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EVALUATION

of the instruments applicable to State aid in the agricultural and foresty sectors and in rural areas

{SEC(2021) 200 final} - {SWD(2021) 108 final}

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Glossary

Term or acronym	*Meaning or definition*
ABER	Agricultural Block Exemption Regulation
AIR	Annual Implementation Report
CAP	Common Agricultural Policy
COVID-19	Coronavirus disease 2019
DG AGRI	Directorate General for Agriculture and Rural Development
DG COMP	Directorate General for Competition
EAFRD	European Agricultural Fund for Rural Development
EU	European Union
FADN	Farm Accountancy Data Network
GBER	General Block Exemption Regulation
RDP	Rural Development Programme
SARI	State aid reporting interactive
SAM	State Aid Modernisation
SME	Small and Medium sized enterprises
TFEU or Treaty	Treaty on the Functioning of the European Union
WTO	World Trade Organisation

1. INTRODUCTION

Purpose and scope

This document sets out the results of the Commission's evaluation of the rules of the 2014 State aid framework applicable in the agricultural and forestry sectors and in rural areas. This framework is composed of:

- Commission Regulation (EU) No 702/2014 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 TFEU (known as the agricultural block exemption regulation; "the ABER")[1]. The ABER allows Member States to grant State aid to the agricultural and forestry sectors and in rural areas without prior notification to the Commission.
- 2014 EU Guidelines for State aid in the agricultural and forestry sectors and in rural areas [2] ("the Guidelines"), laying down the conditions under which the Commission assesses Member States' aid notifications. The Guidelines set out the general criteria that will be used by the Commission when assessing the compliance of aid with the internal market.
- Commission Regulation (EU) No 1408/2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid in the agriculture sector[3]. This *de minimis* regulation allows Member States to grant small amounts of aid to farmers without prior notification to the Commission.

This State aid framework applies since July 2014. As the ABER and the Guidelines are set to expire on 31 December 2022, a new State aid framework will have to be established. This evaluation feeds into that process.

The purpose of the evaluation is to assess the relevance, effectiveness, efficiency, coherence and EU added value of this sector-specific framework. However, the evaluation covers only the ABER and the Guidelines. The *de minimis* regulation was revised in 2018 and will apply until the end of 2027. It is therefore not included in the scope of the evaluation.

Furthermore, horizontal State aid instruments like the General Block Exemption Regulation (GBER)[4] or other relevant Commission Guidelines on State aid generally apply to the sectors covered by the instruments under review. Their applicability is, however, limited for the primary production of agricultural products (traditional farming activities)[5].

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1 OJ L 193, 1.7.2014, p. 1.

2 OJ C 204, 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 and OJ C 424, 8.12.2020., p. 30, and by the Corrigendum published in OJ C 265, 21.7.2016, p. 5.

3 OJ L 352, 24.12.2013, p. 9.

4 Regulation (EU) No 651/2014.

5 This stems from the specificities of this sector and the need to define generally lower aid ceilings to avoid possible distortions of competition. Primary agricultural production is for instance excluded from the scope of several GBER measures.

Those horizontal State aid instruments are not covered either by the present evaluation. They are subject to a separate evaluation in the context of a Fitness check[6].

This Staff Working Document (SWD) reflects the findings and views of the Commission's staff and does not reproduce the formal position of the Commission itself. It does not prejudge the final nature of any act or the content of any delegated or implementing acts that may be prepared by the Commission.

This evaluation is a backward-looking exercise. It seeks to establish how well the agricultural State aid rules have worked since July 2014, when they started to apply, up until the present, based on the relevant information and data available (for example, due to the time lag of Member States' reporting, the State aid Scoreboard[7] data available for this Staff Working Document cover only aid granted until 31 December 2018).

The evaluation will assess whether the State aid rules under review are still fit for purpose taking into account the current and (already known) future challenges. It will take the new political objectives of the Commission, in particular the European Green Deal[8] (see also Section 3.2), into consideration. The recent COVID-19 crisis is also considered in Section 3.3 and Section 6. However, since the final impact of the COVID-19 outbreak is not yet known, it is not dealt with in detail in this SWD.

The evaluation covers all EU Member States (including the UK which was an EU Member State during the period covered by the evaluation).

The scope of the evaluated State aid instruments includes three sector-specific sections:

1. Aid for the agricultural sector;
2. Aid for the forestry sector; and
3. Rural development support for non-agricultural activities in rural areas.

The two sections on aid for agriculture and forestry are further divided into two types of aid categories.

1) The first (and major) category covers "rural development-like measures" that may be co-financed by the Union under the Common Agricultural Policy (CAP) or financed exclusively by national funds. "Rural development-like measures" include, for example, aid for investments, aid for environmental-climate commitments, aid for knowledge transfer and information actions, start-up aid and aid for cooperation.
2) The second aid category covers measures falling outside the scope of rural development legislation. These measures can only be financed by national funds. For agriculture, this category includes mainly aid for risk and crisis management in agriculture but also certain other measures, such as aid for promotion and aid for closure of capacity. For forestry, this category includes mainly aid with ecological, protective and recreational objectives. It also covers aid for research and development in both sectors.

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[6] https://ec.europa.eu/competition/state_aid/modernisation/fitness_check_en.html

[7] See https://ec.europa.eu/competition/state_aid/scoreboard/index_en.html. The State aid Scoreboard comprises aid expenditure which falls under the scope of Article 107(1) TFEU. The data is based on annual reporting by Member States pursuant to Article 6(1) of Commission Regulation (EC) 794/2004. The (most recent) 2019 State aid scoreboard covers expenditures until the end of 2018.

[8] The Communication from the Commission on the European Green Deal (11/12/2019, COM(2019) 640 final, "Green Deal Communication") indicates that the relevant State aid guidelines will be revised by 2021 to reflect its policy objectives.

3) The third category covers only measures that can be financed under rural development programmes by the European Agricultural Fund for Rural Development (EAFRD). This category was included in the agricultural State aid framework in 2014 to make it easier for Member States to implement those programmes (see Section 2.2).

The below table shows the full scope of the agricultural State aid instruments:

GUIDELINES FOR STATE AID IN THE AGRICULTURAL AND FORESTRY SECTORS AND IN RURAL AREAS	
AGRICULTURAL SECTOR	
"Rural development like" measures	**Measures financed exclusively by national funds**
Investments - Primary agricultural production - Cultural and natural heritage on agriculture holdings - Relocation of farm buildings - Processing and marketing of agricultural products **Other RD-like** - Start-up aid for young farmers and development of small farms - Transfer of agricultural holdings - Agri-environmental-climate commitments - Animal welfare commitments - Natura 2000 and Water Framework Directive - Areas facing natural constraints - Organic farming - Participation in quality schemes - Technical support (incl. knowledge and information actions; advisory services; farm replacement services) - Cooperation	**Risk and crisis management** - Natural disasters and exceptional occurrences - Adverse climatic events - Animal diseases and plant pests - Fallen stock - Protected animals - Insurance premiums - Mutual funds **Other** - Closing production capacity - Livestock sector - Promotion - Outermost regions & Aegean islands - Land consolidation - Research & development
FORESTRY SECTOR	
"Rural development like" measures	**Measures financed exclusively by national funds**
Investments - Afforestation - Agro-forestry systems - Prevention and restoration of damage to forests - Forestry ecosystems - Forestry technologies - Infrastructure for development & modernisation **Other** - Natura 2000 forestry areas - Forest environment-climate service and forest conservation - Knowledge transfer and information actions - Advisory services - Cooperation - Start-up aid for producer groups	**Ecological, protective & recreational objectives** - Maintenance or restoration of forest ecosystems, biodiversity or traditional landscape - Soil quality and balanced tree growth - Pathways, landscape elements and natural habitats for animals - Maintenance of roads to prevent forest fires - Compensation of damage caused by regulated animals - Forest management plans **Other** - Research & development - Forestry land consolidation

NON-AGRICULTURAL ACTIVITIES IN RURAL AREAS
Measures financed by the EAFRD
Investments - Processing of agricultural products into non-agricultural products - Cotton production - Diversification into non-agricultural activities **Other rural development measures** - Basic services and village renewal - Start-up aid for non-agricultural activities - Environmental-climate commitments (other land managers than farmers/foresters) - Natura 2000 (other land managers than farmers/foresters) - Knowledge transfers and information actions - Advisory services - Participation in quality schemes for cotton and foodstuff - Information and promotion activities - Cooperation - Setting-up of mutual funds

AGRICULTURAL BLOCK EXEMPTION REGULATION	
AGRICULTURAL SECTOR	
Rural development like measures	**Measures financed exclusively by national funds**
Investments - Primary agricultural production - Cultural and natural heritage on agriculture holdings - Relocation of farm buildings - Processing and marketing of agricultural products **Other RD-like** - Start-up aid for young farmers and development of small farms - Star-up aid for producer groups - Participation in quality schemes - Technical support (incl. knowledge and information actions; advisory services; farm replacement services) - Farm replacement services	**Risk and crisis management** - Natural disasters and exceptional occurrences - Adverse climatic events - Animal diseases and plant pests - Fallen stock - Insurance premiums **Other** - Promotion - Land consolidation - Research & development
FORESTRY SECTOR	
Measures financed by the EAFRD	**"Rural development like measures"**
Investments - Afforestation - Agro-forestry systems - Prevention and restoration of damage to forests - Forestry ecosystems - Forestry technologies - Infrastructure for development & modernisation **Other** - Natura 2000 forestry areas - Forest environment-climate service and forest	- Knowledge transfer and information actions - Advisory services

conservation - Conservation of genetic resources - Start-up aid for producer groups	
Measures financed exclusively by national funds	
- Research & development - Land consolidation	
NON-AGRICULTURAL ACTIVITIES IN RURAL AREAS	
Measures financed by the EAFRD	
Investments - Processing of agricultural products into non-agricultural products - Cotton production **Other** - Basic services and village renewal - Knowledge transfers and information actions - Advisory services - Participation in quality schemes for cotton and foodstuff - Information and promotion activities	

The framework covers a total of 63 measures. Given this complexity, the evaluation – while covering all measures – scrutinized more closely eight measures, chosen to provide a coverage of all three sectors falling within the scope of the ABER and Guidelines as well as all aid categories and focussing on:

- "good aid", i.e. measures, which are deemed not likely to have major distortive effects on competition and trade (aid mitigating risks inherent to the agricultural sector, such as. plant pests, animal diseases and adverse weather events) or
- measures newly introduced into the framework in 2014 and/or
- measures with possible higher risks of distortion of competition.

The selected measures are as follows:

Aid for the agricultural sector:

1) Aid to make good the damage caused by adverse climatic events that can be assimilated to natural disasters[9]
2) Aid for the costs of the prevention, control and eradication of animal diseases and plant pests, aid to make good the damage caused by animal diseases and plant pests[10]
3) Aid for fallen stock[11].
4) Aid to compensate for damage caused by protected animals[12].
5) Aid for the payment of insurance premiums[13].

Aid for the forestry sector

6) Aid for the prevention and restoration of damage to forests from forest fire, natural disasters, adverse climatic events which can be assimilated to natural disaster, other adverse climatic events, plant pests and catastrophic events[14].

9 Article 25 of the ABER; Section 1.2.1.2. of Part II of the Guidelines.

10 Article 26 of the ABER; Section 1.2.1.3. of Part II of the Guidelines.

11 Article 27 of the ABER; Section 1.2.1.4. of Part II of the Guidelines.

12 Section 1.2.1.5. of Part II of the Guidelines.

13 Article 28 of the ABER; Section 1.2.1.6. of Part II of the Guidelines.

7) Aid for investments in forestry technologies and in processing, mobilising and marketing of forestry products[15].

Aid for non-agricultural activities in rural areas

8) Aid for investments concerning the processing of agricultural products into non-agricultural products[16].

2. BACKGROUND TO THE INTERVENTION

2.1. Legal and policy background

State aid control is part of the competition policy enshrined in the Treaty on the Functioning of the European Union (TFEU). Its objective is to avoid undue market distortions and subsidy races, as well as to safeguard the internal market and create a competitive landscape with a level playing field for undertakings and adequate and affordable choices for consumers.

State aid is a form of support given by a Member State that provides an undertaking or certain undertakings with an advantage over its/their competitors. State aid can be granted in a variety of ways, such as through the allocation of subsidies, the provision of interest and tax relief, State guarantees or the purchasing of goods and services on preferential terms. Support financed from the Union budget is also considered to be State aid, if national authorities have discretion as to the use of these resources.

Article 107(1) TFEU lays down a negative presumption against all forms of State aid. However, the State aid rules enshrined in the Treaty also include exemptions allowing State aid to be granted for reasons of economic development or for the common good. The exemptions that are particularly relevant for agriculture, forestry and rural areas are laid down in Article 107(2)(b) TFEU, which allows for aid to make good damage caused by natural disasters and exceptional circumstances, and in Article 107(3)(c) TFEU, which allows for aid to facilitate the development of certain economic activities or economic areas. Aid under Article 107(2)(b) TFEU is *per se* compatible with the internal market[17], whereas Article 107(3)(c) TFEU is discretionary in nature and the Commission has exclusive competence to decide on its application (i.e. on the compatibility of State aid with the internal market). When assessing the compatibility of aid, the Commission balances the negative effects of the aid measure on trade and competition in the internal market with its positive effects on the achievement of well-defined objectives of common interest.

The State aid rules are not automatically applicable to support for the agricultural sector. Article 42 TFEU provides that State aid rules shall apply to production and trade in agricultural products[18] only to the extent that the EU legislator (i.e. the Council and European Parliament) has decided so. On that basis, the legislator has decided that State aid rules shall not apply to support for agriculture financed by the EU under the CAP. However, State aid rules and procedures fully apply to:

- Aid measures financed by national resources only (so-called “pure State aid”).

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[14] Article 34 of the ABER; Section 2.1.3. of Part II of the Guidelines.
[15] Article 41 of the ABER; Section 2.1.5. of Part II of the Guidelines.
[16] Article 44 of the ABER; Section 3.1. of Part II of the Guidelines.
[17] However, aid under Article 107(2)(b) still has to be notified to the Commission.
[18] The scope of the notion “agricultural products” is defined by Annex I to the TFEU.

- **Rural Development support falling outside the scope of Article 42 TFEU,** namely forestry measures and non-agricultural activities in rural areas.

To ensure predictability and legal certainty for Member States and stakeholders on how the Commission assesses State aid compatibility, the Commission has adopted rules in the form of "soft law" such as guidelines. Moreover, for less distortive aid measures, the Commission has issued block exemption regulations, pursuant to Article 109 TFEU, laying down the conditions that have to be fulfilled in order to deem a State aid measure compatible with the internal market without the necessity of an ex-ante notification and approval.

As already described in the introduction, the Commission has set up a specific State aid framework for agriculture, forestry and rural areas, which comprises a block exemption regulation (ABER), Guidelines and a *de minimis* regulation for farmers. The current framework started to apply on 1 July 2014 and was set to expire on 31 December 2020. However, the Commission has decided to extend its period of application until the end of 2022. This is because the design of the future State aid rules will largely depend on the outcome of the CAP reform, for which the legislative procedure is still pending.

2.2. Baseline scenario

The point of comparison for the present evaluation is the outcome of the previous review of the agricultural State aid framework applicable in the period 2007 to mid-2014. State aid rules are as a matter principle limited in time, in order to allow the Commission to update them to new challenges and policy priorities.

The review of the 2007 State aid framework was guided by an Impact Assessment that identified the following problems:

a) Lack of consistency between the State aid rules and the CAP rules on rural development support:

   In 2013, the legislator adopted a new legal framework for rural development support financed by the European Agricultural Fund for Rural Development (EAFRD) under Regulation (EU) No 1305/2013[19]. The lack of consistency with the 2007 State aid Framework risked becoming an obstacle to the effective implementation of the Rural Development policy, in particular because rural development measures **falling outside the scope of Article 42 TFEU** are subject to State aid control.

b) Lack of consistency with the horizontal objectives of the State Aid Modernisation initiative:
   In 2012, the Commission launched the State Aid Modernisation (SAM) initiative aiming at reforming the EU State aid policies and rules[20]. The objectives of the SAM were threefold:

   - to foster sustainable, smart and inclusive growth in a competitive internal market (fostering "good aid");

[19] 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.

[20] https://ec.europa.eu/competition/state_aid/modernisation/index_en.html.

- to focus the Commission's ex-ante scrutiny on cases with the biggest impact on internal market whilst strengthening the Member States' cooperation in State aid enforcement ("big on big, small on small");
- to streamline the rules and provide for faster decisions ("faster access to aid")

Those objectives were translated into common principles and more efficient State aid procedures. The previous agricultural State aid framework, applicable from 2007 to mid-2014, did not reflect that overarching and horizontal approach.

c) Unnecessarily complex rules and procedures:

- Under the 2007 State aid framework, a large number of measures had to be notified to and approved by the Commission because they were not covered by the scope of the ABER. Moreover, some of those measures were not even covered by the agricultural State aid Guidelines. That caused overly heavy State aid procedures, in particular for rural development support measures subject to State aid control. These measures first had to be approved by the Commission under the rural development rules and then had to be approved for a second time under State aid rules.

- There was also one frequently recurring type of aid that was not covered by the 2007 State aid framework at all, namely aid to make good damage caused by protected animals. In the course of that period, the Commission assessed and authorised six such State aid schemes, corresponding to a total budget of EUR 3.04 million, directly on the basis of the Treaty. Otherwise, Member States preferred using the *de minimis* regulation[21].

As a result of the review, the following changes were brought to the agricultural State framework:

- The specific conditions for considering aid to be compatible with the internal market became fully aligned with the conditions for granting rural development support under the CAP. The agricultural State aid rules adopted in 2014 thus mirror the CAP rules applicable to support for rural development.

- The scope of the ABER was extended to cover most of the rural development support measures financed by the EAFRD. This means that Member States can implement support measures relating to forestry and non-agricultural activities in rural areas without having to first notify those measures to the Commission and wait for a Commission decision.

- The objectives of the SAM and its ensuing common principles were fully integrated in the agricultural State aid framework adopted in 2014.

The overall objectives of those changes were not only to achieve a better consistency with CAP legislation and SAM principles but also to improve predictability and legal certainty and to simplify procedures in the context of State aid control. The baseline for the present evaluation is the counterfactual scenario where, in 2014, the Commission

[21] No exact figures are available, because Member States are not required to report on *de minimis* aid, but available information at least showed that more than EUR 10 million of *de minimis* aid was spent on aid to make good damages caused by protected animals in the period 2007 to 2012.

would not have revised the agricultural State aid instruments but simply prolonged them as they were in the previous period (2007 to mid-2014) without aligning them with the new rural development rules and the SAM objectives and without enlarging their scope.

The baseline does not cover the unlikely scenario that the State aid framework would have expired without having been replaced. The consequence of the absence of substantive rules would have been the direct application of the Treaty, i.e. the notification of each and every measure constituting State aid in the meaning of 107(1) TFEU and their compatibility assessment by the Commission directly under the Treaty without any guiding rules to ensure predictability and legal certainty. The absence of State aid control as such is excluded, given the general prohibition of State aid enshrined in the Treaty since 1957.

2.3. Description of the intervention and its objectives

As indicated above, the current State aid rules expire on 31 December 2022. The main objective of the revision is therefore to replace them with a new set of rules. This evaluation aims at establishing whether the current rules have achieved their objectives of alignment with the CAP and the SAM, clearer and simpler rules, enhanced predictability and legal certainty as well as simplified State aid procedures, compared to the previous State aid framework established in 2007.

As already indicated in Section 2.2, a large part of the current State aid rules on agriculture, forestry and in rural areas mirrors the rules laid down in Regulation (EU) No 1305/2013 on support for rural development.

