



EUROPEAN COMMISSION

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**Subject: State aid–Italy (Trento)
SA. 52303 (2018/N)
Support for Trento's RDP operations 7.5 and 7.6 implemented by the
LAGs in the context of Measure 19 – Leader**

Sir,

The European Commission ("the Commission") wishes to inform Italy 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 24 October 2018, registered by the Commission on the following day, Italy notified, according to Article 108(3) TFEU, the above mentioned aid scheme.
- (2) The Commission sent a request for additional information to the Italian authorities on 18 December 2018, which the Italian authorities answered by letter of 23 January 2019, registered by the Commission on the following day. Additional information was sent by the Italian authorities with letters of 31 January and 18 February 2019, registered by the Commission, respectively, on the same and on the following day.

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2. DESCRIPTION

2.1. Title

- (3) Support for Trento's RDP operations 7.5 and 7.6 implemented by the LAGs in the context of Measure 19 – Leader.

2.2. Objective

- (4) The aim of the notification is to get State aid clearance for:
- operation 7.5: investments for public use in recreational infrastructure, tourist information and small-scale tourism infrastructure,
 - operation 7.6: studies and investments associated with the maintenance, restoration and upgrading of the cultural and natural heritage of villages, rural landscapes and high nature value sites, including related socio-economic aspects, as well as environmental awareness actions, and
 - operation 19.3.1: preparation and carrying out of co-operation activities of LAGs¹,

of the Rural Development Programme for 2014-2020 of the Trento Province (“RDP”), when such operations are implemented by the Local Action Groups (“LAGs”) in the context of LEADER strategies under RDP measure 19. In particular, the scheme shall support RDP operations 7.5, 7.6 and 19.3.1 as implemented by the LAG *Trentino centrale* (“Central LAG”) and RDP operations 7.5 and 19.3.1 as implemented by the LAG *Trentino orientale* (“Eastern LAG”)². To that end, the Italian authorities notified the draft community-led local development strategies of the Central and Eastern LAGs in order to supplement the existing aid scheme SA.44574 (2016/N) "Approval of the fundamental criteria for the implementation of actions 7.1.1, 7.5.1 and 7.6.1 of Trento's Rural Development Programme for 2014-2020" ("the existing aid scheme"). The existing aid scheme aimed at getting State aid clearance for RDP operations 7.1.1, 7.5.1 and 7.6.1 and was approved by Commission decision C(2016) 3224 final of 25 May 2016.

2.3. Duration

- (5) From the date of the Commission decision until 31 December 2020.

2.4. Budget

- (6) The overall budget is EUR 5 744 000.
- (7) The aid will be co-financed at 42.98% by the EAFRD and at 57.02% by national resources. The granting authority is the Trento Province.

¹ The costs of the development and drawing up of the co-operation agreement eligible under operation 19.3.1 and the relevant budget are outside the scope of the present decision.

² Operation 7.6 as implemented by the Eastern LAG is covered by the *de minimis* rules pursuant to Regulation (EU) No 1407/2013 and is outside the scope of the present decision.

2.5. Legal basis

- (8) Draft community-led local development strategies of the Central and Eastern LAGs.

2.6. Beneficiaries

- (9) The notified scheme has the following aid beneficiaries:
- (a) for RDP operations 7.5 and 19.3.1 as implemented by the Central LAG, valley communities, municipalities (single or grouped), management authorities of reserve networks (*reti di riserve*);
 - (b) for RDP operation 7.6 and 19.3.1 as implemented by the Central LAG, valley communities, municipalities (single or grouped), eco-museums, management authorities of reserve networks, tourism promotion agencies, tourist associations, tourist offices (*Proloco*), associations and federation of tourist offices, associations, cooperatives, limited liability companies, parishes;
 - (c) for RDP operation 7.5 and 19.3.1 as implemented by the Eastern LAG, local authorities, management authorities of natural parks, private non-profit bodies, partnerships of public and private entities (with public lead partner).
- (10) According to the Italian authorities, all beneficiaries are SMEs within the meaning of Annex I to Regulation (EU) No 702/2014³ and will not include neither undertakings in difficulty within the meaning of point (35.15) of the European Union Guidelines for State aid in the agricultural and forestry sectors and in rural areas 2014 to 2020⁴ ("the Guidelines") nor undertakings still having at their disposal an earlier unlawful aid that was declared incompatible by a Commission decision.

2.7. Aid instrument

- (11) Direct grant.

