



EUROPEAN COMMISSION

Brussels,

C(2015) final

Embargo VISTA illimité(*)

Subject: **State aid–Czech Republic**
 SA.43314 (2015/N)
 Aid for processing of agricultural products and increase of
 competitiveness of the food industry

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 14 October 2015, registered by the Commission on the same day, the Czech Republic notified, according to Article 108(3) TFEU, the above mentioned aid scheme.

2. DESCRIPTION

2.1. Title

- (2) Aid for processing of agricultural products and increase of competitiveness of the food industry.

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

2.2. Objective

- (3) With the present notification the authorities of the Czech Republic wish to modify the aid scheme SA.38862 (2014/NN), approved by the decision C(2014) 5867 on 12 August 2014. The proposed modification relates to an increase of the aid intensity and the corresponding increase of the budget. In addition to these substantial modifications, the Czech authorities announced few technical changes.

2.3. Legal basis

- (4) The legal basis is constituted by:
- Law No 252/1997 Coll., on agriculture, as amended (Article 2(1));
 - Principles for granting contributions based on §2d of the Act No 252/1997 Coll, on agriculture (in Czech "*Zásady, kterými se stanovují podmínky pro poskytování dotací na základě §2d of the Act No 252/1997 Coll., on agriculture*") (hereinafter: "Granting Principles").

2.4. Duration

- (5) The modification of the aid scheme SA.38862 will be implemented from 1 January 2016 to 31 December 2020.

2.5. Budget

- (6) The total budget of CZK 1.400 Mio (ca € 52 Mio), approved for the aid scheme SA.38862 is proposed to be increased to CZK 1.650 Mio (ca € 61 Mio).
- (7) The approximate annual budget shall thus increase from CZK 200 Mio (ca € 7,4 Mio) to CZK 250 Mio (ca € 9,2 Mio).

2.6. Beneficiaries

- (8) The beneficiaries are large enterprises active in manufacturing of food products and beverages.
- (9) The Czech authorities specified that eligible for aid will be beneficiaries having their production unit on the territory of the Czech Republic, with the exception of the City of Prague.
- (10) For further details as regards beneficiaries the Commission refers to recitals 7 to 10 of the decision C (2014)5867.

2.7. Description of the aid scheme

- (11) The objective of the aid scheme SA.38862 is to provide support to enterprises active in the processing and marketing of agricultural products, aiming at increasing the quality of agricultural products, including foodstuffs, by improving the hygienic conditions of food processing and quality monitoring.
- (12) Aid in the form of the direct grant can be used for acquisition of new technologies and technological equipment supplementing and modernising the existing machinery.

- (13) With the present notification the Czech authorities intend to allow higher maximum aid intensity. The original level of 25% of the eligible costs is proposed to be increased to 50%.
- (14) In addition to the above substantial modification, the Czech authorities notified the following technical changes:
- only the Ministry of Agriculture will be responsible for granting aid; the State Agricultural Intervention Fund (SAIF) no longer has this competence;
 - on the basis of an internal audit some terms and definitions were clarified: in the subject of the grant the term "investment" will be replaced by "investments in technology" in order to better clarify eligibility of construction costs, which are deductible only in direct relation to the installation of newly purchased equipment. In the "Table of Contents of the requests" the requisites of a project were highlighted.
- (15) The Czech authorities confirmed that the changes detailed in recital 14 above are merely formal and explanatory in nature and do not alter the objectives and conditions of the aid.
- (16) The Czech authorities confirmed that apart from the above modifications, all the conditions and commitments undertaken by the Czech Republic remain unchanged.
- (17) Therefore, for the detailed description of the aid scheme the Commission refers to the decision C(2014) 5867.

3. ASSESSMENT

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

- (18) For Article 107(1) TFEU to apply, the scheme must provide an economic benefit to an undertaking which it would not have received in its normal course of business, the aid must be granted to certain undertakings, the benefit must be granted by a Member State or through State resources and the measure/scheme must be capable of affecting trade between Member States.
- (19) As it was concluded in the decision C(2014)5867, this aid scheme fulfils the conditions of Article 107(1) TFEU and, consequently, constitutes State aid within the meaning of that Article (see recitals 47 to 52 of the decision C(2014) 5867)). 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

- (20) The modification of the aid scheme SA.38862 (2014/NN) was notified to the Commission on 14 October 2015. It has not been implemented before. 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

- (21) The Commission conducted the assessment of the compatibility of the aid scheme SA.38862 (2014/NN) pursuant to European Union Guidelines for State aid in the agricultural and forestry sectors and in rural areas¹ (hereafter "the Guidelines"), Part I, Chapter 3. "Common assessment principles" and pursuant to Part II, Chapter 1, Section 1.1.1.4. "Aid for investments in connection with the processing of agricultural products and the marketing of agricultural products". The aid scheme was found to meet all the applicable conditions of the Guidelines. Therefore, as regards the details and the conclusions of the assessment of the compatibility of the aid scheme SA.38862 the Commission fully refers to the decision C(2014)5862.
- (22) It remains, however, to assess the compatibility of the proposed modification of the maximum aid intensity, which is proposed to be increased to 50% of eligible costs.
- (23) Pursuant to point 171(c) of the Guidelines, the maximum aid intensity must not exceed 50 % of the amount of the eligible investment costs in less developed regions and in all regions whose GDP per capita for the period from 1 January 2007 to 31 December 2013 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.
- (24) In this regard, the Czech authorities specified that eligible for aid under this aid scheme will be beneficiaries having their production unit on the whole territory of the Czech Republic except for Prague. Indeed, the region of the City of Prague has a GDP per capita exceeding 100% of the EU average, whereas the remaining territory of the Czech Republic has a GDP below 75% of EU average².
- (25) Consequently, the increased aid intensity respects the maximum limit set in point 171(c) of the Guidelines.
- (26) The technical modifications detailed in recital 14 above do not affect the compatibility assessment of the aid scheme.
- (27) On the basis of the above considerations it is concluded that the aid scheme in question complies with the relevant provisions of the Guidelines and is therefore considered being compatible with the internal market under Article 107(3) (c) TFEU.

4. CONCLUSION

The Commission has accordingly decided:

¹ OJ C 204 of 1.7.2014, p. 1.

² Source: CZ Regional aid map 2014-2020.

- not to raise objections to the 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 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 794/2004³, to the following address: agri-state-aids-notifications@ec.europa.eu.

For the Commission

Phil Hogan

Member of the Commission

³ 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).