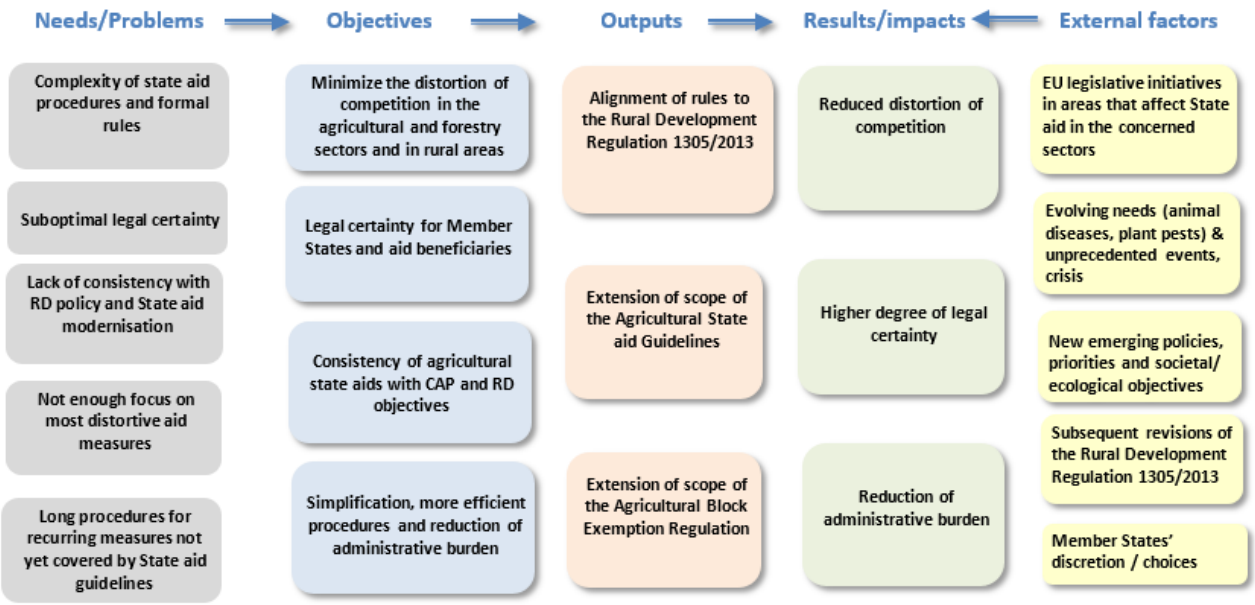
However, the agricultural State aid rules also apply to other kinds of aid measures, not related to rural development support, which may be financed exclusively by national funds. This includes aid to make good damage caused by natural disasters or exceptional occurrences, which is *per se* compatible with the internal market, or measures which are considered to be "good" State aid, such as aid to make good the damage caused by adverse climatic events that can be assimilated to natural disasters, aid for maintaining and improving the genetic quality of livestock, aid for the costs of prevention, control and eradication of animal diseases and plant pests, aid for fallen stock and aid for insurance premiums.

All of the above aid measures are subject to State aid control (known as State aid clearance). No aid may be granted until the envisaged aid measure has either been notified to and authorised by the Commission or exempted under a block exemption regulation (if applicable), unless it is granted as *de minimis* aid.

The key objectives of the agricultural State aid framework are to:

- ensure that State aid instruments minimise the distortion of competition in the agricultural and forestry sectors and in rural areas,
- provide predictability and legal certainty for Member States and beneficiaries,
- ensure consistency of agricultural State aid with the CAP and the rural development objectives, as well as
- simplify and increase the efficiency of the procedures and reduce administrative costs.

Figure 1: Intervention logic



3. IMPLEMENTATION / STATE OF PLAY

3.1. Description of the current situation[22]

A total of 2 487 State aid cases were exempted under the ABER or notified under the agricultural Guidelines by the Member States during the period July 2014 to December 2018. Exemptions under the ABER were used for 1 971 cases (79%), while 516 cases (21%) were notified under the Guidelines. Italy made the largest use of the ABER (370 cases), followed by Germany (190 cases), Spain (179 cases) and Slovenia (177 cases). With the exception of Slovenia, these are decentralised Member States with exemptions also submitted by regions. As for notified cases, Germany notified 117 cases during the evaluation period, followed by Italy (93) Czechia (43), France (29) and Spain (26).

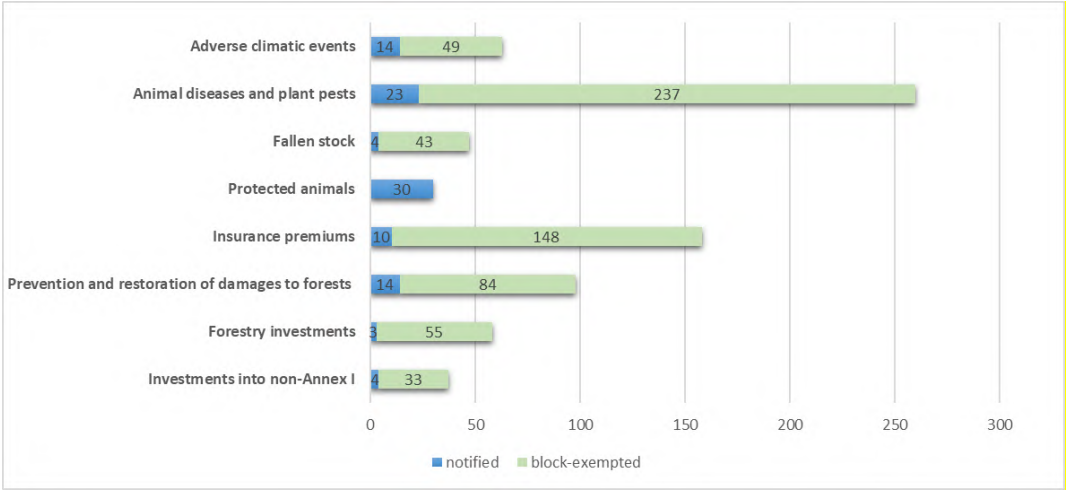
The total State aid expenditures of those cases at EU-28 level amount in this period to EUR 16 277.8 million.[23] Almost half of it (EUR 7 819.7 million) was disbursed by four Member States, which are also the largest agricultural producers in the EU in terms of agricultural output: Italy (EUR 2 316 million), Germany (EUR 1 971.5 million), Spain (EUR 1 790.1 million) and France (EUR 1 742.1 million).

[22] Sources: State aid Scoreboard (https://ec.europa.eu/competition/state_aid/scoreboard/index_en.html) and DG COMP internal case management system ISIS. The Scoreboard comprises aid expenditure falling under the scope of Article 107(1) TFEU. The data is based on annual reporting by Member States pursuant to Article 6(1) of Commission Regulation (EC) 794/2004. The (most recent) 2019 Scoreboard covers expenditures until the end of 2018. For sake of consistency and comparability, ISIS data was also limited in this sub-section to the end of 2018.

[23] This figure refers to notified and block-exempted aid. Besides, some EUR 60.4 million was disbursed at EU-28 level in the same period as non-notified aid (i.e. neither notified nor block-exempted). It should also be noted, that this expenditure only relates to aid schemes implemented under the current State aid rules. Total State aid expenditure in the agriculture and forestry sector and in rural areas (including from schemes put in place before) amounted to EUR 31 430.4 million in the same period.

Member States at EU-28 level have disbursed under exempted cases EUR 8 836.8 million, i.e. 54.3% of the total amount of expenditures registered during the evaluation period. Out of this, Italy, Spain, France and Germany registered expenditures of up to EUR 4 425 million. Under notified cases in total EUR 7 441 million were disbursed, of which EUR 1 016.4 million by Italy, EUR 1 010 million by Germany and EUR 930 million by Spain.

Figure 2: Distribution of State aid cases according to the aid measures under closer scrutiny (EU-28, number of cases)



Source: COMP data

In the period 2014-2018, support for one (or more) of the State aid measures selected for the special focus of the evaluation[24] was provided under 751 of the exempted or notified aid schemes for a total amount of EUR 6 307.5 million. This corresponds to 39% of the total agricultural State aid expenditure (all measures, all aid schemes) in that period. Risk management measures account for the largest amount of expenditure, namely EUR 4 933.1 million (78%). Measures in support of forestry represent the second biggest expenditure share, corresponding to EUR 1 289.2 million (20%). Support measures grouped under non-agricultural investments in rural areas account for EUR 85.2 million, or only 2% of the total expenditure.

Figure 3: Distribution of total expenditures (€m) per measure and per agricultural State aid instrument, and share in total expenditure

Measures	notified	block exempted	notified + block exempted	% of TOTAL for measures in scope
Adverse climatic events	58.1	1 187.1	1 245.2	20%
Animal diseases and plant pests	135.3	1 287.4	1 422.7	23%
Fallen stock	19.1	356.6	375.7	6%
Protected animals	12.7	-	12.7	0%
Insurance premiums	1 115.8	761.0	1 876.8	30%
Prevention and restoration of damages to forests	912.9	310.8	1 223.7	19%
Forestry investments	0.0	65.5	65.5	1%
Investments (output non-agricultural product)	2.7	82.5	85.2	1%
Total measures/objectives in scope	**2 256.6**	**4 050.9**	**6 307.5**	**100%**

Source: COMP data

[24] See Section 1.

As shown in figure 3, aid for insurance premiums was the measure in the closer scope of the evaluation with the highest expenditure in the period 2014-2018. Around 70% of it can be attributed to two Member States, namely Spain (50%) and Italy (20%). The second most important measure in terms of expenditure was aid for animal diseases and plant pests. This measure is widely used by the Member States with available data showing that the United Kingdom has registered significant expenditure (€533.4 million), followed by France, Germany and Poland.

Another large group of expenditures relates to adverse climatic events with the main part of the budget being spent on aid schemes exempted under the ABER in France, Poland and Italy.

Italy also accounted for over 80% of the expenditure incurred for the measure regarding the prevention of damage to forests and restoration of forest potential in that period.

3.2. Recent relevant Commission policy developments

The new European Commission took office on 1 December 2019. In its political guidelines, it outlined its six overarching priorities for the period 2019-2024[25]. Key among these priorities is the development and implementation of a European Green Deal. On 11 December 2019, the Commission unveiled its European Green Deal which sets out an action plan and a roadmap of policy initiatives and legislative proposals with the aim of the EU reaching climate neutrality by 2050. In the framework of the European Green Deal, the Commission adopted in particular the Farm-to-Fork strategy[26], the Biodiversity strategy for 2030[27], a proposal for a Climate Law[28] as well as a new action plan for the Circular Economy[29], all of which address issues relevant to agriculture, forestry and rural areas.

The CAP plays a key role in supporting Europe's agricultural sector – the importance of the CAP has been amplified due to the ongoing COVID-19 pandemic, which has been putting a strain on the resilience of European farmers. Looking ahead, the future CAP will be an important instrument in managing the transition to sustainable food production systems and supporting the efforts of European farmers to contribute to the climate objectives of the EU and to protect the environment. Whereas agriculture is responsible for 10.3% of the EU's greenhouse gas emissions, together with forestry it plays a crucial role to increase the carbon sinks, thus to help decarbonise other sectors. The CAP is therefore a key instrument to support the development of new green business models (such as carbon farming) by farmers and foresters to incentivise farming practices that remove CO2 from the atmosphere. Moreover, given that agricultural land and forests cover 80% of the EU territory and that a substantial share of EU funding for biodiversity

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[25] https://ec.europa.eu/commission/sites/beta-political/files/political-guidelines-next-commission_en.pdf

[26] Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – A Farm to Fork Strategy for a fair, healthy and environmentally-friendly food system (COM/2020/381 final).

[27] Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – Biodiversity Strategy for 2030 Bringing nature back into our lives (COM/2020/380 final).

[28] Proposal for a Regulation of the European Parliament and of the Council establishing the framework for achieving climate neutrality and amending Regulation (EU) 2018/1999 (European Climate Law) (COM/2020/80 final).

[29] Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – A new Circular Economy Action Plan For a cleaner and more competitive Europe (COM/2020/98 final).

comes from the CAP, that policy will also play a major role in supporting the achievement of the EU biodiversity commitments for 2030. The Commission services have already analysed the links between the future CAP reform proposals and the Green Deal[30] and concluded that the CAP reform proposal is compatible with the Green Deal and its associated strategies such as the Farm to Fork Strategy and the Biodiversity Strategy. It has the potential to accommodate the Green Deal's ambitions. At the same time, the Commission services also identified the steps needed to fully align the CAP with the Green Deal and its associated strategies. These include increased ambition with regard to environmental- and climate related objectives set out in the Commission proposal for a Regulation on CAP Strategic Plans[31] ('no back-sliding principle'); an ambitious system of conditionality maintaining key standards (e.g. crop rotation, soil protection, preservation of peatlands and wetlands as carbon rich soils, maintenance of permanent grassland, agricultural land devoted to non-productive areas or features); eco-schemes and ring-fenced spending for the environment and climate of 30% of the rural development budget for each CAP Strategic Plan. The proposed eco-schemes will be an important innovation of the new CAP, dedicating substantial funding to sustainable farming practices, including minimum requirements for the use of fertilisers, plant protection products, and in terms of animal welfare. In co-operation with the agri-environmental commitments from the rural development framework, they will power the green transition in agriculture. The negotiations on the CAP reform are currently ongoing.

The findings of the present evaluation are based on how well State aid rules in the agricultural and forestry sectors and in rural areas have worked during the evaluation period, which preceded the publication of the European Green Deal and its associated strategies. However, the relevance of the rules under review in the context of these recent policy developments is considered in section 5.1.4.2.

3.3. Recent events

The COVID-19 outbreak created an unprecedented crisis at a global level. The consequences on our societies and economies have been profound. In response to these times of crises, the Commission has deployed all means at its disposal to counter the impact of the pandemic and support the EU Member States on their road to recovery and growth. In this context, the Commission adopted on 19 March 2020 a Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak (the Temporary Framework)[32].

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[30] Commission Staff Working Document: Analysis of links between CAP Reform and Green Deal, SWD(2020) 93 final, 20. May 2020.

[31] Proposal for a Regulation of the European Parliament and of the Council establishing rules on support for strategic plans to be drawn up by Member States under the Common agricultural policy (CAP Strategic Plans) and financed by the European Agricultural Guarantee Fund (EAGF) and by the European Agricultural Fund for Rural Development (EAFRD) and repealing Regulation (EU) No 1305/2013 of the European Parliament and of the Council and Regulation (EU) No 1307/2013 of the European Parliament and of the Council (COM(2019)392)

[32] Communication from the Commission - Temporary framework for State aid measures to support the economy in the current COVID-19 outbreak, (OJ C 91I, 20.3.2020, p. 1), as amended by Commission Communications C(2020) 2215 (OJ C 112I, 4.4.2020, p. 1), C(2020) 3156 (OJ C 164, 13.5.2020, p. 3), C(2020) 4509 (OJ C 218, 2.7.2020, p. 3), C(2020) 7127 (OJ C 340I, 13.10.2020, p. 1) and C(2021) 564 (OJ C 34, 1.2.2021, p. 6).

On 27 May 2020, the Commission also adopted its Recovery Plan[33] to tackle the consequences of the crisis stemming from the COVID-19 outbreak.[34]

The aim of the Temporary Framework is to tackle the severe liquidity needs of undertakings due to the exceptional circumstances created by the COVID-19 outbreak, supporting the sustainability of otherwise healthy businesses, in order to facilitate the recovery of the economy and minimise the impact of the outbreak on the real economy.

Contrary to the State aid rules examined in the present evaluation, the Temporary Framework is based on Article 107(3)(b) TFEU, which constitutes an exceptional legal basis for compatibility with the internal market, according to which "aid to remedy a serious disturbance in the economy of a Member State" may be declared compatible[35]. Having recognised the COVID-19 outbreak as such a serious disturbance, in line with case law, the Temporary Framework laid down the conditions under which the COVID-19 measures would be compatible with the internal market. As such, the Temporary Framework has been developed to cater for an emergency situation and has led to extraordinary financial commitments. It will remain temporary and is set to expire on 31 December 2021. It complements the existing State aid rules, which are mainly based on Article 107(3) (c) TFEU and serve other objectives[36].

The findings of this evaluation (which is a backward-looking exercise) are based on how well rules have worked since their entry into force and therefore precede the COVID-19 crisis. Consequently, the qualitative and quantitative data used in the evaluation do not take account of the crisis.

The end of the crisis is still difficult to predict. Public support under the Temporary Framework targets the problems undertakings are currently facing and is limited in time. Aggregate data will need to be collected to better assess the economic and financial consequences of the crisis.

The full impact of the COVID-19 outbreak on different sectors is not yet known either. It is, however, already now evident, that the agriculture, forestry and agro-tourism sectors have suffered substantial losses. In the agricultural sector, for instance, the fight against the global Covid-19 pandemic is causing unprecedented uncertainties in global food supply chains, with potential bottlenecks in labour markets, input industries, agriculture production, food processing, transport and logistics, as well as shifts in demand for food and food services. A recent OECD report[37] found that over the next ten years supply growth is going to outpace demand growth, causing real prices of most commodities to remain at or below their current levels. According to WTO data[38], food prices were

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33 https://ec.europa.eu/info/live-work-travel-eu/health/coronavirus-response/recovery-plan-europe_en#documents "Europe's moment: Repair and Prepare for the Next Generation" COM(2020) 456 final.

34 Regulation 2021/241 establishing the Recovery and Resilience Facility (RRF) was adopted on 12 February 2021, OJ L 57, 18.02.2021, p. 17.

35 The use of Article 107(3)(b) TFEU is very restrictive. Prior to the current Temporary Framework, aid measures were declared compatible under this Treaty provision only as a result of the 2008 financial crisis and prior to that only at a few occasions, in the 1980s and 1990s in Greece.

36 The sector-specific rules for agriculture and forestry are based on Article 107(3)(c) TFEU, allowing for aid to facilitate the development of economic activities and on Article 107(2)(b) TFEU, allowing for aid to make good damage caused by natural disasters or exceptional occurrences.

37 The joint *OECD-FAO Agricultural Outlook 2020-2029* report, July 2020, https://www.oecd-ilibrary.org/agriculture-and-food/oecd-fao-agricultural-outlook-2020-2029_1112c23b-en.

38 Covid-19 and Agriculture: A Story of Resilience, WTO report, August 2020, https://www.wto.org/english/tratop_e/covid19_e/agric_report_e.pdf.

already on a downward trend at the beginning of 2020. The COVID-19 crisis exerted further downward pressure on prices, and therefore on producer revenues. Prices are expected to remain at low levels amid the economic downturn.

Following the outbreak of the pandemic, the European Union's agri-food sector showed resilience and has continued to provide people in the European Union with high- quality and safe food. Nonetheless, farmers and producers are facing difficulties and increasing pressure. Ensuring food security through a strong food supply chain remains one of the Commission's priorities.

According to the Commission's market forecasts[39], many uncertainties remain around the economic recovery, and thus on the evolution of demand in the EU and the world. In particular, the forecast magnitude of the recession is such that it is expected to lead to a sharp increase in unemployment in the EU, negatively impacting private consumption. The effects of the stimulus measures, the capacity of individual sectors to adapt their production, and the strength of the recovery in particular in export markets, will all drive demand and supply and have a direct influence on prices and thus on the profitability of the agri-food sector.

The relevance of the COVID-19 crisis with regard to the rules under review is further described in Section 5.1.5.

4. METHOD

4.1. Short description of methodology

The current evaluation is based on (i) case experience and in-house data analysis of State aid statistics; (ii) an external evaluation support study carried out by a contractor and (iii) an open public consultation[40].

The evaluation is based on the evaluation questions summarised in Section 5.1, as grouped around the five evaluation criteria (relevance, effectiveness, efficiency, coherence and EU added value). The assessment is further broken down into the sectors and measures referred to in the introduction in Section 1, in order to take into account the specific characteristics of each of the sectors concerned.

4.2. Data collection and assessment

Stakeholders had the opportunity to provide their feedback on a **Commission roadmap**[41] from 20 April 2017 to 18 May 2017.