2.8. Description of the aid scheme

- (12) By supporting RDP operations 7.5.1 and 7.6.1 the existing aid scheme has as general objective to enhance the socio-economic development of rural areas, thereby fighting the depopulation of such areas and contributing to, preserving and promoting the production of ecosystem services. The notified scheme has the same objective, but compared to the existing aid scheme, it does not focus on interventions enhancing the naturalistic aspects with environmental value linked to Natura 2000 sites or natural parks.

³ Commission Regulation (EU) No 702/2014 of 25 June 2014 declaring certain categories of aid in the agricultural and forestry sectors and in rural areas compatible with the internal market in application of Articles 107 and 108 of the Treaty on the Functioning of the European Union (OJ L 193, 1.7.2014, p. 1).

⁴ 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 and by the Corrigendum published in OJ C 265, 21.7.2016, p. 5.

2.8.1 Operations to be implemented by the Central LAG

2.8.1.1 Operation 7.5

- (13) This operation aims to support the following interventions:
- (a) creating, restoring, adapting and making safe local footpath networks, including areas and structures providing stopping places and tourist information, and related information boards and signage; infrastructure for sport and leisure activities; production of documentation and information/promotional materials in various formats;
 - (b) tangible and intangible investments for upgrading and standardisation of tourist information signage; use of IT tools to create systems for e-booking and tourist information services in the area.
- (14) The following costs are eligible for aid:
- (a) costs for the creation, restoration and securing of tourist infrastructure;
 - (b) costs for the acquisition and the installation of supply and equipment;
 - (c) costs for the development and creation of promotional tools;
 - (d) general costs not exceeding 12% of the overall eligible expenditure.
- (15) The printing of material, the organisation or participation in fairs, the execution or participation in events and meetings with tourists and operators are not eligible for aid.
- (16) The eligible expenditure shall be at least EUR 5 000 and cannot exceed EUR 250 000 per aid application.

2.8.1.2 Operation 7.6

- (17) This operation aims to support the following interventions:
- (a) renovation, maintenance, restoration and upgrading of the historic and cultural heritage of the territory, including the creation of information material for the promotion of the interventions;
 - (b) studies, research, feasibility projects, information and promotion actions for the enhancement of the historical-cultural and landscape specificities of the territory.
- (18) Eligible for aid are the following costs:
- (a) costs for the restructuring, renovation and securing of buildings, for the acquisition and installation of decoration, museum mountings, supplies and equipment, arrangement of ethnographic itineraries including signage;
 - (b) costs of the drawing up of studies, research, feasibility projects;

- (c) creation of information and promotion tools, websites and multimedia applications;
 - (d) general costs not exceeding 12% of the overall eligible expenditure.
- (19) The eligible expenditure shall be at least EUR 2 000 and cannot exceed EUR 200 000 for the interventions referred to in recital (17)(a) and EUR 20 000 for the interventions referred to in recital (17)(b).

- (20) Aid under this operation will only be granted for cultural heritage recognised under the national and provincial rules regarding cultural heritage.

2.8.2 Operation 7.5 to be implemented by the Eastern LAG

- (21) This operation aims to support the following interventions:
- (a) creation, upgrading and modernisation of publicly available small-scale infrastructure intended to improve tourist information and tourist/recreational enjoyment of the area, such as tourist information points and recreational and service areas;
 - (b) creation, upgrading, securing and improvement of small-scale infrastructure for sustainable tourism, involving existing and newly-created routes and itineraries with the related signage and associated infrastructure and mountain routes;
 - (c) creation of an e-booking system for tourist services;
 - (d) investments to support tourist and visitor information and orientation.
- (22) Eligible for aid are the following costs:
- (a) tangible investments in urban transformation and land construction, related to the creation, modernisation and upgrading, securing and improvement of small-scale infrastructures;
 - (b) costs for the acquisition and installation of supply, equipment, decoration and signage;
 - (c) creation, acquisition and development of information tools, such as IT programs and related applications, websites, intended for e-booking for touristic services or visitor information, including any patents, licences and copyrights;
 - (d) general costs not exceeding 12% of the overall eligible expenditure.
- (23) The eligible expenditure shall be at least EUR 10 000 and cannot exceed EUR 250 000 per aid application. The eligible expenditure for the whole programming period shall not exceed EUR 1 000 000 per beneficiary, taking into account 100% of the eligible expenditure under all RDP measures for 2014-2020 and 50% of the eligible expenditure under all RDP measures for 2007-2013.

