interest in the scheme among applicants.
- (11) The amendments under the 7<sup>th</sup> round concern the following:
- (a) The range of possible cooperating entities has been expanded to include food retailers that meet the definition of a micro enterprise.
  - (b) It has been clarified that the aid applicant must be a farmer or producer of foodstuffs or raw materials intended for human consumption.
  - (c) It has been clarified that projects must concern foodstuffs or raw materials destined for human consumption.
- (12) Apart from the amendments mentioned above (recital (11)), the other modifications are administrative and technical in character and have no implications on the scope and compatibility of the original aid scheme.<sup>5</sup>
- (13) The Czech authorities confirm that there are no other modifications of the original aid scheme. In particular, the duration, budget and aid intensity remain unchanged.

### **3. ASSESSMENT**

#### **3.1. Existence of aid - Application of Article 107(1) TFEU**

- (14) According to Article 107(1) of the TFEU, "[s]ave as otherwise provided in the Treaties, any aid granted by a Member State or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods shall, in so far as it affects trade between Member States, be incompatible with the internal market".

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<sup>2</sup> Recitals (3) – (38).

<sup>3</sup> Recitals (3) – (13).

<sup>4</sup> Recitals (2) – (12).

<sup>5</sup> Like e.g. splitting the RDP TO 16.4.1 into two plans: plan A covering co-operation relating to products listed in Annex I to the TFEU and plan B covering co-operation relating to agricultural and non-agricultural products. Only the part covered by plan B is subject to State aid clearance under the original aid scheme. Plan A is exempted from State aid clearance by virtue of Art 81(2) of Regulation 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 (OJ L 347, 20.12.2013, p. 487).

- (15) The qualification of a measure as aid within the meaning of this provision therefore requires the following cumulative conditions to be met: (i) the measure must be imputable to the State and financed through State resources; (ii) it must confer an advantage on its recipient; (iii) that advantage must be selective; and (iv) the measure must distort or threaten to distort competition and affect trade between Member States.
- (16) As it was established in the decisions C(2016) 8570 final<sup>6</sup>, C(2018) 2812 final<sup>7</sup> and C(2018) 8973 final<sup>8</sup>, the original aid scheme fulfils the conditions of Article 107(1) TFEU and, consequently, constitutes State aid within the meaning of that Article. The aid may only be considered compatible with the internal market if it can benefit from one of the derogations provided for in the TFEU.

### **3.2. Lawfulness of the aid – Application of Article 108(3) TFEU**

- (17) The aid scheme was notified to the Commission on 31 August 2018 and it has not been implemented yet. Therefore, the Czech Republic has complied with its obligation under Article 108(3) TFEU.

### **3.3. Compatibility of the aid**

#### *3.3.1. Application of Article 107(3)(c) TFEU*

- (18) Under Article 107(3)(c), an aid may be considered compatible with the internal market, if it is found to facilitate the development of certain economic activities or of certain economic areas, where such aid does not adversely affect trading conditions to an extent contrary to the common interest.
- (19) In the Commission decisions C(2016) 8570 final<sup>9</sup>, C(2018) 2812 final<sup>10</sup> and C(2018) 8973 final<sup>11</sup>, this derogation was found to be applicable.

#### *3.3.2. Application of the European Union Guidelines for State aid in the agricultural and forestry sectors and in rural areas 2014 to 2020<sup>12</sup> ("the Guidelines")*

- (20) The Commission conducted the assessment of the compatibility of the original aid scheme pursuant to Part I, Chapter 3 "Common assessment principles" and pursuant to Part II, Chapter 3, Section 3.10 "Aid for co-operation in rural areas" of the Guidelines.
- (21) The original aid scheme was found to meet all the applicable conditions of the Guidelines. Therefore, as regards the details and the conclusions of the

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<sup>6</sup> Recital (43).

<sup>7</sup> Recital (16).

<sup>8</sup> Recital (15).

<sup>9</sup> Recitals (45) – (78).

<sup>10</sup> Recitals (18) - (23).

<sup>11</sup> Recitals (17) – (22).

<sup>12</sup> OJ C 204 of 1.7.2014, p. 1. Amended by the Notices published in OJ C 390, 24.11.2015, p. 4; OJ C 139, 20.4.2018, p. 3 and OJ C 403, 9.11.2018, p. 10.

assessment of the compatibility of the original aid scheme the Commission fully refers to the decisions C(2016) 8570 final<sup>13</sup>, C(2018) 2812 final<sup>14</sup> and C(2018) 8973 final<sup>15</sup>.

- (22) The proposed modifications relate to clarifications concerning the beneficiaries and acceptance criteria for projects under the original aid scheme (recital (11)), while the other conditions of that aid scheme do not change (recital (13)).
- (23) Based on the above considerations, the Commission concludes that the proposed modifications do not affect the evaluation of the compatibility of the aid scheme with the internal market, as carried out in the Commission decisions C(2016) 8570 final, C(2018) 2812 final and C(2018) 8973 final.

#### 4. CONCLUSION

The Commission has accordingly decided not to raise objections to the notified aid scheme on the grounds that it is compatible with the internal market pursuant to Article 107(3)(c) TFEU.

If any parts of this letter are covered by the obligation of professional secrecy according to the Commission communication on professional secrecy in State aid decisions<sup>16</sup> and should not be published, please inform the Commission within fifteen working days of notification of this letter. If the Commission does not receive a reasoned request by that deadline the Czech Republic will be deemed to agree to the publication of the full text of this letter. If the Czech Republic wishes certain information to be covered by the obligation of professional secrecy please indicate the parts and provide a justification in respect of each part for which non-disclosure is requested.

Your request should be sent electronically via the secured e-mail system Public Key Infrastructure (PKI) in accordance with Article 3(3) of Commission Regulation (EC) No 794/2004<sup>17</sup>, to the following address: [agri-state-aids-notifications@ec.europa.eu](mailto:agri-state-aids-notifications@ec.europa.eu).

For the Commission

Phil HOGAN  
Member of the Commission

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<sup>13</sup> Recitals (45) - (78).

<sup>14</sup> Recitals (18) - (23).

<sup>15</sup> Recitals (17) – (22).

<sup>16</sup> Commission communication C(2003) 4582 of 1 December 2003 on professional secrecy in State aid decisions, OJ C 297, 9.12.2003, p. 6.

<sup>17</sup> Commission Regulation (EC) No 794/2004 of 21 April 2004 implementing Council Regulation (EU) 2015/1589 laying down detailed rules for the application of Article 108 of the Treaty on the Functioning of the European Union (OJ L 140, 30.4.2004, p. 1).