External experts were commissioned for the **evaluation support study** for the purpose of obtaining an independent evidence-based assessment on how the State aid rules work and to conduct case studies on the eight measures chosen for closer scrutiny (see Chapter 1. Introduction). The study used a vast range of information sources and tools, both quantitative and, to a larger extent, qualitative (see Figure 4 below).

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[39] Short-term Outlook for EU Agricultural Markets in 2020, June 2020, https://ec.europa.eu/info/sites/info/files/food-farming-fisheries/farming/documents/short-term-outlook-summer-2020_en.pdf.

[40] It should, however, be noted that the responses to the open public consultation are of limited representativeness and do not constitute a representative sample of the whole population of stakeholders.

[41] https://ec.europa.eu/info/law/better-regulation/initiatives/ares-2017-2039310_en

Figure 4: Information sources and tools used in the evaluation support study

Information sources	Tools
Data from DG COMP Regulations, evaluations, other Eurostat[42] and national statistics on the agricultural and forestry sector RDP and 2016 AIR Interviews with competent authorities, managing authorities, beneficiaries and/or their representatives, competitors, EC services FADN (regional/national) Other accounting data from national sources and application forms	Analysis of aid schemes and expenditures Documentary and literature review (regulations and bibliography) Review of RDPs Case studies in 8 MS (include literature review, RDP review, interviews with competent authorities, managing authorities, beneficiaries and/or their representatives, competitors, all based on interview guidelines, intervention case studies with a counterfactual scenario) Intervention case studies with counterfactual scenario Online survey

Source: ADE

The information from those different sources has been triangulated, ensuring that the answers to the evaluation questions are based on solid and cross-checked evidence.

The Commission carried out an **open public consultation** in order to give public authorities and all stakeholders the opportunity to provide their views on the review of the State aid instruments for agriculture, forestry and rural areas. The consultation was launched on the Europa website on 26 April 2019 and was open for responses until 19 July 2019[43]. The public consultation generated a total of 190 responses from respondents in 24 Member States[44]. The questionnaire was divided into five sections. Section I sought respondents' opinions on the overall performance of the current State aid rules, on the State aid objectives to be pursued and on future challenges, including simplification possibilities. Sections II, III, and IV concerned more specifically State aid issues in relation to, respectively, agriculture, forestry and non-agricultural activities in rural areas. Section V concerned the EU added value of detailed rules for State aid control.

The evaluation is strongly based on the Commission's own **internal assessment.** In fact, one of the most valuable sources for the Commission to understand whether the current rules work well and what needs improvement are (formal and informal) contacts with Member States in the notification procedure of State aid cases. To date, almost 700 notifications were analysed under the current rules. Furthermore, some 2 500 block-exempted measures were screened for their compliance with formal requirements[45]. This provides valuable insight and a sound basis for conclusions to be drawn. This "case experience" is complemented by quantitative data from the internal case management

[42] Eurostat as well as the statistical publication on agriculture and forests (edition 2017).

[43] https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/2089-Review-of-Agricultural-State-aid-Guidelines/public-consultation

[44] The majority of the replies came from respondents in Italy (36), Germany (24), Portugal (21), France (17), Czech Republic and Austria (11 each). The two largest categories of respondents were aid beneficiaries (55, of which 39 were undertakings active in the agricultural sector) and public authorities handling State aid (39). The other types of respondents were farmers' organisations (20) and foresters' organisations (15), public citizens (19, most of them farmers), NGOs (14), academics or other experts (13) and undertakings active in downstream sectors to agriculture and forestry (6).

[45] Under the ABER, Member States are required to submit to the Commission a summary information sheet on the intended aid measures, 10 working days prior to its implementation. The Commission then checks whether the formal requirements of the planned aid measure are complied with and offers the Member States the possibility to still remedy possible shortcomings. The Commission, however does not give a formal approval of the aid measure, since the responsibility for block-exempted aid lies solely with the Member States.

database and analysis of State aid statistics (including the State Aid Scoreboard[46]). A further valuable source are Member States' interpretation questions.

While no weighting of the different sources was applied, it has to be noted that the sources were complementary. The Commission's internal assessment was complemented by the evaluation support study, conducted by independent experts and relying on a number of sources, and by the open public consultation reflecting various stakeholders' views.

4.3. Limitations and robustness of findings

a) Data availability

The general difficulty of gathering data in State aid control stems from the fact that the counterpart of the Commission in the proceedings is the Member States and information-gathering tools are extremely limited. Quantitative data on State aid expenditure is collected from Member States in the context of the State aid scoreboard (see Section 1), based on annual reporting pursuant to Article 6(1) of Commission Regulation (EC) 794/2004. The most recently published data includes State aid expenditure until the end of 2018 (see also Section 1).

The limited availability of data at the time the contractor carried out the evaluation support study was a particular challenge for that study. The main cause was the short examination period of the study (unavoidable, because the duration of State aid rules is limited to seven years). Another reason lies with the way in which aid schemes are registered in the Commission database, as one single registered scheme may include several distinct measures, which pursue multiple objectives. Furthermore, in the period 2014-2020, the Rural Development Programmes expenditures for projects linked to the aid measures selected for the study were low and not completely reflected in the data reported by Member States. The reference period (2007-2014) was used when relevant and, in the case of non-agricultural investments, expenditures after 2016 were also assessed. For forestry investments, only few expenditures were registered and the evaluation support study was only able to obtain detailed data for Germany.

The evaluation support study used publicly available data on beneficiaries but could do so only to a limited extent, as data on individual aid is published only if it is of a larger size[47]. The online survey of the evaluation support study was addressed only to national authorities; for forestry and non-agricultural activities the views of managing authorities for the rural development programmes were collected only through case studies.

b) Methodological issues

It should be noted that there was no control group to assess the effectiveness of the examined aid measures. For example, where a Member State grants aid to compensate for damage, it usually grants it to all undertakings affected by the damaging event. Member States have also provided similar compensation for similar damage. In this context, it was not possible to observe directly the situation of an undertaking affected by an adverse event but which was not compensated. The evaluation support study tackled

[46] https://ec.europa.eu/competition/state_aid/scoreboard/index_en.html#what

[47] From individual aid grants of EUR 60 000 for primary producers of agricultural products and from EUR 500 000 for all other undertakings.

this by developing a counterfactual scenario and adopted the same approach for investment measures.

The assessment of effects on trade and competition was carried out qualitatively, which is limiting. However, it seemed not to affect the conclusion regarding whether the positive effects of the aid measures outweigh the potential distortive effects. Indeed, the potential distortive effects of risk management measures in the agriculture and forestry sectors are limited by the specificity of those measures and the types of beneficiaries, which are mostly micro, small and medium-sized enterprises (SMEs).

c) Public consultation not representative

The response to the public consultation is of limited representativeness as it comprised only 190 replies in total. This is a small number compared to the reference population of stakeholders, like the companies potentially affected by State aid. The main category of respondents were State aid beneficiaries (30%), public authorities (21%) and farmers' associations (11%). Some environmental NGOs responded as well (7% of respondents). Some stakeholders who answered did so because of their specific interests and thus do not constitute a representative sample of the whole population of stakeholders[48]. The Commission takes this limitation into account when analysing the results of the public consultation. As a result of this limitation it was difficult to obtain quantitative data on certain effects, as for instance the reduction of administrative costs. While a total of 35 public authorities responsible for granting State aid replied to the qualitative questions on the reduction of administrative costs linked to block-exemptions and notifications, only 18 provided data on average time spent on notifications/submission of information sheets for block exempted aid and average costs of those two procedures. In addition, the replies were very heterogeneous, ranging from 0.5 to 10 500 hours per notification and from 3 to 500 hours per block-exemption.

d) Unprecedented events

Finally, as explained above in section 3.3, this evaluation cannot take into account the impact of the COVID-19 crisis which is an unprecedented situation and possible future policy measures which might be adopted by the Commission to deal with the impact of the crisis on the economy. The rules under review were only to a limited extent relevant given that they serve a different purpose than to provide liquidity to companies hit by unprecedented events, for which the Commission has designed a specific State aid tool, namely the Temporary State aid Framework (see section 5.1.5).

5. ANALYSIS AND ANSWERS TO THE EVALUATION QUESTIONS

This section presents the assessment of the performance of the State aid rules for agriculture, forestry and non-agricultural activities in rural areas. The assessment is based on the five evaluation criteria (relevance, effectiveness, efficiency, coherence and EU added value) using the evaluation questions as listed below.

[48] It has to be noted though that replies to the specific questions in the public consultation do not show any important variations depending on the respondent category (being it public authority, beneficiary of aid, NGO or general public, see also in Annex 2). In some cases, differences between respondent categories exist, that are inherent to the issues/sectors concerned.

EVALUATION QUESTIONS

Relevance – Section 5.1

To what extent are the State aid rules relevant for the needs of the agricultural and forestry sectors and rural areas, in particular in relation to the objectives of the rural development policy under the CAP?

To what extent are the State aid rules relevant against the future policy context, in particular the European Green Deal and the future CAP?

Effectiveness – Section 5.2

To what extent have the following objectives of the current State aid rules been achieved?

- Minimise distortion of competition and trade in the agricultural and forestry sectors;
- Provide predictability and legal certainty for Member States and beneficiaries;
- Assure consistency of the agricultural State aid rules with the CAP and the rural development objectives;
- Achieve societal objectives such as ecological and economic development.

Efficiency – Section 5.3

To what extent are the rules efficient in terms of State aid procedures applicable to aid for, respectively, agriculture, forestry and non-agricultural activities in rural areas?

To what extent have the revised rules brought simplification and reduction of administrative costs compared to the baseline scenario?

Coherence – Section 5.4

To what extent are the State aid rules coherent with other EU policies/legislation, in particular the rural development policy under the CAP and the EU veterinary and public health policy?

Are they coherent with the relevant horizontal State aid instruments?

EU value added – Section 5.5

To what extent have the State aid rules ensured EU added value?

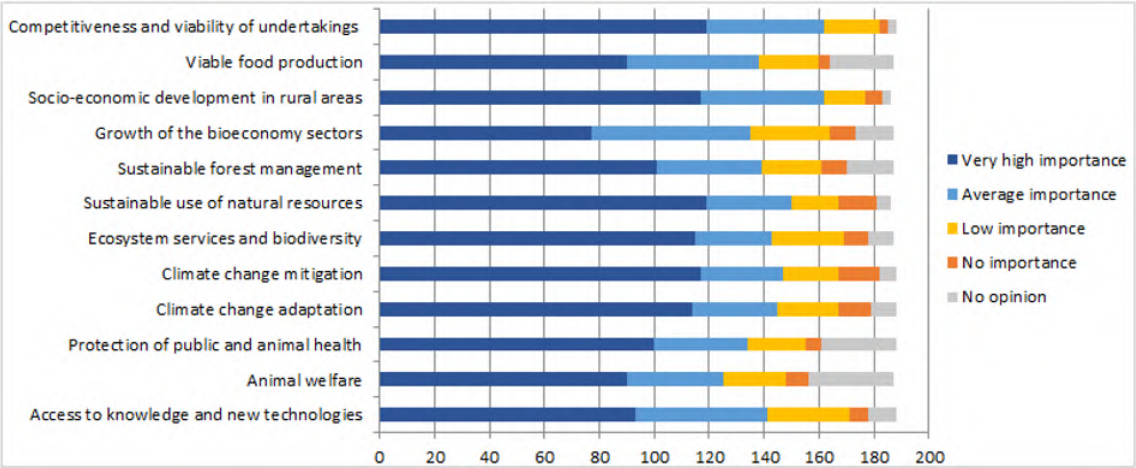
5.1. RELEVANCE

This section evaluates whether the current State aid rules for agriculture, forestry and rural areas meet the needs of those sectors, in particular in relation to the objectives of the rural development policy under the CAP.

State aid to promote the economic development of the agricultural and forestry sectors and of rural areas is embedded in the broader CAP. The economic effects of State aid do not change depending on whether it is (even partly) financed by the Union, or whether it is financed by a Member State alone. Consequently, the use of State aid can be justified only if it is in line with the CAP and, in particular, meet the underlying objectives of the

rural development policy. Those objectives are, largely, to ensure viable food production and to promote the efficient and sustainable use of resources in order to achieve intelligent and sustainable growth. A majority of the respondents to the public consultation accorded very high importance to climate change mitigation and adaptation (62% and 60% respectively), ecosystem services and biodiversity (61%) and protection of public and animal health (53%) as well as sustainable forest management (53%).[49]

Figure 5: Stakeholders' view on importance of objectives pursued by the granting of State aid



Source: Public consultation

Most of the State aid rules for agriculture are long-standing and have proven their relevance over the years. As indicated in the baseline scenario (Section 2.2), the substance of the current rules have not changed significantly compared to previous State aid frameworks, other than adaptations to ensure coherence with the rural development rules and to integrate the common assessment principles introduced by the SAM[50]. Case-handling practice in the period 2014 – 2020 has not revealed any significant difficulties. Nor did the evaluation support study or the response to the public consultation reveal any important failures in meeting the needs of the farm and forestry sectors.

To remain relevant, the rules under review will however have to be considered also in the light of recent policy developments and new Commission priorities, in particular the European Green Deal, the 2030 targets of the Farm to Fork and Biodiversity Strategy and the future CAP, including its enhanced environmental ambition. In that context, the relevance analysis largely depends on the aid category; i.e. is it a "rural development-like aid measure", a measure financed under a rural development programme or a measure falling outside the scope of rural development?

The relevance of the first two categories, seen also in a Green Deal context, is closely linked to the rules and objectives of CAP legislation. State aid rules on "rural development-like measures" are tailor-made to contribute to the rural development objectives embedded in the CAP. Rural development support for the forestry sector and

[49] The replies to the specific questions do not show any important variation depending on the respondent category (being it public authority, beneficiary of aid, NGO or general public, see also in Annex 2). On sustainable use of natural resources for instance, all stakeholders' predominant reply is that this issue is of very high importance, in some respondent categories scoring even 100% (foresters' organisations). On climate change mitigation, similar tendency is observed. All respondent categories' predominant reply is that this is issue is of very high importance ranging from more than a half of all beneficiaries in the agricultural sector up until close 90% of the responding forester's organisations. In some cases variations exist, that are logical: for forester's organisations or beneficiaries the animal health and animal welfare objectives are less relevant.

[50] The performance of the SAM is already evaluated in the horizontal State aid Fitness Check.

for non-agricultural activities in rural areas is subject to State aid rules and procedures. For these two categories, the current State aid rules are therefore almost identical to the provisions laid down in Regulation (EU) No 1305/2013. A challenge in this context is the subsidiarity approach (known as the "delivery model") envisaged for the future CAP Strategic Plans Regulation, which should replace the current Rural Development Regulation (EU) No 1305/2013 as of 2023.

As regards the State aid category falling outside the scope of rural development, the relevance of aid for risk and crisis management in agriculture and forestry has become even more accentuated in recent years and is closely related to the Commission's new political objectives addressing climate change and environmental concerns. The evaluation therefore gives specific attention to the aid categories related to risk and crisis management.

5.1.1. The agricultural sector

The relevance of the State aid rules for the agricultural sector is assessed with a particular focus on the needs that farmers are facing in terms of risk and crisis management.

Most of the State aid rules on risk and crisis management are long-standing. The assessment of whether the rules are still relevant takes into account overarching risk elements such as adverse climatic events, animal diseases and plant pests, fallen stock and damage caused by protected animals. It looks in particular at the market failures that farmers hit by such events would be facing in the absence of public support.

A study on risk management in EU agriculture carried out in 2018[51] shows that farmers are increasingly exposed to risks affecting their income and agronomic assets. Those risks are to a certain extent considered to be normal business risks that should be borne by the farmers themselves as entrepreneurs. However, they are becoming more frequent and more severe, because of climate change, and can put in particular small farmers in a dire financial situation. Certain tools for risk management are available under the CAP but they are of limited availability and unevenly used, according to the risk study.

Moreover, adverse climatic events, animal diseases and plant pests do not only have a direct effect on the economic situation of the undertakings affected by an adverse event, but can also impact negatively on related public policy objectives. The risk management measures falling within the scope of the current State aid framework address farmers' needs and contribute to public policy objectives in the following ways:

- The evaluation shows that aid to make good damage caused by adverse climatic events associated with natural disasters (such as hail, heavy precipitation and drought) still meets the need of farmers to overcome major financial difficulties generated by the event so that they can stay in business.

- Aid related to animal diseases and plant pests helps safeguarding the viability of farm holdings and, even more importantly, prevents the spread of animal diseases and plant pests. Aid for the disposal of fallen stock prevents the negative consequences of a potential mismanagement of dead animals and thus contributes to the protection of public and animal health. Moreover, it also addresses

[51] Ecorys and Wageningen Economic Research Study on risk management in EU agriculture (forthcoming 2018), Study to the European Commission.

environmental concerns by preventing the pollution of soil, air and ground water that would occur if fallen stock was to be buried or burned.

- Aid to make good damage caused by protected animals supports the co-existence of livestock farmers and protected animals and thus contributes to the wider CAP objectives of promoting biodiversity. Unlike the long-standing risk and crisis management measures referred to above, aid related to protected animals was not covered by the agricultural State aid framework until 2014. Case-handling practice shows that the inclusion of this aid category in the Guidelines has strengthened the relevance of the agricultural State aid framework in comparison to the baseline scenario.

- Finally, aid for payment of insurance premiums favours the emergence of an insurance market for agricultural producers that would not exist in the absence of public support. Even if the European agricultural insurance market is highly diverse in terms of products and implementation, it appears to be developing in Member States where there is public support (for example in Spain and Poland). However, the availability of affordable insurance for farmers is still limited in most Member States. Aid for insurance premiums therefore remains a complement to aid for compensation of damage as it is not in itself sufficient to mitigate the risks that farmers are facing.

The relevance of aid for risk and crisis management is confirmed by case-handling practice as well as by the evaluation support study and the public consultation. Interviews with competent authorities showed that the compatibility conditions and rules are adequate to meet the farmers' needs and this finding was also confirmed by the online survey. In terms of expenditure, support measures related to animal diseases, adverse climatic events and insurance premiums are among the most important aid categories falling within the scope of the agricultural State aid framework.

The evaluation thus shows that aid for risk and crisis management continue to help achieving the CAP objectives of viable food production and balanced territorial development. According to the responses to the public consultation, risk management objectives rank among the most important objectives pursued by the granting of State aid.

Nevertheless, the interviews held in the context of the evaluation support study, as well as the response to the public consultation, pointed towards certain difficulties in relation to aid to mitigate risks caused by animal diseases, as follows:

- Aid may only be granted in respect of diseases listed by the World Organisation for Animal Health or listed in Regulation (EU) No 652/2014[52], which means that State aid cannot be granted to compensate for loss caused by emerging diseases.

[52] Regulation (EU) No 652/2014 of the European Parliament and of the Council of 15 May 2014 laying down provisions for the management of expenditure relating to the food chain, animal health and animal welfare, and relating to plant health and plant reproductive material, amending Council Directives 98/56/EC, 2000/29/EC and 2008/90/EC, Regulations (EC) No 178/2002, (EC) No 882/2004 and (EC) No 396/2005 of the European Parliament and of the Council, Directive 2009/128/EC of the European Parliament and of the Council and Regulation (EC) No 1107/2009 of the European Parliament and of the Council and repealing Council Decisions 66/399/ EEC, 76/894/EEC and 2009/470/EC (OJ L 189, 27.6.2014, p. 1).

- Damage incurred during the phase of mere suspicion of a disease requires a formal recognition of the outbreak of the disease[53].
- The rules on eligible costs do not allow for full compensation of income losses related to quarantine or multiannual losses and require products to be destroyed even if they can still be consumed.

The evaluation support study and the outcome of the public consultation also highlighted that, for losses caused by protected animals, the provisions on eligible costs do not take into account indirect costs such as reduced production capacity. Farmers also find it disproportionate to have to take measures to prevent the risk of damage given that there are very few preventive tools that are really effective.

The evaluation nonetheless concludes that the State aid rules for the agricultural sector remain relevant for farmers' needs in terms of risk and crisis management.