2.8.3 Operation 19.3.1 to be implemented by both LAGs

- (24) This operation promotes co-operation initiatives between the different territories both at local and cross-border level. In particular, the operation supports the implementation of co-operation projects with interventions referring to those covered by operations 7.5 and 7.6 (recitals (13), (17) and (21)) and in the co-operation agreement.
- (25) The operation covers the same eligible costs of operations 7.5 and 7.6 (recitals (14), (18) and (22) above). The rules on the maximum eligible expenditure are the same as the ones provided for by the relevant operations (recitals (16), (19) and (23)).

2.8.4 Common features to the operations

- (26) The eligible costs referred to in recitals (14), (18), (22) and (25) above are supported up to 80%.
- (27) The Italian authorities confirmed that the operations will be implemented in accordance with plans for the development of municipalities and villages in rural areas and their basic services, where such plans exist.
- (28) According to the information provided by the Italian authorities, no revenues will derive from the supported interventions as the relevant activities will be provided to the public free of charge.
- (29) With regard to operation 7.5 as implemented both by the Central and Eastern LAG, the aid applications will be submitted to the competent authority before the start of the relevant project or activity and will contain the applicant's name, the size of the undertaking, a description of the project or activity including its location and start and end dates, the amount of aid needed to carry it out and the eligible costs.
- (30) Under the strategy of the Central LAG value added tax (VAT) is not eligible for support. Under the strategy of the Eastern LAG VAT is not eligible, except where it is not recoverable by the beneficiary.
- (31) The aid under the notified scheme cannot be cumulated with aid from other sources in respect of the same eligible costs.

2.9. Other commitments

- (32) Italy has informed the Commission that, in order to comply with the transparency requirement, the aid scheme will be published on the following website http://www.provincia.tn.it/amministrazione_trasparente_pat/-sovvenzioni_contributi/. Italy committed that the information will be kept for at least 10 years and will be available for the general public without restrictions.
- (33) The Italian authorities made the commitment not to gear the investments covered by the notified aid scheme towards energy saving and/or renewable energy.

3. ASSESSMENT

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

- (34) 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".
- (35) 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.
- (36) The scheme in question is imputable to the State and financed through State resources (recital (7)). With regard to the interventions described in recitals (13), (17), (21) and (24) above it is possible that the aid could be partially used for non-economic activities and that therefore such support could be considered as non-constituting State aid within the meaning of the TFEU. However, the Commission notes that Italy has notified an aid scheme that will be implemented in a multitude of situations, in some of which the beneficiaries could be receiving aid with regard to an economic activity. Therefore, in order to allow the Member State to apply the scheme flexibly without having to establish the economic nature of the activity in each case, it is necessary to assess the compatibility of the scheme in its entirety with a view to its approval in accordance with the applicable State aid rules.
- (37) The scheme at hand is selective because other undertakings in a comparable legal and factual situation, in the sector concerned or in other sectors, in the light of the objective pursued by the scheme are not eligible for aid and thus will not receive the same advantage. The notified scheme therefore gives only certain undertakings (recital (9)) a selective economic advantage, by strengthening their competitive position on the market. According to the case law of the Court of Justice, the mere fact that the competitive position of an undertaking is strengthened compared to other competing undertakings, by giving it an economic benefit which it would not otherwise have received in the normal course of its business, points to a possible distortion of competition⁵.
- (38) Pursuant to the case law of the Court of Justice, aid to an undertaking appears to affect trade between Member States where that undertaking operates in a market open to intra-EU trade⁶. The beneficiaries of aid operate in a market of services offering recreational, nature protection and similar services in rural areas where intra-EU trade takes place⁷. The sector concerned is thus open to competition at

⁵ Judgment of the Court of 17 September 1980 in Case 730/79 *Philip Morris Holland BV v Commission of the European Communities*, ECLI:EU:C:1980:209.

⁶ See in particular the judgment of the Court of 13 July 1988 in Case 102/87 *French Republic v Commission of the European Communities* ECLI:EU:C:1988:391.

⁷ In 2014 the service sector accounted for 65.1% of GVA in the predominantly rural regions (GVA is defined as the value of output less the value of intermediate consumption. Output is valued at basic prices, GVA is valued at basic prices and intermediate consumption is valued at purchasers' prices),

EU level and therefore sensitive to any measure in favour of the production in one or more Member States. Therefore, the present scheme is liable to distort competition and to affect trade between Member States.

- (39) In light of the above, the conditions of Article 107(1) TFEU are fulfilled. It can therefore be concluded that the proposed scheme constitutes State aid within the meaning of that Article.