5.1.2. The forestry sector

The relevance of the current State aid rules for the forestry sector was assessed in the light of the question of whether they meet the forestry objectives as defined by the rural development policy. The assessment was mainly based on whether the forestry State aid measures are used by a large majority of Member States and whether the compatibility conditions, eligible costs and maximum aid intensities are adequate in relation to the needs of the sector.

The evaluation shows that a large majority of the Member States (24 out of 28) implement aid for the prevention and restoration of damage to forests or for investments in forestry technologies. More than 90% of the expenditure in the period covered by that study concerned the prevention of damage. The major part of that expenditure was aimed at preventing forest fires and certain serious plant pests such as root rot and bark beetle. That aid was mainly implemented through rural development programmes, where 65 to 75 programmes (out of 109) include forestry support. Only two Member States, Finland and Ireland, and a few regions in France, Germany and Italy implemented forestry measures outside the rural development programme.

The evaluation shows that national authorities and beneficiaries find compatibility conditions, eligible costs and aid intensities to be overall adequate. Nevertheless, interviews with Member States' authorities in the context of the evaluation support study highlighted the following constraints:

- Aid for the restoration of forests requires that the damaging event has caused "the destruction of at least 20% of the relevant forest potential affected", a condition which is considered to be unclear[54].
- Some entities that fall outside the definition of SMEs (such as rural municipalities and national parks) have difficulties complying with the incentive effect conditions imposed on large enterprises, in particular the requirement to submit a counterfactual scenario.

[53] However, the requirement of formal recognition reflects the Green Box criteria laid down Annex 2 to the Uruguay Round Agreement on Agriculture of the World Trade Organisation (WTO). The Green Box criteria define domestic support that is exempted from reduction commitments.

[54] However, the condition merely reflects what is laid down in rural development regulation 1305/2013.

In addition, several respondents to the public consultation, comprising both Member States authorities and forestry stakeholders, complained about some overly restrictive conditions for granting aid. Among the concrete examples were aid for afforestation and agroforestry (e.g. limits in time and number of annual payments) and difficulties to support the functioning of forest management associations because of the ineligibility of running costs.

The evaluation nonetheless concludes that the State aid rules for the forestry sector are relevant in the sense that they largely meet the forestry objectives defined by the rural development policy.

5.1.3. Non-agricultural activities in rural areas

The rules on aid for non-agricultural activities in rural areas were included in the scope of the agricultural State aid framework only to make it easier for Member States' authorities to obtain State aid clearance for measures financed under the rural development programmes. They do not allow for measures financed exclusively by national funds and they are therefore relevant only in the sense that they facilitate the State aid procedures applicable to rural development support.

Analysis of statistical data shows that this possibility was up to now only moderately used by Member States. In total, 192 aid schemes were notified or block-exempted in the period July 2014 until end of August 2020 in relation to non-agricultural activities in rural areas[55]. This represents a mere 4.8% of all block-exempted cases in this period and close to 10% of all notified cases. Considerable differences in the uptake of the different sub-measures can however be observed. While 42 aid schemes were either notified or block-exempted for investments in non-agricultural activities, 40 for knowledge transfer and 28 for co-operation[56], other measures, notably setting up of mutual funds and aid for disadvantages related to Natura 2000 areas were not used at all[57].

5.1.4. Relevance of the current framework against a new policy context

5.1.4.1. CAP Strategic Plans Regulation

As already explained above, the State aid rules on rural development-like measures and measures that can only be financed under a rural development program are almost identical to the provisions laid down in Rural Development Regulation (EU) No 1305/2013.

However, the subsidiarity approach envisaged in the Commission's proposal for the CAP Strategic Plans Regulation will be a challenge for the next State aid framework. This is not so much because of substance, as State aid objectives and measures will have to remain closely linked to and coherent with the CAP, but because the level of detail in the current State aid rules could interfere with the implementation of future rural development support measures. Under the CAP Strategic Plans Regulation, the Union will define the basic policy parameters (CAP objectives, broad types of interventions,

[55] Source: COMP data.

[56] The cooperation measure is only foreseen in the Guidelines and cannot be block-exempted.

[57] Some other measures, such as business start-up aid for non-agricultural activities or aid measures related to quality schemes for cotton and foodstuff (which are not agricultural products) were only used under the ABER and not a single case was notified under the Guidelines.

basic requirements), but it will belong to the Member States to tailor the CAP interventions in their national strategic plans. Therefore, the future CAP rules will not provide any precise eligibility criteria. The absence of detailed rules under the CAP means that also the design of the future State aid rules will have to change, while still contributing to the achievement of the objectives and targets of the EU Green Deal, the Farm to Fork and Biodiversity Strategies, the provisions of the future CAP and its enhanced environmental ambition.

The provisions on support for investments are an illustrating example. The current rural development rules define a set of investment operations eligible for support. Each of those operations corresponds to a given measure (or sub-measure), which is subject to a number of specific conditions. Maximum support rates differ depending on the type of measure. The CAP strategic plans proposal, on the other hand, outlines one single broad type of intervention called "investment", which encompasses the current forms of support but without defining any specific measures matched by detailed eligibility criteria. The proposal includes instead a negative list of ineligible investments and categories of expenditure.

In short, the future CAP legislation will no longer establish any detailed eligibility criteria that the State aid rules could reproduce.

5.1.4.2. European Green Deal

As described under section 3.2, the policy initiatives under the European Green Deal are highly relevant for the agriculture and forestry sectors and for rural areas.

As also described under section 3.2, the CAP reform proposal has the potential to accommodate the Green Deal's ambitions, in particular its implementing policy initiatives, such as the Farm to Fork Strategy and the Biodiversity Strategy. The current State aid framework has the potential to contribute to the transition to a sustainable and biodiversity-friendly agriculture by reaching the overall goals of the Green Deal, in particular in relation to the Farm to Fork and Biodiversity strategies. Aid for investments in agriculture must pursue objectives such as sustainable food production, environmental and climate performance and animal welfare. Aid for investments in forestry must pursue objectives related to forest area development and improvement of the sustainability of forests in terms of resilience, health and quality. There is nonetheless scope for strengthening the incentive for farmers and foresters to invest in practices contributing to the achievement of the Green Deal objectives, taking into account also the rules on investments support under the future CAP.

Many of the other aid categories falling within the scope of the current State aid framework also contribute to environmental and climate performance. The aid measures that are particularly relevant for achieving the objectives of the Green Deal are indicated in the table below.

STATE AID MEASURES CONTRIBUTING TO GREEN DEAL OBJECTIVES	
Agriculture	**Forestry**
Investment aid for: - sustainability of agricultural holdings - improvement of the natural environment, hygiene an animal welfare standards, beyond Union standards	Investment aid for: - afforestation and creation of woodland - agro-forestry systems - improvement of the resilience and the

- infrastructure related to supply and saving of energy and water - achievement of agri-environment-climate objectives, including biodiversity, Natura 2000 and other high natural value systems. Aid for agri-environment-climate commitments and animal welfare commitments Aid for disadvantages related to Natura 2000 and Water Framework Directive Aid for organic farming Aid for cooperation for joint actions undertaken with a view to mitigating or adapting to climate change	environmental value of forests ecosystems Aid for disadvantages related to Natura 2000 forest areas Aid for forest-environment, climate services and forest conservation Aid for maintenance and restoration of forest ecosystems, biodiversity and traditional landscapes Aid for maintenance and improvement of soil quality and a balanced and healthy tree growth Aid for restoration and maintenance of natural pathways, landscape elements and features and natural habitat for animals Aid for cooperation for joint actions undertaken with a view to mitigating or adapting to climate change
Non-agricultural activities in rural areas	
Aid for agri-environment-climate commitments to land managers not active in agriculture Aid for disadvantages related to Natura 2000 areas to land managers not active in agriculture Aid for cooperation for joint actions undertaken with a view to mitigating or adapting to climate change	

Aid schemes for agri-climate-environment and for sustainable forests are widely used by Member States. For instance, in the period July 2014 to August 2020, Member States notified or exempted 62 measures for agri-environment-climate commitments[58], 35 measures for forest-environment climate services and 55 measures for afforestation. Under these three categories of State aid measures alone, EUR 1 315 million were disbursed in the period 2014-2018[59], representing some 8% of total State aid expenditure under the current rules in this period.

Already in the public consultation, which took place before the presentation of the European Green Deal, a considerable number of respondents highlighted the importance of tackling climate and environment related challenges in the State aid context. In particular, the sustainable use of natural resources, climate change mitigation/adaptation, the ecosystem services and biodiversity as well as the protection of public and animal health and sustainable forest management were perceived as important objectives pursued when granting State aid.[60] Stakeholders would also favour activities with environmental and climate objectives, including an increase of the maximum aid levels for environment-climate actions targeting biodiversity, ecosystem services and carbon sequestration[61].

5.1.5. COVID-19 context

The rules under review were only to a limited extent relevant in the context of the current COVID-19 crisis, given that they in general serve a different purpose than to provide

[58] Where beneficiaries undertake to carry out measures aiming at the preservation as well as at the promotion of the necessary changes to agricultural practices that make a positive contribution to the environment and climate.

[59] For which statistical data on State aid expenditure is available, see section 3.1.

[60] Around 60% of respondents considered climate change mitigation and adaptation to be objectives pursued by the granting of State aid of very high importance. This percentage is even higher for some respondent categories (up to close 90% for foresters' organisations).

[61] Only 36% of respondents found that aid to the agriculture sector had until present contributed to climate change mitigation and/or adaptation.

liquidity to companies hit by unprecedented events, for which a specific State aid tool was designed, as explained in Section 3.3.

The Guidelines, however, foresee the possibility to grant aid to make good the damage caused by natural disasters or exceptional occurrences in the agriculture sector (see section 1.2.1.1 of the Guidelines). Contrary to the other aid categories in the Guidelines, this section is based on Article 107(2)(b) of the TFEU. Its application is very restrictive, in particular when it comes to the definition of an exceptional occurrence[62]. The COVID-19 outbreak in spring 2020 was recognised as an exceptional occurrence, both because of its unprecedented character and its magnitude. In this context, for instance the Netherlands used the possibility to compensate undertakings in the horticulture, floriculture and potato sectors for damages caused by the COVID-19 outbreak[63]. Lithuania also made use of this possibility and set up a scheme to compensate poultry and egg producers for income losses incurred due to the COVID-19 outbreak[64].

Several other measures in the Guidelines, in particular investment aid measures, can also be used by Member States to respond to such unprecedented declines of or shifts in consumer demand, as observed in spring 2020 in the context of the COVID-19 crisis. These measures can, on a more structural basis, stimulate diversification and lead to new economic activity in (sub)sectors hit particularly hard by the crisis.

The rules under review are, however, relevant for the Commission crisis response under the Recovery and Resilience Facility (RRF)[65], to which State aid rules fully apply. In particular investment aid measures (such as in irrigation infrastructure or in the forestry sector) or measures linked to knowledge transfer and R&D in the agriculture and forestry sectors will contribute to fostering the digital and green transition, which the RRF aims to support[66].

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[62] See recital 330 of the Guidelines.

[63] See State aid case SA.57217 (2020/N), as modified by State aid case SA.57552 (2020/N). The full (non confidential) text of the State aid decisions can be found on the website https://ec.europa.eu/competition/elojade/isef/index.cfm?clear=1&policy_area_id=3.

[64] See State aid case SA.57508 (2020/N).

[65] See Section 3.3.

[66] For more information on the RRF, please see https://ec.europa.eu/info/business-economy-euro/recovery-coronavirus/recovery-and-resilience-facility_en.

5.2. EFFECTIVENESS

This section evaluates to which extent the State aid rules established in 2014 for agriculture, forestry and rural areas have been effective in achieving their objectives of:

- minimising distortion of competition and trade;
- ensuring predictability and legal certainty for Member States and beneficiaries;
- ensuring consistency with the CAP and the rural development objectives.

The evaluation also looks at whether the rules provide for "good aid" in the sense that they contribute to societal objectives such as ecological and economic development, with focus on the measures referred to in sections 5.2.1, 5.2.2 and 5.2.3. The societal objectives are nonetheless secondary to the overall objective of State aid control, which is to minimise distortions of competition in the internal market.

The analysis suggests that, as a whole, the current State aid rules have reached their objectives. The higher level of detail has allowed for a more transparent and streamlined compatibility assessment as regards both the Commission's handling of notified aid and the Member States' use of the ABER. The implementation of the common assessment principles introduced by the SAM seems to have contributed to a clearer methodological framework. Overall, State aid control has become more predictable, compared to what would have been the case under the baseline scenario, and has thus brought enhanced legal certainty to Member States and aid beneficiaries. Better consistency with rural development rules and objectives under the CAP was achieved through the alignment of the State aid rules with the Rural Development Regulation (EU) No 1305/2013.

According to the evidence collected in the case studies, the current State aid rules have reached their overriding objective of minimising distortion of competition and trade on the internal market. In the absence of quantifiable aggregate data on the effects on competition and trade, the evolution of the number of complaints can be taken as proxy to indicate whether this objective was met. According to internal data, the number of complaints went from 119 in the period 2007-2014 to 36 in the period 2014 - 2020. Moreover, most of the complaints received since 2014 concerned potential local impacts and did not involve intra-EU trade at any significant scale. The response to the public consultation points in the same direction.

Moreover, State aid rules follow the logic that the smaller the size of the aid, the smaller is the likelihood of distortion of competition. Several aid measures under the ABER are therefore subject to notification thresholds limiting the application of that regulation. If the aid amount for an undertaking or project exceeds a certain threshold, the Member State will have to notify the aid to the Commission for closer scrutiny.

The notification thresholds under the ABER are in general set at the same level as the thresholds for corresponding measures under the GBER, whereas investments linked to the primary production of agricultural products have a specific, lower ceiling: EUR 500 000 per undertaking per investment project. This stems from the fact that, due to the specificities of this sector, even low levels of aid could bear a risk of potential distortion of competition. The lower notification threshold reflects approximately the ratio of the general *de minimis* ceilings (EUR 200 000) and the specific *de minimis* ceiling for farmers (EUR 15 000 at the time the ABER was adopted). In 2018, the latter *de minimis* ceiling was raised to EUR 20 000 (and EUR 25 000 under certain conditions), pointing to a possible leeway to also increase the notification threshold. However, for investments

linked to primary agricultural production, the notification thresholds seem to play a very marginal role.

Case experience shows that only a small fraction of notifications is due to aid amounts above the notification threshold. The specific notification threshold of EUR 500 000 for investments linked to primary agricultural production can therefore be considered to be adequate.

5.2.1. The agricultural sector

As already indicated in Section 5.1, most of the aid measures for the agricultural sector are long-standing and the current rules are, in substance, mainly the same as those applied under the previous State aid framework. The analysis suggests that these rules remain effective in ensuring predictability and legal certainty but that there is no significant change compared to the base-line scenario. However, case-handling experience shows that the alignment with the rural development rules has improved the consistency with the CAP, notably by allowing for a streamlined interpretation of the two set of rules. Otherwise, the main development compared to the baseline scenario is the simplification resulting from the inclusion in the Guidelines of aid to compensate damage caused by protected animals. Previously, this kind of aid had to be assessed directly under the Treaty. Since 1 July 2014, the Commission has adopted 51 State aid decisions under the Guidelines.

Regarding the objective of minimising distortion on competition and trade, the evaluation takes into account the fact that State aid in the agricultural sector is mostly granted under schemes benefiting a very large number of beneficiaries (from hundreds to thousands), which are almost exclusively undertakings falling within the category of SMEs. This largely reflects the structure of the European agricultural sector. In 2016, there were 10 467 760 agricultural holdings within the EU-28. An analysis by economic size shows that 82.6% of these holdings were small (standard output < EUR 25 000), 10.4% were medium-sized and only 7% were of larger size with a standard output of more than EUR 100 000. The average size in terms of area was around 17 ha per farm.

The effectiveness in terms of impacts on competition and trade was analysed more closely in relation to the aid for risk- and crisis management. This was done by a qualitative assessment, supported by online survey results, which showed that the distortive effects were limited for the following reasons:

- case studies showed that the aid payments did not increase the production of the recipient undertakings;
- there were no signs of distortive effects on competition within the Member States granting aid, because all undertakings affected by the adverse event had access to aid;
- potential distortive effects on competition and trade between Member States is not excluded but is very limited, because aid amounts per undertaking are small and most Member States offer similar aid measures.

Counterfactual scenarios show that aid to make good damage improves the beneficiary's economic situation, even if the aid does not completely compensate for the losses incurred due to the adverse event. The impact on the economic situation also depends on the share of CAP support (mainly direct payments) in the farmers' income, which by itself has an income-stabilizing effect. It ensures notably the viability of undertakings in fragile farming systems.

The evaluation thus shows that the impact of risk management aid on competition and trade is negligible and that the positive effects largely outweigh the potential distortive effects. Overall, the evidence collected through case-studies indicate that the aid has effectively contributed to societal objectives such as public and animal health and the protection of biodiversity:

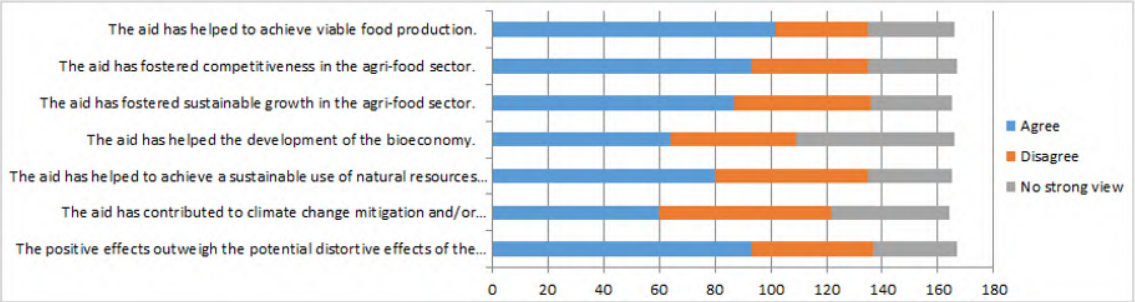
- aid related to animal diseases and plant pests contributes to an increased acceptance of biosecurity measures in the event of epidemics;
- aid for fallen stock guarantees a safe disposal of carcasses;
- aid to make good damage caused by protected animals promotes co-existence of livestock farmers and protected animals like wolves and lynxes.

Regarding aid for the payment of insurance premiums, the support study showed that aid for insurance premiums in Spain and Poland had a positive effect on the uptake of insurance but that other factors also determine uptake, such as the types of production and risk covered, the quality of insurance products offered or the specific conditions for intervention of an insurance. Some distortive impacts on competition and trade between Member States cannot be excluded but they are mitigated by the condition that the aid may cover only part of the insurance premium costs (65%).

In response to the public consultation, some stakeholders pointed out that Member States have different financial means for granting State aid. This is a valid comment but it also confirms the added value of State aid control. The very reason for why the Commission lays down State aid rules is to ensure that national budgets are spent on actions that contribute to public goods and do not hamper the functioning of the internal market.

In that regard, the evaluation shows that the State aid rules have made it possible to grant public support for which the positive effects, in particular the achievement of public health objectives, exceed the very limited potential effects on competition and trade.

Figure 6: Statements by stakeholders on State aid in the agricultural sector



Source: Public consultation.

5.2.2. The forestry sector

Until the adoption of a revised State aid framework for agriculture and forestry in 2014, forestry aid measures were dealt with under the horizontal State aid rules or granted as *de minimis* aid under Commission Regulation (EU) No 1407/2013[67]. Case-handling experience shows that the inclusion of forestry aid measures in the agricultural State aid framework, together with the alignment of those measures with the rural development forestry measures, has not only led to a better consistency with the CAP but has also enhanced the predictability of State aid control. The alignment has in particular led to a harmonised interpretation of State aid rules and rural development rules, which contributes to ensuring legal certainty for both Member States and aid beneficiaries. As concerns the objective of simplifying procedures and reducing administrative costs, the use of the ABER in the forestry sector is a benchmark of success (until the end of 2020, 678 block exemptions were registered, containing a total of 892 forestry measures).

The achievement of the objective to minimise impacts on competition and trade was assessed mainly on the basis of case studies relating to the following two aid measures:

- aid for the prevention of damage to forests and restoration of forest potential;
- aid for investment in forest technologies, processing, mobilising and marketing of forest products.

The effects on competition and trade were assessed qualitatively, based on the equal access to aid for forest holders/areas within the Member State concerned and on the influence of the aid on the volume of wood produced.

a) Aid for prevention of damage to forests and restoration of forest potential

The prevention of forest fires is one of the State aid measures that Member States use the most to support the forestry sector. Six out of eight Member States that were subject to case studies have set up schemes to prevent forest fires and to restore forest potential damaged by fires. The aid is used to support infrastructure, such as fire walls, fire tracks and water storage, as well equipment to detect forest fires. These measures are available in all regions with medium or high risk exposure to forest fires.

The case studies carried out in France showed that regions exposed to high forest fire risk are mainly located in the south of the country. These forests are of low productivity, except for those in Aquitaine (1.25 million ha), where the "Landes" (almost 557 000 ha), is a large and productive forest area. The average public investment in infrastructure and equipment to prevent forest fires in Aquitaine was estimated at EUR 1/ha per year. The contribution from forest holders was around EUR 1.6/ha per year. Together, the support made it possible to maintain more than 20 000 km of forest tracks and 25 000 bridges in 557 000 ha of the Landes forest. The amount of EUR 1/ha per year represents 0.4% of the current value of harvested wood after 40 years, which is estimated at around EUR 8 750. The case study thus concluded that the aid did not influence the volume of wood produced and did not lead to an increase in production volume compared to the situation before the aid was granted.

[67] Commission Regulation (EU) No 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid (OJ L 352, 24.12.2013, p. 1).

The prevention measure in Aquitaine has been very effective in limiting forest fires. Although there were numerous fire outbreaks (between 2000 and 4000 per year from 2007-2016), over 80% of those fires affected less than 1 ha. The damage was thus limited, despite the fact that the period subject to study included years with record summer temperatures, increasing population in the concerned departments and an increase in tourists in the summer. The measure had major positive effects on the security of the local population (including tourists), the local forestry-based economy and the environment (including CO2 emissions). The case study thus concluded that the positive effects of the aid largely outweighed any distortive effects on competition and trade between Member States. That conclusion was confirmed by the respondents to the online survey of the evaluation study.

The evaluation support study also comprised two case studies on aid for prevention of plant pests, namely prevention of bark beetle in Germany and root rot in Finland. The scale of the two aid schemes differs in terms of expenditure in the evaluation period. The German scheme is small-scale (< EUR 0.4 million), whereas the Finnish scheme is large-scale and nationwide (EUR 8.4 million).

The aid aims at encouraging forest holders to implement prevention measures that are environmentally friendly but cumbersome (preferring the mechanical preventive measures instead of insecticides in Bavaria for Bark Beetle) or using them systematically when harvesting (Root Rot in Finland).

In Germany (Bavaria), aid for mechanical preventive measures was available to all forest holders (i.e. private forest managers, their associations and municipalities). The measures concern small volumes of wood (80-160m³), small amounts per application (EUR 1 300 – EUR 2 800/application) for a total expenditures of less than EUR 0.4 million. The case study concluded that these very small volumes did not affect trade in the internal market. The overall conclusion was that the environmental benefit of avoiding the use of insecticides largely exceeds any distortive effects that the aid might have. Despite the fact that aid amounts are small, they still create incentives for forest holders to use the laborious mechanical treatment.

In Finland, aid for urea treatment to combat root rot when harvesting wood was available to all forest holders for a standard amount (EUR 75/ha). The case study showed that the aid allowed to limit losses of wood due to root rot but did not increase the volume of wood produced. For forest holdings, the costs of the treatment indicatively represents 0.45% of the gross income from felling. However, although the treatment costs appears small in relation to gross income, not all foresters were treating stumps left after thinning or felling, even with the subsidy. The limited incentive effect of the aid explains why the treatment was made mandatory from mid-2016 onwards. The Finnish forest output was estimated at EUR 1.7 billion and EUR 1.8 billion in 2015 and 2016 respectively. Aid to prevent root rot represented less than 1% of the forest output and operating profit of non-industrial forestry. It was thus unlikely that the aid would have distortive effects on the internal market, whereas the positive effects of limiting the spread of a serious plant pest was important, also for neighbouring Member States.

The analysis of the use of aid for prevention of damage to forests and restoration of forest potential thus confirms that achievement of societal objectives, notably the development of resilient and healthy forests that contribute to biodiversity and climate goals, can be deemed to outweigh the limited effects of the aid on competition and on trade.

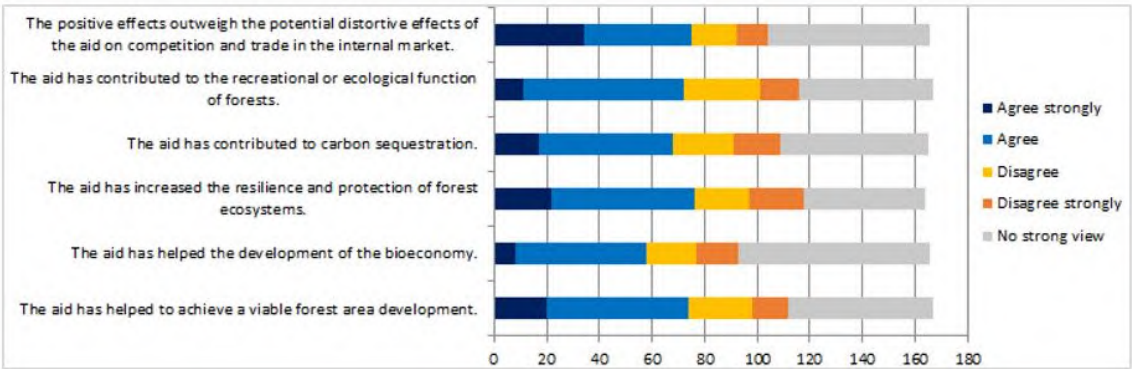
b) Aid for investment in forest technologies and in processing, mobilising and marketing of forest products

The assessment was largely based on a case study for Baden-Württemberg, where the rural development programme supports investment in soil-friendly forwarding machines (machines that carry felled logs from the stump to a roadside storage point). The aid aims at creating incentives for SMEs to change their equipment in order to achieve sustainable forwarding of wood. Sustainable forwarding is essential for the maintenance and restoration of biodiversity and natural regeneration. When assessing potential distortive effects on competition and trade, the study took into account the fact that the aid amount was very small (20% aid intensity, unique investment, aid of EUR 2 500 for moor belts to EUR 11 500 for forwarding machines), but also the fact that competitors in other countries and regions did not necessarily have access to similar types of aid. According to the findings of the study, the potential distortive effects were limited for the following reasons: (i) the aid was small in absolute terms and by m³ (EUR 0.2-0.3/m³); (ii) the volume concerned small amounts of wood in difficult areas (mountainous, steep slopes, wet areas); and (iii) the beneficiaries were mainly micro and small enterprises. The competition authority of a neighbouring region did not find the aid distortive. This opinion was also shared by the respondents to the online survey. It was therefore concluded that the environmental benefits exceeded the limited effect on competitors.

c) Results from the public consultation

According to the response to the public consultation, aid in the forestry sector has had a generally positive impact. Even though about one third of the respondents replied that they had no strong views, two thirds of the respondents found that the aid has helped to achieve viable forest area development. Many of them also confirmed that State aid had helped the development of the bioeconomy, had increased the resilience and protection of forest ecosystems and contributed to carbon sequestration as well as to the recreational or ecological function of forests. Nevertheless, three environmental Non-Governmental Organisations argued that the aid could lead to lower prices in raw materials, resulting in increased biomass use.

Figure 7: Statements of Stakeholders related to State aid in forestry



Source: Public consultation

5.2.3. Non-agricultural activities in rural areas

As already pointed out above, the rules on aid for non-agricultural activities in rural areas were included in the scope of the agricultural State aid framework only to make it easier for Member States' authorities to obtain State aid clearance for measures financed under the rural development programmes. The effectiveness of this kind of rural development support was nonetheless assessed in relation to the balance between the positive impacts

of the aid on jobs and growth in rural areas and the potential distortive effects on competitors and on trade.

The scope of this assessment was narrow, because it turned out that Member States continue using the same venues as in the past (mainly the GBER and the general *de minimis* rules set out in Regulation (EU) No 1407/2013) to seek State aid clearance for non-agricultural investments, whereas the agricultural State aid rules are applied only to very limited extent[68].

The assessment of the potential impact on competition and trade was done by simulating counterfactual scenarios (with or without support) based on accounting information provided in case studies in four Member States. This was complemented by interviews with beneficiaries, competitors and managing authorities.

The case studies covered investments in processing of agricultural products into a great variety of non-agricultural products (notably bread and bakery products, including gluten-free products, craft beers, distilled products (coriander oil), fruit drinks, ice cream, meat products, potato snacks). Many projects were innovative and often concerned niche markets.

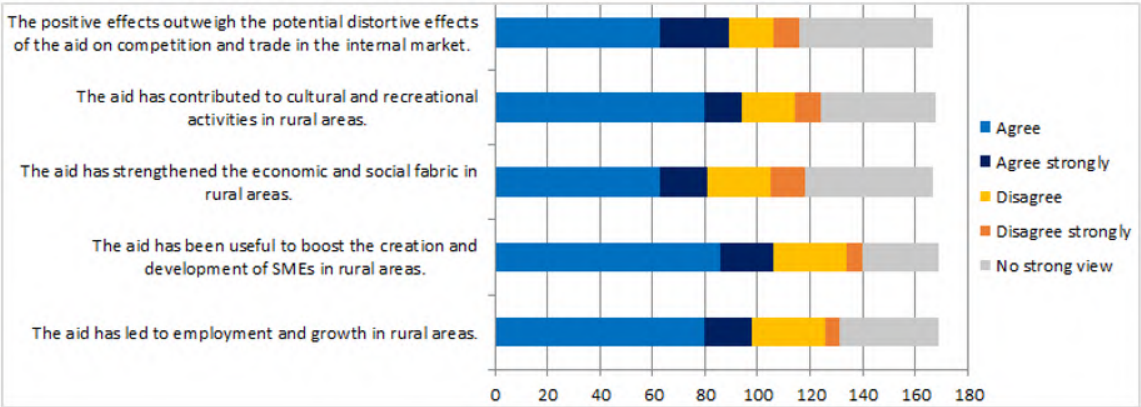
The scarcity of relevant data made it difficult to assess distortive effects on trade. As many projects concerned niche markets and very specific products, no statistics were publicly available on trade in the EU. It was however concluded that the aid is unlikely to have distortive effects on competitors or to have an impact on the internal market, for the following reasons:

- the aid beneficiaries are almost exclusively SMEs;
- the allowed aid intensities are as low as 10-20% (unless the investment takes place in a region with constraints such as sparsely populated, less developed or transition regions, for which higher aid intensities may apply);
- the size of the investment projects were small and the aid of the large majority of the projects amounted to less than EUR 2 million;
- support for the same type of investments is available in a majority of Member States' rural development programmes.

Moreover, the projects were funded under rural development programmes and contributed to rural development priorities, by promoting a food chain organisation with processing and marketing of foodstuff, in particular by ensuring a better integration of farmers in the agri-food chain and by promoting resource efficiency[69].
The response to the public consultation regarding the rules on aid for non-agricultural activities was weak. However, among those who responded, a vast majority took the view that the aid has favoured the creation and development of SMEs in rural areas and has thus had a positive impact on employment and growth as well as on the social fabric in those areas.

Figure 8. Statement by stakeholders on State aid in rural areas

[68] Member States have a choice between various State aid instruments.
[69] The support study illustrated this by referring to measures supporting local and regional investments projects under the Finnish, German and Spanish rural development programmes.



Source: Public consultation

Based on the various (internal and external) sources, the evaluation confirms that the State aid rules are effective in preventing distortive impacts on competition and trade. The fact that Member States often use GBER instead of ABER as a State aid basis for measures in rural areas (see under section 5.4.5 below) also underpins that the sector specific rules are not overly favourable and thus their potential for distorting competition is limited. Moreover, any potential impact on competition and trade is balanced by the contribution of the aid to the creation of growth and jobs in rural areas.

5.2.4. Conclusions

The overall conclusion drawn from case-handling practice, case-studies and the response to the public consultation is that that the current State aid rules have proven to be largely effective in achieving their objectives. The evaluation confirms that the rules have reached the Treaty objective of minimising the impact of domestic support on the functioning of the internal market. The analysis of specific aid measures also suggests that the positive effects of those measures largely outweigh any negative effect that they might have had on competition and trade, in the sense that the aid has helped achieving the rural development objectives of viable food production, a sustainable use of resources in both agriculture and forestry as well as the creation of growth and jobs in rural areas. The analysed aid measures also seem to have achieved their societal objectives in terms of protecting public and animal health and contributing to the ecological development of the forestry sector. Overall, the evaluation shows that the current rules surpasses the baseline scenario when it comes to ensuring the predictability and legal certainty in State aid control.

However, the evaluation also revealed some elements that may need further clarification or fine-tuning in the context of the upcoming revision of the rules in order to enhance their effectiveness.

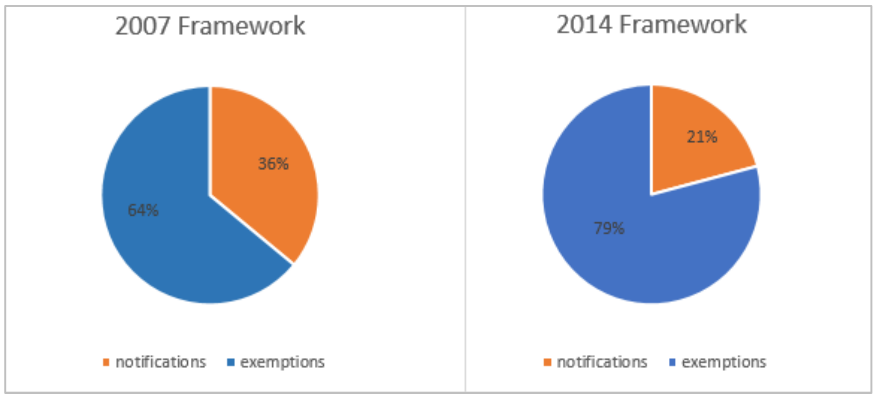
5.3. EFFICIENCY

This section evaluates the efficiency of the agricultural State aid rules. Besides analysing how the State aid rules per sector have performed in relation to the procedure for obtaining State aid clearance, it looks in particular at whether the rules have led to an overall simplification and reduction of administrative costs compared to the baseline scenario.

It is in this context important to understand how block-exempted versus notified aid measures work in praxis. In the case of exemptions, the Member State designs its project to be fully in line with all the conditions of the ABER, which implies that the measure is *per se* compatible with the internal market. The Member State can then implement the aid measure without having to seek the Commission's approval[70]. Notified measures, on the other hand, require the Commission's assessment of the compatibility of the aid with the internal market and cannot be implemented without first being authorised by the Commission.

In-house data show an overall increase in the number of exemptions under the ABER and a decrease of notifications under the Guidelines, since the enlargement of the scope of the ABER in 2014. The larger ABER uptake implies that State aid measures are processed more rapidly than what would be the case under the baseline scenario, since aid measures under the ABER do not require any Commission decision before being implemented. This also has an impact on the undertakings benefitting from the measure, because they get access to aid faster. The figure below indicates the share of notifications and exemptions under the previous State aid framework established in 2007 and those of the current State aid framework established in 2014, subject of the evaluation.

Figure 9: Share of notifications under the Guidelines and exemptions under the ABER

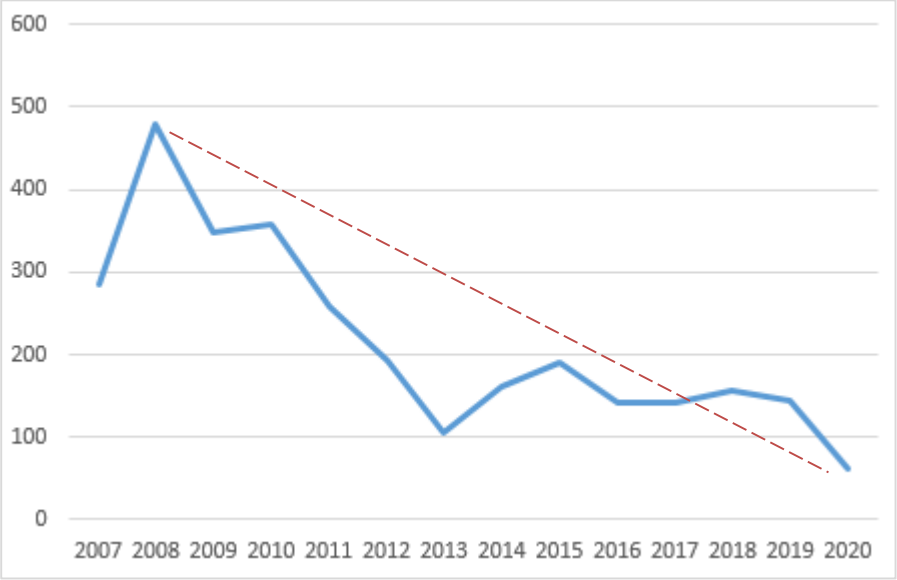


In-house data also suggest that the Commission's case assessment process has become more efficient, in the sense that the average number of days required for handling notifications in the period 2014 to 2020 has shortened considerably compared to the previous period. The length of case-handling is illustrated by figure 10. The deviations in years 2013 and 2020 from the overall trend can be explained by the use of simplified

[70] The ABER provides for an ex-ante check, but this is only a service offered to Member States and does not prevent the implementation of the aid (see also footnote 45). Otherwise, the Commission carries out an ex-post check of exempted aid based on samples.

notification procedures to extend existing aid schemes that otherwise would have expired at the end of those years[71].

Figure 10: Length of the notification procedures in the period 2007 to 2020 (number of days)



Source: COMP data

5.3.1. The agricultural sector

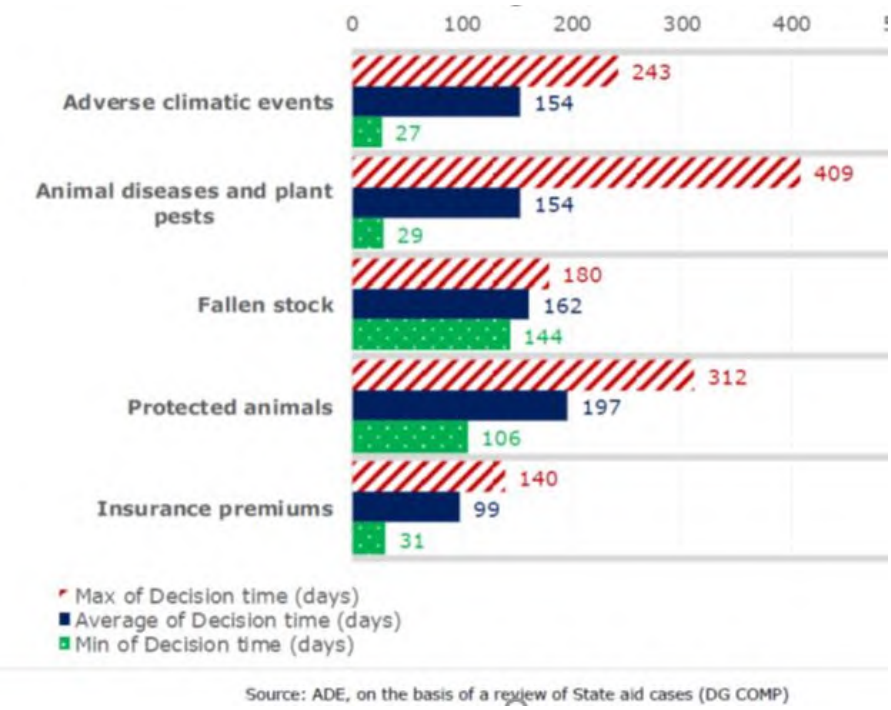
The assessment mainly looked at Member States' choices as regards which State aid instrument to use in terms of efficiency considerations as well as the time that Member States and the Commission services spend on State aid procedures. Most of the current aid measures in agriculture fell within the scope also of the previous State aid instruments applicable in the period 2007 to mid-2014. The only major change, compared to the baseline scenario, was the inclusion in the Guidelines of aid to make good damage caused by protected animals and aid for closing production capacity.