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

- (40) The aid scheme was notified to the Commission on 24 October 2018. It has not been implemented yet. Therefore, Italy has complied with its obligation under Article 108(3) TFEU.

3.3. Compatibility of the aid

- (41) State aid may only be considered compatible with the internal market if it can benefit from one of the derogations provided for in the TFEU.

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

- (42) Under Article 107(3)(c) TFEU, 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.
- (43) For this derogation to be applicable, the aid must comply with the relevant Union State aid rules.

3.3.2. Application of the Guidelines

- (44) As regards the notified aid scheme, Part I, Part II, Section 3.2 "Aid for basic services and village renewal in rural areas" and Part III of the Guidelines are applicable.

3.3.2.1. Common Assessment Principles

Contribution to a common objective

- (45) Pursuant to point (46) of the Guidelines the Commission considers that measures, implemented pursuant to and in conformity with Regulation (EU) No 1305/2013⁸ and its implementing and delegated acts or as an additional national financing in the framework of a rural development programme, are per se consistent with and contribute to the objectives of rural development. The notified aid scheme is part of Trento's RDP for 2014-2020 (recital (4)) and therefore the requirement for contribution to a common objective is complied with.

Source: "CAP context indicators 2014-2020: Structure of the economy", European Commission, Published on the web link: http://ec.europa.eu/agriculture/cap-indicators/context/2017/c10_en.pdf.

⁸ 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).

Need for State intervention and appropriateness of aid

- (46) Since the present scheme fulfils the specific conditions laid down in the relevant sections of Part II of the Guidelines, as analysed below under section 3.3.2.3, the Commission considers, in line with points (55) and (57) of the Guidelines, that the aid is a necessary and appropriate instrument to address the objective of common interest.

Incentive effect and need for aid

- (47) According to point (75)(o) of the Guidelines, aid for the maintenance, restoration and upgrading of the cultural and natural heritage of villages, rural landscapes and high nature value sites in accordance with point (644)(e) is not subject to the requirements on the incentive effect, except in case of investment aid associated with the cultural and natural heritage of villages, rural landscapes and high nature value sites exceeding the notification thresholds set out in point (37)(c). As the operation described in recitals (17) to (20) above falls within the scope of point (644)(e) of the Guidelines and the maximum eligible expenditure per beneficiary amounts to EUR 200 000 (recital (19)) which is below the individual notification thresholds set out in point (37)(c) of the Guidelines, the derogation from the incentive effect applies with regard to that operation.
- (48) It follows from recital (29) above that work on the relevant activity will only start after the beneficiary has submitted an aid application to the national authorities and that the aid application will include the elements required under point (71) of the Guidelines.
- (49) In light of the above, the Commission considers that the conditions regarding the incentive effect according to points (70) to (75) of the Guidelines are met.

Proportionality of the aid

- (50) Pursuant to point (84) of the Guidelines, proportionality is fulfilled if the eligible costs are in line with the specific conditions set out in Part II of the Guidelines and the maximum aid intensities for each type of aid are respected. As shown in section 3.3.2.3 below, the aid intensities and the eligible costs of the notified aid scheme comply with the specific conditions set out in Part II of the Guidelines.
- (51) As described in recital (30), the provisions on VAT laid down in the legal basis are in line with point (86) of the Guidelines.
- (52) Point (90) of the Guidelines provides conditions for large investment projects in rural areas. As the maximum eligible expenditures for investment aid under the notified scheme are below the threshold laid down in point (35.30) of the Guidelines to qualify as large investment project (recitals (16), (19), (23) and (25)), that point is not applicable.
- (53) Points (100) and (104) of the Guidelines contain rules on cumulation. As the Italian authorities have confirmed that aid cannot be cumulated with aid received from other sources to cover the same eligible costs (recital (31)), these points are not applicable to the scheme at hand.

- (54) On the basis of the foregoing, the Commission considers that the requirement of proportionality is complied with.

Avoidance of undue negative effects on competition and trade

- (55) According to point (113) of the Guidelines, the Commission considers that where an aid fulfils the conditions and does not exceed the relevant maximum aid intensities, laid down in the applicable Sections of Part II of those Guidelines, the negative effect on competition and trade is limited to the minimum. The notified aid scheme fulfils the conditions laid down in Section 3.2 of Part II of the Guidelines, as shown under section 3.3.2.3 below.

Transparency

- (56) The transparency requirement is complied with as shown in recital (32).