Statistics and interviews with national authorities show that State aid procedures in the field of agriculture, including preparations within the Member State, are at an acceptable level. It takes the Commission on average five months from the notification to adopt a decision. However, the length of that procedure is strongly influenced by the quality of the notification and the need to obtain further clarification and information from the Member State.

The support study showed that the average length of notification procedures for risk management aid is more or less the same (ranging from 3.3 months for aid for insurance premiums to 6.5 months for aid regarding protected animals) as for other aid categories within the agricultural sector, as illustrated by figure 11. The slightly longer average duration for approving aid to make good damage caused by protected animals can be explained by the learning curve for both national authorities and the Commission services since this aid measure was included in the Guidelines only in 2014.

[71] Member States were allowed to notify prolongations of schemes in one single block-notification, on the basis of which the Commission adopted one single authorising decision.

Figure 11: Average length of notification procedures for agricultural risk management measures



Source: ADE, on the basis of a review of State aid cases (DG COMP)

Statistics show[72] that Member States favour using the ABER and national authorities have explained that exemptions entail less administrative costs compared to notifications. According to the statistics on risk management aid measures, an average of seven aid schemes is exempted for every notified scheme. Also the response to the public consultation showed that notifications under the Guidelines are associated with heavier administrative costs than exempting aid under the ABER. The assessment suggests that some Member States may even adapt their schemes to fit the rules of the ABER in order to escape the notification obligation.

Interviews with Member States' authorities showed that the main reason for notifying aid under the Guidelines is to extend the scope of the aid scheme to large undertakings. Some Member States also notify aid to meet specific needs that are not covered by the ABER or to ensure legal certainty.

Member States' authorities also confirmed that the inclusion of compensation for damage caused by protected animals in the Guidelines has facilitated notification, which is supported by statistics showing that the aid is widely used[73], but highlighted that procedures remain burdensome as the ABER does not apply to this category of aid.

The evaluation thus concludes that the efficiency of the State aid rules for agriculture is generally satisfactory, given that Member States have a choice between the ABER and the Guidelines and make that choice based on efficiency considerations. However it poses questions as regards the need to notify aid for compensation of damage caused by protected animals.

[72] See section 3.1.

[73] Up to 31 December 2020, a total of 52 measures in relation to damage caused by protected animals had been notified to the Commission (Source: COMP data).

5.3.2. The forestry sector

The assessment of whether the State aid rules for forestry have become more efficient compared to the baseline scenario mainly looked at the inclusion of rural development support measures for forestry in the scope of the ABER.

In that regard, the evaluation partly drew its conclusions from the case studies conducted on aid for forestry risk prevention and investments in forestry technologies. A large majority of Member States (24 out of 28) implement such forestry aid measures and do so mainly under the rural development programmes. The support study showed that the ABER is widely used for such support and interviews with Member States' authorities also confirmed that the inclusion of forestry measures in the ABER is perceived as a real simplification compared to the baseline scenario. For instance, as many as 66 schemes supporting investments in forestry technologies have been exempted under the ABER since 2014.

However, the scope of the ABER is limited to forestry measures co-financed under rural development programmes. State aid for forestry financed exclusively by national funds must still be notified under the Guidelines (with a few minor exceptions).

The evaluation study showed that the rules of the agricultural Guidelines and their application are perceived as cumbersome. This was in particular the case of some decentralised Member States, where umbrella forestry schemes were notified for all regions and where it took the Commission considerable time to adopt the authorising decision. Some Member States (Finland and Ireland, and a few regions in France, Germany and Italy) nevertheless favoured notifying forestry aid under the Guidelines. The main reason for this was that they wished to finance the aid measures exclusively by national funds, instead of including them in their rural development programmes, in order to escape the budgetary constraints and administrative costs (e.g. management and control of expenditures) associated with rural development support. As a simpler option to notification, some of the Member States granted aid under the *de minimis* aid rules.

The evaluation thus concludes that the inclusion of rural development support measures for forestry in the scope of the ABER has significantly improved efficiency compared to what would have been the case under the baseline scenario, but that the need to notify forestry measures financed exclusively by national funds continues to give rise to lengthy procedures.

5.3.3. Non-agricultural activities in rural areas

Regarding aid for non-agricultural activities in rural areas, efficiency is the most central of the five evaluation criteria. This is because the sole reason for extending the scope of the agricultural State aid framework to such aid was to speed up the State aid control of support under rural development programmes (see section 2.2 on the baseline scenario). The provisions in this area are thus a simple blue-copy of the rules on aid co-financed by the EAFRD or granted as top-ups to such co-financed measures.

Rural development support covers not only investments in the processing of agricultural products into non-agricultural products but also diversification into other non-agricultural activities, for example agro-tourism. Support for the latter activities is covered by the scope of the agricultural Guidelines but not by the scope of the ABER.

Member States can still choose to apply other State aid instruments, such as the GBER[74], to obtain State aid clearance for this type of rural development support. The analysis therefore focused on whether the enlarged scope of the agricultural State aid framework has facilitated the implementation of rural development support.

The conclusion is that the efficiency impact is moderate. Support for processing of agricultural products into non-agricultural product was exempted under the ABER in only 16 out of 55 rural development programmes. There were no notifications under the agricultural Guidelines. Instead, Member States continued to use the State aid instruments already used in the past, in particular the GBER and the general *de minimis* rules.

The effects of extending the scope of the ABER to aid for the processing of agricultural products into non-agricultural products are therefore limited. Member States' authorities nonetheless expressed their dissatisfaction with the fact that rural development support for diversification into activities such as agro-tourism still falls outside the scope of the ABER and thus requires notification.

The evaluation therefore finds that efficiency in this area has improved, compared to the baseline scenario, but only to a limited extent.

5.3.4. Overall simplification

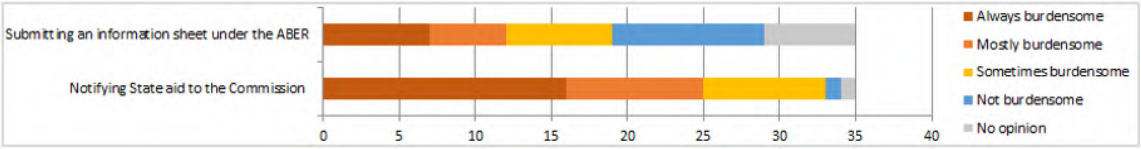
The evaluation of the overall simplification and reduction of administrative costs was to a certain extent based on qualitative assessment, because of a lack of quantitative data. In the public consultation, Member States' authorities were asked to provide estimates of the administrative costs associated with State aid procedures under, respectively, the ABER and the Guidelines. However, the response was limited and did not allow for any reliable measurement.

By nature, exempting State aid under the ABER is a simpler and more efficient approach than notifying aid to the Commission. Therefore, an increased use of the ABER can already be seen as an indication for achieved simplification. While in the period January 2007 to June 2014, 64% of cases were block-exempted under the previous ABER and 36% notified under the previous Guidelines, the uptake of the ABER was considerably increased in the evaluation period, with a total of 79% of all State aid cases being block-exempted in the time frame July 2014 until end of December 2020.

As could be expected, Member States' authorities associate the notification procedure with a heavier workload than exempting aid under the ABER. Notifying aid under the Guidelines is considered, by almost half of the public authorities, always burdensome, for one third mostly burdensome and for one fourth sometimes burdensome (see Annex 2). Submitting an information sheet under the ABER is generally considered to be less burdensome (figure 12).

Figure 12: Perception of MS authorities on the administrative burden related to State aid procedures

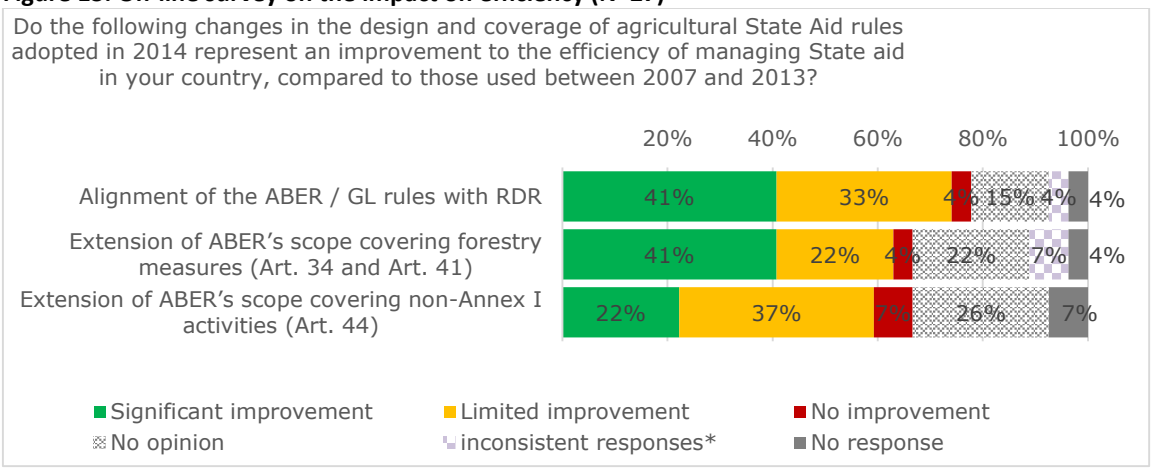
[74] See section 5.4.5.



Source: Public consultation

Both the support study and the response to the public consultation confirmed that the widening of the scope of the ABER has largely achieved its simplification objective and allowed for efficiency gains, compared to the baseline scenario, in terms of time savings and reduction of the administrative costs associated with State aid procedures. This is particularly true for the inclusion in the ABER of rural development support for forestry, whereas the inclusion such support for non-agricultural activities had a rather modest impact.

Figure 13: On-line survey on the impact on efficiency (N=27)



Source: ADE

As regards the impact on undertakings, speedier procedures mean faster access to aid. There are no administrative costs for undertakings other than those associated with the requirement to show that the aid has incentive effect. For SMEs, this means having to make an aid application indicating the name and size of the undertaking, a description of the project or activity, location, start and end dates, the amount of aid needed and the eligible costs. Large undertakings have to describe in their applications the situation without aid and to submit documentary evidence in support of that counterfactual scenario. Some undertakings consider those requirements to be burdensome, but it should be kept in mind that receiving State aid is a benefit and not an obligation imposed on them. Compliance with eligibility and compatibility conditions is necessary to safeguard the ultimate objective of State aid control, namely to minimise the potential distortive impacts of aid on the internal market.

However, interviews with Member States and the response to the public consultation indicate that some conditions set out in the agricultural State aid Guidelines could be simpler. The incentive effect requirement is frequently cited as causing difficulties, in particular for aid paid in the form of subsidised services. Member States also find that some aid categories (e.g. cooperation and LEADER projects) are particularly difficult to manage because of their multidimensionality and the many actors involved. Case handling experience reveal similar difficulties and has identified some further flaws linked to the eligibility conditions set out in the Guidelines.

The main issues identified are the following:

a) Obsolete or partly outdated rules

Conditions linked to the Common Market Organisation (CMO)

Aid for investments in the agricultural sector is subject to the condition that it must not lead to an increase in production beyond the restrictions or limitations imposed by the CMO (e.g. quotas for milk and sugar production). That condition has become obsolete, since the production restrictions have been removed from the CMO in the context of the market orientation of the CAP.

Conditions for aid to irrigation investments

State aid for investments in irrigation on agricultural holdings are subject to very detailed eligibility conditions, which reproduce those laid down in the rules on rural development support. However, several of those conditions have become outdated over time.

Simplified cost options

Article 67 of Regulation (EU) No 1303/2013 on common provisions on EU investments and structural funds[75] provides for the use of simplified cost options subject to certain conditions. In the light of that provision, the ABER, as amended in 2017, sets out explicit provisions on the possibility to use simplified costs options for aid co-financed by the EAFRD. However, there are no similar explicit rules in the Guidelines, although simplified cost options have been accepted by way of interpretation. The lack of clarity gives rise to frequent questions from Member States authorities.

b) Unclear legal definitions or terms

The following definitions or terms give rise to recurring interpretation requests:

Protected animals

The Guidelines provide for the possibility to compensate damage caused by wildlife to both agriculture and forestry. The provisions applicable to agriculture refer to damage caused by "protected animals" (defined as "animals protected either by Union or national legislation"). Some Member States have difficulties applying the definition of protected animals, especially as regards animals that are not fully protected but are the object of a certain degree of protection under national legislation.

Definition of Small and Medium sized Enterprises (SMEs)

[75] Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006 (OJ L 347, 20.12.2013, p. 608).

The SME definition causes difficulties in relation to municipalities, which must be considered large undertakings, regardless their actual size, and are thus required to submit a counterfactual scenario when applying for aid. That can dissuade small municipalities from seeking aid for investments in local infrastructure or in the forestry sector because of the costs and efforts involved in setting up such a scenario.

Promotion and advertising

In previous State aid rules, a distinction was made between promotion actions (i.e. any action aiming at providing information about agricultural products) and advertising campaigns (i.e. any action encouraging consumers to buy agricultural products). Within the concept of advertising, a further distinction was made between ordinary advertising, where a reference could be made to the origin of the product, and generic advertising, where no reference to the origin of the product was allowed.

In the 2014 State aid framework, promotion and advertising have been merged into one single concept called "promotion", for the sake of coherence with the terminology used in Regulation (EU) No 1144/2014 on promotion of agricultural products[76]. Moreover, the definition of what used to be called generic advertising has become ambiguous due to the absence of a clear description of the generic character of an action and the presence, in the Guidelines, of an additional phrase stating that the promotion action has to be for the benefit of all producers of the type of product concerned.

Because of those changes, Member States have had difficulties in determining whether the promotion measures they intended to implement were promotion or advertising actions according to the old definitions used and whether what they considered as advertising was generic or not. They also have problems in identifying the applicable aid rates (the aid rate for ordinary advertising is 50 %, whereas it is 100% for promotion actions and generic advertising according to the previous definitions).

c) Overly complex aid measures

Subsidised services

Regarding aid for subsidised services, (e.g. knowledge transfer and information actions, advisory services, replacement services, keeping of herd books, removal and destruction of fallen stock, carrying out of tests, etc.), Member States' authorities have difficulties to distinguish between the aid recipient (i.e. the service provider) and the final beneficiaries (i.e. the undertakings to which the service is provided). They often also have difficulties in identifying the final beneficiaries, especially where the potential scope is very broad like in the case of promotion measures or information actions.

[76] Regulation (EU) No 1144/2014 of the European Parliament and of the Council of 22 October 2014 on information provision and promotion measures concerning agricultural products implemented in the internal market and in third countries (OJ L 317, 4.11.2014, p. 56).

5.3.5. Conclusions

The evaluation of efficiency concludes that the revised rules introduced in 2014 have had an overall positive simplification impact, compared to the baseline scenario. However, there are still some short-comings that should be addressed under future State aid rules to improve the efficiency of State aid control and do away with unnecessarily unclear or complex provisions under the agricultural State aid Guidelines.

5.4. COHERENCE

This section evaluates the coherence of the agricultural State aid framework with other EU policies and legislations, in particular the rural development policy under the CAP.
The evaluation also looked at whether the State aid rules are coherent with the EU veterinary and public health policy and with the rules laid down in Regulation (EU) No 652/2014 on the management of expenditure relating to the food chain, animal health and animal welfare, plant health and plant reproductive material.

5.4.1. The agricultural sector

One of the key objectives of the agricultural State aid framework is to ensure consistency and coherence with the CAP and, in particular, the underlying objectives of the rural development policy in terms of viable food production, efficient and sustainable use of resources and intelligent and sustainable growth. The revised rules introduced in 2014 therefore mirror, to a large extent, the CAP rules applicable to support for rural development, as already pointed out above. State aid case-practice is also aligned, as far as possible, with the interpretation of the rural development legislation. Coherence with the CAP is therefore an inherent element of the State aid rules for the agricultural sector.

However, self-standing State aid rules apply to aid for risk and crisis management. In this area, the evaluation focussed on coherence with EU and national veterinary and public health policies. The case studies carried out in that context confirmed the coherence of the State aid rules for combatting animal diseases and plant pests with EU legislation and national policies. The studies nevertheless showed some variation between Member States as regards the relationship between measures financed exclusively by national funds and interventions co-financed by the EU under Regulation (EU) No 652/2014. In some Member States, State aid is used to co-finance EU programmes to cover costs that are not eligible under that regulation, such as compensation for restocking costs. Other Member States use State aid to finance measures falling outside the scope of EU co-financed programmes, but which are still coherent with the rules of Regulation (EU) No 652/2014, for example aid for vaccination campaigns at regional level in Spain. The support study also confirmed that State aid for the disposal of fallen stock are aligned with the rules of the "Animal by-products Regulation (EC) No 1069/2009.

Member States can subsidise insurance premiums under both State aid rules and rural development rules. However, the latter are slightly stricter and the study confirmed that most Member States prefer to finance such subsidies exclusively by national funds in accordance with State aid rules.

The response to the public consultation showed that 27% stakeholders find the State aid rules to be fully or largely coherent with the EU veterinary and public health policy, whereas 21% agreed to some extent.

The evaluation thus concludes that the rules on State aid for the agricultural sector are largely coherent with both the CAP and the EU veterinary and public health policy.

5.4.2. The forestry sector

The evaluation focussed on whether the State aid rules for forestry have become more coherent, compared to the baseline scenario, with the rules on co-financed rural development measures and national top-ups.

The support study used a qualitative approach to assess this issue. It first compared legal frameworks and then validated the findings through interviews with national authorities in the case studies and the outcome of the online survey. The comparison of rules showed a significant improvement compared to the baseline scenario, which is the obvious result of the almost complete alignment between the State aid rules introduced in 2014 and the underlying rural development rules. Moreover, coherence with other EU policies/legislation mostly depends on the effects of that alignment.

The study nevertheless identified some slight differences at the level of both eligible costs and aid intensities. Working capital linked to a new investment in forest technologies is an eligible cost in rural development but not under the State aid rules. This is because aid for working capital constitutes operating aid, which is generally prohibited under the agricultural State aid framework. Member States therefore have to use the *de minimis* aid to obtain State aid clearance if they wish to subsidise working capital. Moreover, the maximum aid rate for some investments in less developed regions (e.g. investments in new technologies) is slightly lower (50%) than the aid rate provided for in the rural development regulation (65%).

However, the interviewed national authorities did not find the differences to be much of a constraint or blocking factor for the implementation of rural development support. It was generally considered that the differences had not influenced the design of support measures and that the aid beneficiaries were not even aware of the differences in aid rates.

The evaluation thus concludes that the rules on State aid for the forestry sector are largely coherent with the rural development rules under the CAP.

5.4.3. Non-agricultural activities in rural areas

The evaluation assessed only the coherence between State aid rules and rural development rules, given that aid for non-agricultural activities in rural areas are included in the agricultural State aid framework only to facilitate the implementation of rural development support measures. To achieve this, tailor made provisions were included in the ABER and the Guidelines for measures co-financed by the EAFRD. Coherence with other EU policies/legislation is just the knock-on effect of that alignment.

The support study showed that the alignment of State aid rules with rural development legislation led to an almost complete coherence with the CAP, compared to the baseline scenario. There are some differences in aid rates, but they stem only from the necessity to stay in line with the State aid rules on regional aid (as also reflected in the GBER) under which the Commission may also authorise national support for non-agricultural investments).

The evaluation therefore concludes that the current State aid rules are fully coherent with the rural development rules under the CAP.