3.3.2.2. Common provisions applicable to Chapter 3 of Part II of the Guidelines

- (57) According to point (631) of the Guidelines, the aid must be granted in the framework of a rural development programme either as aid co-financed by the EAFRD or as additional national financing to such aid. The measures at hand form part of Trento's RDP (recital (4)) and are co-financed by the EAFRD (recital (7)). Therefore, point (631) of the Guidelines is complied with.
- (58) The investments under the notified aid scheme will not be geared towards energy saving and/or renewable energies (recital (33)), in line with point (634) of the Guidelines.
- (59) Point (635) of the Guidelines specifies the eligible investment costs for tangible and intangible assets. As described in recitals (14), (18), (22) and (25) above, the eligible costs of the relevant operations consist in the construction or improvement of immovable property, the purchase of equipment, general costs and investments in intangible assets, thus falling within the scope of point (635)(a), (b), (c) and (d).
- (60) Since point (649) of the Guidelines lays down a specific provision on the maximum aid intensity applicable to the notified aid scheme, point (638) of the Guidelines is not applicable.
- (61) Since the aid will not be cumulated with other aid and the maximum aid awards under the scheme are below the relevant threshold of EUR 37.5 million specified in point (37)(c) of the Guidelines, point (639) of the Guidelines is not applicable to the scheme at hand.
- (62) The Commission therefore considers that the common provisions applicable to Chapter 3 of Part II of the Guidelines are complied with.

3.3.2.3. Specific assessment according to the category of aid

- (63) Point (643) of the Guidelines states that the Commission will consider aid for basic services and village renewal in rural areas compatible with the internal market if it complies with the common assessment principles of the Guidelines,

with the common provisions applicable to Chapter 3 of Part II of the Guidelines and with the specific conditions of Section 3.2 of Part II thereof.

- (64) As regards the specific conditions set out in Section 3.2 of Part II of the Guidelines, the notified aid scheme covers: investments for public use in recreational infrastructure, tourist information and small-scale tourism infrastructure; studies and investments associated with the maintenance, restoration and upgrading of the cultural and natural heritage of villages, rural landscapes and high nature value sites, including related socio-economic aspects, as well as environmental awareness actions (recital (4)). Such activities fall within the scope of point (644)(d) and (e) of the Guidelines.
- (65) As indicated in recital (27), the notified operations will be implemented in accordance with plans for the development of municipalities and villages in rural areas and their basic services, where such plans exist, in line with point (645) of the Guidelines.
- (66) Pursuant to point (646) of the Guidelines, aid referred to in point (644)(e) should be granted for heritage which is formally recognised as cultural or natural heritage by the competent public authorities of a Member State. As described in recital (20) above, this condition is met.
- (67) The eligible costs under the notified aid scheme (recitals (14), (18), (22) and (25)) fall within the scope of point (647)(b) and (c) of the Guidelines.
- (68) Pursuant to point (649) of the Guidelines the aid intensity for activities under point (644)(d) and (e) must not exceed 100% of the eligible costs. The net revenues must be deducted from the eligible costs ex ante or through a clawback mechanism. As described in recital (26), the aid intensity provided for by the notified scheme is in line with the aid intensity laid down in point (649) of the Guidelines. The Italian authorities furthermore informed that no revenues will derive from the supported interventions (recital (28)).
- (69) On the basis of the above, the Commission concludes that the specific conditions set out in Section 3.2 of Part II of the Guidelines are complied with.

3.4. Other conditions

- (70) In accordance with point (719) of the Guidelines the Commission only authorises schemes of limited duration. Aid schemes that can benefit from co-financing under Regulation (EU) No 1305/2013 should be limited to the duration of the programming period 2014-2020. It follows from recital (5) above that this requirement is met.
- (71) The Commission notes that in compliance with points (26) and (27) of the Guidelines aid will not be granted to undertakings in difficulty nor to undertakings still having at their disposal an earlier unlawful aid that was declared incompatible by a Commission decision (recital (10)).
- (72) The Commission therefore concludes that the notified aid scheme complies with the relevant provisions of the Guidelines.

4. CONCLUSION

The Commission has accordingly decided not to raise objections to the notified 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 decisions⁹ 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 Italy will be deemed to agree to the publication of the full text of this letter. If Italy 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 794/2004¹⁰, to the following address: agri-state-aids-notifications@ec.europa.eu.

For the Commission

Phil HOGAN
Member of the Commission

⁹ Commission communication C(2003) 4582 of 1 December 2003 on professional secrecy in State aid decisions, OJ C 297, 9.12.2003, p. 6.

¹⁰ 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).