5.4.4. Overall coherence with other EU policies and legislation

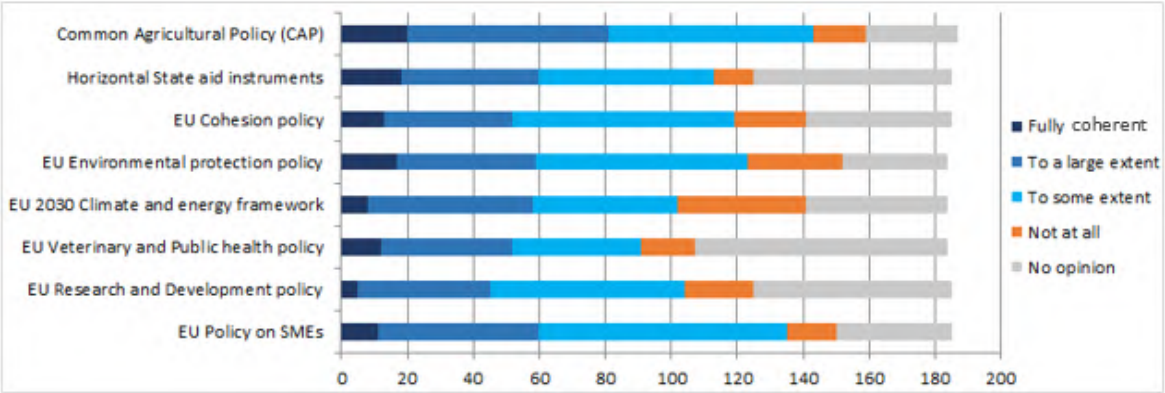
To sum it up, coherence with other EU policies and legislation is largely dependent on the alignment of the State aid rules with CAP legislation.

The close link to the CAP has a particular impact on the coherence between State aid rules and the EU environmental protection policy. State aid rules with climate- and environmental objectives fully mirror the rural development rules. However, in addition, the State aid Guidelines require that Member States in their State aid notifications make an assessment on whether or not the aided activity is expected to have any environmental impact. If there is such an impact, the Member State must demonstrate that the aid will not result in an infringement of EU environmental protection legislation. Moreover, all notified State aid measures with a potential impact on environment are submitted to DG Environment for further scrutiny in the context of interservice consultations.

In the public consultation, 44% of the stakeholders considered the State aid rules to be fully or largely coherent with the CAP legislation, while 33% agreed to some extent. Regarding coherence with the EU environmental protection policy, 32% fully or largely agreed while 35% agreed to some extent.

It should also be noted that one of the objectives of the 2014 reform was to bring agricultural State aid rules in line with horizontal objectives of the State Aid Modernisation (SAM) initiative (see section 2.2). This has been achieved to a large extent. The objectives of the SAM and its ensuing common principles were integrated in the current agricultural State aid framework. Around 62% of stakeholders recognized in the public consultation that agricultural State aid rules are (at least to some extent) now coherent with horizontal State aid rules.

Figure 14: Perception of stakeholders on coherence of State aid rules with EU policies



Source: Public consultation

5.4.5. Coherence with horizontal State aid instruments

The State aid framework for agriculture, forestry and rural areas is coherent with the GBER and the Regional Aid Guidelines[77], which are the most relevant horizontal State aid instruments for the sectors concerned.

[77] Guidelines on regional State aid for 2014-2020 (OJ C 209, 23.7.2013, p. 1).

The GBER fully applies to processing and marketing of agricultural products, forestry and any non-agricultural measures in rural areas (i.e. the sectors covered by the instruments under review). Its applicability is, however, limited for the primary production of agricultural products. This stems from the specificities of this sector[78] and the need to define generally lower aid ceilings to avoid possible distortion of competition. Therefore, primary agricultural production is excluded from the scope of several GBER measures.

Within these limits, Member States have a choice either to apply the more tailor-made measures in the State aid framework for agriculture, forestry and rural areas, or to apply horizontal State aid rules. This is spelled out in Article 1(2) of the ABER.

The Guidelines include all horizontal SAM requirements (in particular the common assessment principles) and the ABER mirrors the horizontal GBER provisions.

Notification thresholds under the ABER are aligned to those for SME investment aid under the GBER (with specific lower ceilings for primary agriculture production).
For measures in rural areas (i.e. which fall outside agriculture and forestry), the sector specific framework is aligned with the horizontal rules in order not to undermine those rules. In particular, when investment aid is involved, both ABER and Guidelines provide for aid intensities, which are in line with the GBER and the Regional Aid Guidelines respectively.

As explained above, Member States have a choice to apply either the sector specific rules or the horizontal State aid rules. Especially for measures in rural areas, they sometimes opt to use the GBER. This is rather a good sign as it shows the coherence of the two instruments and confirms that no "shopping around" for more favourable conditions in the sector specific instruments takes place.

5.5. EU ADDED VALUE

This section evaluates the overall added value of the existence of State aid rules for agriculture, forestry and rural areas.

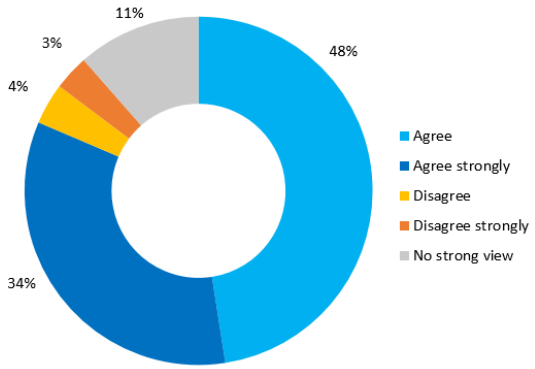
As a starting point, it should be recalled that State aid rules, as part of the competition policy, are enshrined in the Treaty and that their added value results from the fact that, if the Commission had not adopted tailor made State aid provisions, it would have had to assess national support measures only at the basis of the Treaty. In the absence of State aid guidelines, frameworks and regulations, Member States would have had to notify, one by one, all planned State aid measures and the Commission would have had to assess them directly under 107 TFEU and take individual decisions on each notification. The mere existence of specific State aid rules thus intrinsically reduces administrative costs for both Member States' authorities and the Commission services.

In addition, the Commission State aid rules allow Member States and potential beneficiaries to know *ex-ante* the rules that the Commission will use to assess the compatibility of notified aid with the internal market. This guarantees predictability and increases the legal certainty of State aid control.

[78] The sector of primary agricultural production (classical farming activities) is very small structured with the vast majority of undertakings being small or even micro enterprises.

This is also true for the agricultural State aid framework. The evaluation shows that it allows Member States to grant State aid in a common and transparent manner and thus ensures predictability, transparency and legal certainty for both Member States and undertakings. In their absence, Member States could take different approaches leading to market distortion and unequal treatment. The evaluation also shows that the State aid rules introduced in 2014 has strengthened the coherence with the rural development rules under the CAP, thereby facilitating public intervention to respond to the specific needs of farmers and foresters, while still providing sufficient safeguards to minimise potential distortive impacts on competition and trade on the internal market. In the public consultation, an overwhelming majority of the respondents (82%) agreed that there is EU added value in having a common framework of detailed rules for assessing the compatibility of State aid with the internal market.

Figure 15. Stakeholder perception on the EU added value of the State aid framework



Source: Public consultation

The evaluation thus concludes that the agricultural State aid framework adopted by the Commission provides clarity, stability and predictability for Member States when they design their aid schemes and that it also reduces administrative costs.

6. CONCLUSIONS

6.1. Relevance

The evaluation concludes that the agricultural State aid framework set up in 2014 has until now adequately met the needs of farms and foresters and contributed to the achievement of rural development objectives under the CAP as well as other public policy objectives, in particular those related to environmental protection and veterinary and public health. The widespread use in terms both of number of aid schemes and expenditure also shows that the scope of the State aid rules is appropriate to meet those needs. However, the subsidiarity approach envisaged for the future CAP will be a challenge for the design of the next State aid framework. To remain relevant, the State aid rules will also have to contribute to the achievement of Green Deal objectives and in particular those of the Farm to Fork and Biodiversity strategies.

The overall conclusion is that the current State aid framework is relevant. Notably, it adequately meets the needs of the agricultural and the forestry sectors and contributes to achieving the CAP objectives of viable food production, sustainable use of resources as well as intelligent and sustainable growth.

However, some challenges, and in particular climate change and environmental concerns, have become more accentuated in recent years. These challenges are closely linked to the Commission's new political objectives, and in particular those under the European Green Deal, which set the goal of achieving climate neutrality at EU level by 2050, and the 2030 Climate Target Plan that raised the EU's ambition of greenhouse gas emissions reductions to 55% by 2030. In this context, the Farm to Fork Strategy and the Biodiversity Strategy are the most relevant of the recent Commission policy initiatives for the sectors concerned by the agricultural State aid rules.

The relevance of the State aid rules for the **agricultural sector** was assessed with particular focus on aid for risk and crisis management. This assessment took into account risks and crises such as adverse climatic events, animal diseases and plant pests. The evaluation showed that State aid rules still meet the needs of farmers to overcome financial difficulties caused by such events. It also showed that State aid is relevant for the protection of public and animal health and meeting environmental concerns. This was confirmed by case-handling practice, the public consultation and the evaluation support study. The evaluation nonetheless revealed some weaknesses in relation to aid to mitigate risks caused by animal diseases, for which the current provisions do not take into account emerging diseases. Moreover, the provisions on eligible costs do not always allow for full compensation of income losses and require products to be destroyed even if they could still be put to some sort of use.

The relevance of the State aid rules for the **forestry sector** was mainly assessed in relation to whether those rules meet the forestry objectives defined by the rural development policy under the CAP. The evaluation support study showed that a large majority of the Member States implement aid for forestry and do so mainly under rural development programmes. Compatibility conditions, eligible costs and aid intensities are perceived to be overall adequate. However, smaller rural municipalities and national parks face administrative difficulties in presenting the contra-factual scenarios required for the aid applications of large undertakings.

The rules on aid for **non-agricultural activities in rural areas** are relevant only in the sense that they facilitate the State aid procedures applicable to rural development support.

The evaluation further showed the State aid framework has the right tools to achieve the targets of the European Green Deal but that more can be done to contribute to the objectives of the Farm to Fork Strategy and the Biodiversity Strategy. There is in particular scope for initiatives to strengthen the incentive for farmers and foresters to invest in practices contributing to the achievement of initiatives taken under those three strategies.

Moreover, the subsidiarity approach envisaged in the Commission's proposal for the future Regulation on CAP Strategic Plans Regulation will be a challenge for the design of the next State aid Framework, given that CAP legislation will no longer establish any detailed eligibility criteria that the State aid rules could reproduce.

6.2. Effectiveness

As a whole, the current State aid rules have reached their objectives, in particular the overriding objective of minimising distortive impacts on competition and trade in the internal market. The analysis of specific aid measures also suggests that the positive effects of those measures largely outweigh potential negative impacts on competition and trade. Moreover, the alignment of the current State aid rules with rural development legislation and the common assessment principles introduced under the SAM has helped enhancing the predictability and legal certainty of State aid control. However, the evaluation has also revealed some elements that may need further clarification or fine-tuning in the context of the upcoming revision of the eligibility conditions.

The assessment focussed on how effective the State aid rules are in minimising potential distortive effects on competition and trade, for each sector. It showed that the potential distortive effects on competition and trade are overall negligible. To begin with, the aid beneficiaries in agriculture and forestry are almost exclusively SMEs. Aid amounts are generally small and low aid intensities mitigate aid measures with a higher potential for distortive impacts, such as aid for non-agricultural investments.

The evaluation therefore concludes that the State aid rules have reached their overriding objective of minimising potential distortive impacts on competition and trade. It also concludes that aid granted under the current State aid framework has effectively contributed to the development of the agriculture and forestry sectors in the sense that the aid has helped achieving the rural development objectives of viable food production, a sustainable use of resources and the creation of growth and jobs in rural areas. In addition, the aid has contributed to the achievement of societal objectives such as ecological development and public health. Overall, those positive impacts outweigh the limited negative impact on competition and trade.

Moreover, the alignment with the rural development legislation, including a higher level of detail under the current rules, has led to a more streamlined assessment of aid at both Commission and national level. The evaluation thus shows that the current State aid rules have surpassed the previous ones in terms of enhancing the predictability and legal certainty of State aid control.

However, the evaluation has also revealed some elements, in particular outdated or ambiguous rules, which may need further clarification or fine-tuning in the context of the upcoming revision of the rules in order to enhance their effectiveness.

6.3. Efficiency

The revision of the agricultural State aid instruments has at least partly reached its objective of simplification and reduced administrative costs. This was mostly achieved by including rural development support measures for forestry and non-agricultural activities in the scope of the ABER. However, notification of State aid under the Guidelines remains burdensome for Member States and sometime gives rise to lengthy procedures.

The evaluation looked at how the revised State aid rules have performed in relation to State aid procedures. In particular, it examined to what extent they have simplified those

procedures and led to a reduction of administrative costs compared to the baseline scenario.

For **agriculture**, the assessment shows that Member States favour using the ABER, as it means less administrative costs compared to notifying aid under the Guidelines. The main reason for notifying aid is to extend the scope of the aid scheme to large undertakings. Some Member States also notify aid in response to specific needs that are not covered by the ABER or to ensure legal certainty. The support study confirmed that the inclusion of compensation for damage caused by protected animals in the Guidelines has facilitated the notification of relevant measures by the Member States. However, it highlighted that procedures remain cumbersome for low levels of aid.

The inclusion of rural development support measures in the **forestry sector** in the scope of the ABER has significantly increased the efficiency of State aid procedures. The support study showed that the ABER is widely used and that Member States' authorities perceive this to be a real simplification. However, the scope of the ABER is limited to forestry measures co-financed under rural development programmes. Aid measures financed exclusively by national funds remain subject to the notification obligation. In that regard, Member States authorities find that the rules of the Guidelines and their application remain complex. The inclusion of rural development support measures for forestry in the scope of the ABER is therefore considered a success, whereas Member States find it demanding to have to fulfil the notification obligation applicable to measures financed outside the scope of rural development programmes.

As regards aid for non-agricultural activities, the evaluation shows that the impact on efficiency is moderate. The sole reason for including such aid in the scope of the agricultural State aid framework was to facilitate the implementation of rural development programmes. However, the support study showed that Member States continued to use the State aid instruments already used in the past, in particular the GBER and the general *de minimis* rules.

From an overall simplification point of view, the evaluation thus concludes that the revised rules have at least partly achieved their efficiency objectives. This is particularly true for the extended scope of the ABER, which has allowed for time savings and reductions of administrative costs. As to the impact on undertakings, speedier procedures mean faster access to aid. The revised agricultural Guidelines are seen as a simplification to a lesser extent as Member States' authorities still associate the notification process with a heavy workload and lengthy procedures. The evaluation has thus revealed some flaws to be addressed under future State aid rules in order to improve the efficiency of State aid control and do away with unnecessarily unclear or complex provisions.

6.4. Coherence

The agricultural State aid rules are overall coherent with the other EU policies. In particular the almost complete alignment between State aid rules and the rural development rules has reached its objective of ensuring coherence with CAP objectives and legislation. Coherence with the State Aid Modernisation (SAM) initiative has also been achieved, by integrating the SAM objectives and its ensuing common principles in the agricultural State aid framework.

The evaluation shows an overall coherence between the agricultural State aid framework and other EU policies and legislations.

In particular the alignment of the State aid rules with the rural development rules has fully reached the key objective of ensuring consistency and coherence with the CAP. This is the obvious result of the almost complete alignment between the State aid rules introduced in 2014 and the underlying rural development rules. Although the support study identified some slight differences in eligible costs and aid intensities in the areas of forestry and non-agricultural investments, interviewed national authorities did not see those differences as a major constraint or blocking factor.

The close link to the CAP also influences the assessment of coherence between State aid rules and the EU environmental protection policy. This is because State aid rules with climate and environmental objectives mirror the rural development provisions.
Besides assessing the coherence with the CAP, the evaluation also compared the rules on State aid for risk and crisis management in agriculture with those laid down under EU veterinary and public health policy and legislation. Coherence was largely confirmed also in this field.

It should also be noted that one of the objectives of the 2014 reform was to bring the agricultural State aid rules in line with horizontal objectives of the State Aid Modernisation (SAM) initiative. This has been achieved by integrating the SAM objectives and its ensuing common principles in the current agricultural State aid framework.

The policy initiatives under the European Green Deal are highly relevant for the agriculture and forestry sectors as well as the rural areas. Given that the green transition is funded via different EU instruments – including the RRF in the future - a consistent application of the State aid rules across different instruments gets an increasing importance. The Commission's State aid decisions made on the basis of compatibility with the internal market - serves as an important filter contributing to complementarity among different funding instruments at Union level.

6.5. EU added value

The agricultural State aid framework has a clear added value as it ensures predictability, transparency and legal certainty. Thus, it allows Member States to grant State aid in a common and transparent way.

Overall, the mere existence of a tailor-made State aid framework has an EU added value; it reduces administrative costs and provides clarity, predictability, and legal certainty for both Member States and undertakings. It allows Member States to design aid measures on the basis of common and transparent compatibility conditions, which helps to prevent unequal treatment and market distortions.

The revised State aid rules reinforce the EU added value as they ensure consistency with the rural development measures co-financed under the CAP and facilitate State aid control of those measures.

6.6. Lessons learned

As highlighted in Sections 6.1 to 6.3 above, there are some lessons to be learned from the past six years of application of the State aid instruments under review.

- **The scope of the ABER**

It is an undisputed finding that the obligation to notify aid to the Commission implies administrative costs and, sometimes, lengthy procedures before the Member State concerned is allowed to grant the aid. The Commission, in turn, has to use its limited resources to prepare decisions. In some cases, the process leads to a mismatch between the objectives achieved through these decisions, vis-à-vis the resources employed in their preparation. Against this background, the evaluation, drawing namely from the support study, concluded that widening the scope of the ABER has significantly improved the efficiency of the agricultural State aid framework. Hence, it also recommended to include further aid measures in the ABER, such as risk management aid for large undertakings as well as forestry measures not co-financed under rural development programmes. However, there are compelling reasons for keeping such aid under Commission scrutiny. In fact, the same reasons were strongly considered when the State aid rules were previously revised.

Aid for large undertakings increases the risk for market distortions. Aid measures that are not co-financed under rural development programmes must, under the Guidelines, undergo an assessment of potential environmental impacts. Member States must also prove that the aid will not result in an infringement of EU environmental protection legislation. There are no such stipulations in the ABER, for the simple reason that block-exempted aid has to be based on clear compatibility conditions not requiring any further assessment. Potential efficiency gains must therefore be carefully weighed against other criteria such as relevance and effectiveness. This is the task for an ensuing impact assessment.

- **Clarification needs**

The evaluation reveals that certain provisions of the Guidelines raises interpretation problems or are otherwise difficult to apply. The concerns are obsolete or partly outdated rules, unclear definitions and terms giving rise to recurring interpretation requests (e.g. the definition of protected animals) as well as overly complex requirements for subsidised services. These shortcomings should be duly taken into account in the upcoming Impact Assessment.

- **Weaknesses in availability of relevant data**

The evaluation revealed the lack of relevant quantitative data, especially data needed to assess the impact on competition and trade.

The general difficulty of gathering data in State aid control stems from the fact that the counterpart of the Commission is the Member States and information-gathering tools are limited. The information on Member States' expenditures, as summarised in the annual State aid scoreboard, is too general to allow for any concrete conclusions on market impacts. This is also partly because State aid in the agricultural and forestry sectors is usually granted under schemes with a large number of beneficiaries and covering several

types of aid measures. The external study commissioned to collect more quantitative market data gave limited results and its conclusions were largely based on a qualitative analysis. The difficulties is quantifying impacts therefore show that data collection needs to be improved for the future.

In that context, the evaluation acknowledges in particular the present lack of ex-post evaluations of State aid schemes at Member State level as well as the challenges that Member States have as regards conducting ex post assessments (no baseline, difficulties in identifying a counterfactual situation, no beneficiary monitoring system).

The current Guidelines give the Commission the possibility to require Member States to carry out an evaluation of schemes where the potential distortions of competition are particularly high. However, in order not to impose a disproportionate cost on Member States, the Guidelines also state that the evaluation requirement should be limited to aid schemes with large aid budgets, containing novel characteristics or when significant market, technology or regulatory changes are foreseen. This partly explains why the Commission did not ask Member States to evaluate any of the aid schemes authorised in the period 2014 to 2020, although in the case of some schemes it would have been duly justified.

For the future, there are various remedies to the data weaknesses that should be explored in the forthcoming impact assessment. First, the ex-post monitoring tool, which is used to check if the implementation of existing national aid measures actually complies with State aid rules, could be a source of more concrete information. Second, the ex-post evaluation, the Commission's possibility to request Member States to conduct evaluations of existing schemes, should be put to better use. At present, Member States have not carried out any such evaluations in relation to State aid in agriculture and forestry. Finally, the definition of additional relevant result/impact indicators will be envisaged.

- **Knowledge-sharing between Commission services and Member States**

The evaluation support study also revealed that measures could be taken to improve knowledge-sharing between the Commission services and the Member States' authorities when it comes to State aid for agriculture and forestry. To remedy this weakness, the Commission services will start to make better use of the Wiki-sites for interpretation questions in those sectors.

Annex 1: Procedural information

1. LEAD DG, DECIDE PLANNING/CWP REFERENCES

Lead DG: Directorate-General Agriculture and Rural Development until 10 June 2020; Directorate-General for Competition since that date.

Decide planning references:

DG AGRI: PLAN/2018/4730; PLAN/2018/4736

DG COMP: PLAN/2020/9341; PLAN/2020/9342

2. ORGANISATION AND TIMING

The present evaluation was a policy evaluation project included in the DG AGRI evaluation plan. It followed the Better Regulation guidelines with regard to evaluations. The evaluation carried was based on the Commission's internal assessment, case experience, data analysis, complemented by a public consultation and an external evaluation support study. The external study was contracted through an open call for tenders conducted in conformity with the DG AGRI procedure for the organisation and management of policy evaluations carried out by external contractors.

That project was supervised under the technical as well as the contractual management of AGRI unit C.4 in charge of Monitoring and Evaluation.

An Inter-service Steering Group (ISSG) was set up by the Commission on 20 March 2017, with the mandate to provide information, prepare the terms of reference, monitor the work of the external study team, discuss and give advice on the approval of the final report, comment on the draft evaluation SWD.

The ISSG was composed of the Secretariat-General of the Commission and DGs AGRI, BUDG, CLIMA, COMP, ENV, GROW, MARE, REGIO, SANTE and TRADE as well as the Joint Research Centre. The Steering Group started its meetings on 30 March 2017 and held seven meetings[79], of which the first six were dedicated to the interim and final reports delivered by the contractor chosen for the evaluation support study. The draft SWD was discussed in the ISSG meeting held on 25 May 2020. At the time of that last meeting, the responsibility for the SWD was still in the hands of DG AGRI. The file was subsequently transferred to DG COMP on 10 June 2020.

The evaluation roadmap was published on the 20 April 2017 and set out the context, scope and aim of the exercise. The roadmap presented the questions to be addressed under the five categories of effectiveness, efficiency, relevance, coherence and EU added value. During the feedback period on the roadmap, 2 contributions were received. These did not require changes of the approach towards the evaluation.

The evaluation support study carried out by the external contractor started on 18 December 2017. The final deliverable of the evaluation support study was received on 17

[79] The ISSG meetings were held on 30.03.2017, 04.05.2017, 19.12.2017, 09.02.2018, 02.03.2018, 28.08.2018 and 25.05.2020,

December 2018. The study report was published on 4 April 2019[80]. Subsequently, the Commission launched a 12-week open public consultation that took place between 26 April and 19 July 2019. The external support study, together with the outcome of the public consultation, provided the basis for this SWD.

On 1 January 2020, the competence in the field of monitoring State aid for the agriculture and forestry sectors and in rural areas was reattributed from DG AGRI to DG COMP. As a consequence, the responsibility for the draft SWD on the evaluation of the agricultural State aid instruments was transferred to DG COMP on 10 June 2020.

3. EXCEPTIONS TO THE BETTER REGULATION GUIDELINES

None.

4. CONSULTATION OF THE RSB (IF APPLICABLE)

The RSB scrutinized this evaluation SWD in the meeting held on 21 October 2020. The opinion of the board was positive. The comments raised have been addressed in the following way:

- Firstly, the revised draft clearer defines the scope of the evaluation and explains how it covers the full content of the ABER and Guidelines, in terms of both sectors and aid categories, while also clarifying why it was decided to scrutinize more closely some aid measures falling within that scope.
- Secondly, the intervention logic and baseline were redrafted together with the sections on assessment of efficiency and effectiveness in order to better show the links between objectives and evaluation analysis. In addition, data gaps are further explicited and evidence gained from case-handling experience is explained in more detail.
- Finally, the revised draft discusses in more detail how the current State aid framework could stay relevant and coherent in a future policy context, in particular the relation to the European Green Deal and the subsidiarity approach envisaged for the rural development policy under the future CAP Strategic Plans Regulation. It also identifies additional shortcomings to be taken into account in the upcoming impact assessment.

RSB recommendations	How the recommendations are taken into account
The report should clarify upfront what falls under the scope of the evaluation. It should better explain the rationale behind the choice of focussing on insurance and investment categories. This should include a clear presentation of the relation with the horizontal	Section 1 is amended to better explain that the evaluation covers the total scope of the aid rules under review, including giving a complete overview of the various aid categories falling within that scope. The amendments to section 1 also aim to better

[80] https://op.europa.eu/en/publication-detail/-/publication/e01b61f0-504f-11e9-a8ed-01aa75ed71a1

State aid rules, in particular where there is overlap with the sectoral framework. The report should clarify how the evaluation will inform the future reform of the State aid framework.	explain the choice to scrutinise certain measures more closely. Sections 5.2.2 and 5.4.5 have been redrafted in order to clarify the interplay between the sector-specific rules under review and the horizontal State aid rules. More detail is added to section 6.6 in order to better describe how the lessons learned from the evaluation could feed into the forthcoming revision of the rules.
The intervention logic identifies objectives and results/impacts, but lacks indicators against which to measure success. The report should clarify which baseline it uses and how it measures effectiveness and efficiency. The effectiveness analysis should go beyond the assessment of effects of the aid on the sectors concerned. It should also analyse to what extent the aid achieved its societal objectives, such as of ecological and economic development.	Sections 2.2 (baseline) and 2.3 (intervention logic) have been revised together with sections 5.2 and 5.3 on effectiveness and efficiency in order to better show what has been achieved under the 2014 State aid framework, compared to the previous rules and in relation to overall objectives. The effectiveness analysis in section 5.2 is enlarged to cover also the achievement of societal objectives. Lack of indicators and data made it difficult to quantify effectiveness achievements, but this has as far as possible been addressed in sections 4 and 5.
The report should clearly identify the lack of data to perform a more solid analysis and acknowledge the limitations of the results from the stakeholder consultation. It should point to the gaps in the current monitoring and evaluation provisions. This could help to address the lack of data for future evaluations. The report should also consider making better and more systematic use of the evidence gained from the extensive case handling experience.	The data gaps and the reasons behind are further detailed in sections 4 and 5 and in Annex I. Evidence gained from case-handling experience, which is the most valuable source of information for the present evaluation, is analysed in more depth in sections 4.2, 5.2 and 5.3.
The report assesses the relevance of the current rules mainly with regard to the current needs of the sector. It should also check the relevance of the current framework against the future policy context. The report should discuss and conclude on how the current rules are coherent with the European Green Deal ambitions and the revised delivery model of the future CAP.	The relevance of the current State aid rules in a future policy context is further explored in section 5.1, and in particular sub-sections 5.1.4.1 (CAP reform), 5.1.4.2 (Green Deal) and 5.1.5 (Recovery and Resilience Facility).
In light of the comments above, the conclusions should take into account the uncertainties due to the limited available evidence. The report should formulate more comprehensive lessons learned. It should define the challenges for the revision of the framework that will be further developed in the future impact assessment.	The flaws stemming from limited data availability are spelled out throughout this SWD. Section 6.6 is amended to point out the potential remedies to the lack of data; remedies that should also feed into the forthcoming impact assessment.

5. EVIDENCE, SOURCES AND QUALITY

INFORMATION SOURCES:

- In-house statistical data;
- Case-handling experience;
- Member States' annual reports;
- External support study;
- Online public consultation.

QUALITY:

The evaluation is based on the Commission's internal assessment, case handling experience and in-house data analysis of State aid statistics complemented by an evaluation support study, conducted by an independent external evaluator, and an open, internet based public consultation that ran from 26 April to 19 July 2019. These sources valuably complement each other.

However, limited data availability was a particular challenge. The general difficulty of gathering data in State aid control stems from the fact that the counterpart of the Commission in the proceedings is the Member States and information-gathering tools are extremely limited. Quantitative data on State aid expenditure is collected from Member States in the context of the State aid scoreboard based on annual reporting pursuant to Article 6(1) of Commission Regulation (EC) 794/2004. The most recently published data includes State aid expenditure until the end of 2018 (see also Section 4).

The assessment of effects on trade and competition was carried out qualitatively. In addition, concerning the public consultation, even though 190 replies received, this does not constitute a representative sample. These limitations were taken into account.

Annex 2: Stakeholder consultation

The open, internet-based public consultation ran from 26 April to 19 July 2019. Its aim was to gather the views of public authorities, stakeholders and EU citizens on the application of the agricultural State aid instruments and on their possible future design. The instruments concerned are the Guidelines for State aid in the agricultural and forestry sectors and in rural areas (the "Guidelines")[81] and the Agricultural Block Exemption Regulation ("ABER")[82]. Both instruments expire on 31 December 2022.

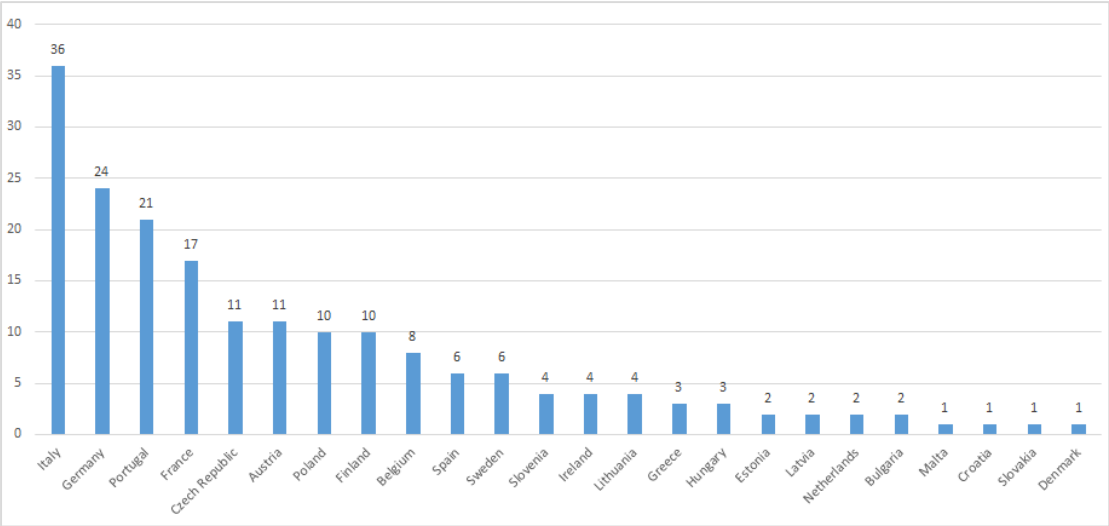
1. Results of the public consultation

The consultation questionnaire included closed and open questions on the performance of the current State aid rules, the State aid objectives to be pursued and the challenges for the future. Stakeholders could also submit position papers.

1.1. Overview of the respondents

The consultation received 190 contributions from respondents in 24 Member States. The majority of the replies came from respondents in Italy (36), Germany (24), Portugal (21), France (17), Czech Republic and Austria (11 each). The two largest categories of respondents were aid beneficiaries (55, of which 39 were undertakings active in the agricultural sector) and public authorities handling State aid (39). The other types of respondents were farmers' organisations (20) and foresters' organisations (15), public citizens (19, most of them farmers), NGOs (14), academics or other experts (13) and undertakings active in downstream sectors to agriculture and forestry (6).

Figure 1: Distribution of replies by country in absolute numbers



[81] EU Guidelines for State aid in the agricultural and forestry sectors and in rural areas 2014 to 2020 (OJ C 204, 1.7.2014, p. 1)

[82] Regulation (EU) No 702/2014 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 TFEU (OJ L 193, 1.7.2014, p. 1).

1.2. Overview of the key responses

The first part of the consultation concerned the overall performance of the current State aid rules, their coherence with other EU policies and the importance of various aid objectives. It also included questions on future challenges, tools to limit distortive effects on the internal market and potential for simplification. The second part of the consultation concerned specifically aid for each of the three areas falling within the scope of the ABER and the Guidelines, namely agriculture, forestry and non-agricultural activities in rural areas. The last part raised the question of EU added value and also allowed respondents to comment freely on the subject of the consultation.

The results, as summarised below, mirror to a large extent the response given to the inception impact assessment published in January 2019.

It has to be noted that replies to the specific questions as analysed below do not show any important variations depending on the respondent category (being it public authority, beneficiary of aid, NGO or general public, see also under section 1.1 above). In some cases, differences between respondent categories exist, that are inherent to the issues/sectors concerned[83].

1.2.1. General issues

1.2.1.1. Effectiveness and efficiency of the current State aid rules

The outcome was fairly positive as regards the State aid rules' performance in terms of ensuring a useful spending of taxpayers' money (50% fully/largely agree, 39% to some extent), coherence with Rural Development objectives (48% fully/largely agree, 32% to some extent) and a transparent, consistent and coherent handling of cases (46% fully/largely agree, 30% agree to some extent).

The rules also seem to have ensured legal certainty (44% fully/largely agree, 33% agree to some extent), created a level playing field for undertakings (39% fully/largely agree, 31% agree to some extent) and addressed market failures (27% fully/largely agree, 47% agree to some extent). They are also fully or largely clear, according to 32%, or clear to some extent, according to 44%.

On the negative side, more than half of the respondents (51%) consider that the rules have not led to a reduction of administrative costs for public authorities and slightly less than half of the respondents (38%) consider that the rules has not led to a reduction of regulatory burdens for aid beneficiaries.

1.2.1.2. Coherence of with other EU policies and legislation

[83] For instance for forester's organisations or beneficiaries in the forestry sector, the animal health and animal welfare issues are less known or relevant. For environmental NGOs climate change adaptation and mitigation are to over 90% very important objectives to be pursued.

In perceiving the coherence of the rules with other policies, replies are fairly balanced and no major incoherence emerges.

Slightly less than half of the respondents (44%) think that the agricultural State aid rules are fully or largely coherent with the CAP legislation, while one-third (33%) agree to some extent. About one-third also thinks that they are coherent with horizontal State aid instruments (32% agree fully/largely, while 29% agree to some extent).

Concerning coherence with other policies, the tendency is around one-third full or large agreement and one-third agreement to some extent: EU cohesion policy (28% agree fully/largely, 36% to some extent); EU environmental protection policy (32% agree fully/largely, 35% to some extent); EU 2030 climate and energy (31% agree fully/largely, 24% to some extent); EU veterinary and public health policy (27% fully/largely agree, 21% to some extent); EU research and development policy (28% fully/largely agree, 31% to some extent); EU policy on SMEs (32% agree fully/largely, 39% to some extent).

1.2.1.3. Importance of objectives pursued by the granting of State aid

As to the aid objectives pursued, a majority accorded very high importance to the competitiveness and viability of undertakings (63%), socio-economic development in rural areas (62%), sustainable use of natural resources (63%), climate change mitigation and adaptation (62% and 60% respectively), ecosystem services and biodiversity (61%), protection of public and animal health (53%) and sustainable forest management (53%). Fewer, but still almost half of the respondents, found it highly important to achieve access to knowledge and new technologies (49%), viable food production (47%), animal welfare (47%) and growth of the bioeconomy sector (41%).

The replies to the open questions are along the same line. A common theme is the importance of environmental and climate objectives. Stakeholders interested in forestry (mostly NGOs) emphasise the importance of the circular economy, carbon stocks and carbon sink capacity. In the agriculture sector, risk management seems to be one of the most important objectives for farmers and their associations.

It must be noted however that it is not yet possible to assess the potential impact the COVID-19 outbreak on the perceived importance of these objectives.

1.2.1.4. Important challenges to be pursued by the future State aid rules

Looking forwards, stakeholders consider the most important challenges for the future State aid rules to be useful spending of taxpayers money and avoidance of harmful environmental impacts rank first (76% and 74% respectively consider them as highly important).

Similarly, a majority sees highly important challenges in greenhouse gases and enhance carbon sinks (72%), biodiversity loss (69%), jobs and growth in rural areas (68%),

competitiveness and viability of undertakings (66%), adverse climatic events (66%) and generational renewal in rural areas (64%).

Slightly fewer, but still a majority, see highly important challenges in animal diseases and plant pests (57%), administrative costs and burdens (55%), societal demands on food and health (53%) and changes in production conditions and technology (50%). Damage caused by wild animals and market developments are the only two categories that less than half of the respondents find to be highly important (44% and 43%). However, looking only at the replies of public authorities and aid beneficiaries, 50% also see these challenges as highly important.

The main message drawn from the replies to the open question is that State aid rules must not undermine the subsidiarity approach envisaged for the future legal framework of the CAP, concerning support co-financed by the European Agricultural Fund for Rural Development (EAFRD) under the proposed Regulation on CAP Strategic Plans[84]. Challenges relating to environment and climate is another common theme. Many also asked for new types of aid measures and eligible costs, in particular with regard to risk management.

1.2.1.5. How to limit undue distortive effects on the internal market

Concerning the tools to limit undue distortive effects on the internal market, stricter conditions for large undertakings scored highest for 47% or the respondents, whereas maximum aid levels scored highest for 46%. Thereafter followed stricter conditions for investment aid for processing and marketing of agricultural products (35%), type of aid instrument (33%) and limitation of eligible costs (32%).

1.2.1.6. Potential for simplification under future State aid rules

The highest potential identified for simplification is clearer rules (67%), followed by simplified cost options (61%), streamlining with CAP strategic plans (56%) and simplified incentive effect requirements for subsidised services (52%). Around half of the respondents also see a very high potential in a simplified approach for cooperation (50%) and LEADER (46%).

As specifically concerns the ABER, one-third (36%) sees a very high simplification potential in extending the scope of the regulation and one fourth (27%) sees a very high potential in increased notification thresholds. However, both items score very high for a vast majority of the public authorities, which actually deal with State aid procedures (74% and 47% respectively).

Concrete suggestions for simplification came mainly from Member States' authorities. Recurring themes were the clarification of various legal concepts and definitions, simplified cost options, less prescriptive eligibility conditions, harmonised aid rates, a

[84] Proposal for a Regulation of the European Parliament and of the Council establishing rules on support for strategic plans to be drawn up by Member States under the Common agricultural policy (CAP Strategic Plans) and financed by the European Agricultural Guarantee Fund (EAGF) and by the European Agricultural Fund for Rural Development (EAFRD)

simplified approach towards subsidised services and more leniency for large undertakings. There were also strong demands for extending the scope of the ABER, for example (e.g. to all types of forestry measures and to aid relating to damage caused by wild animals). Some Member States also suggested including large undertakings in the ABER for aid measures of general public interest.

Otherwise, many aid beneficiaries complained about bureaucracy, but in general terms and without giving concrete examples or making suggestions for simplification.

1.2.1.7. Difficulties encountered by Member States' authorities

Member States' authorities were specifically asked to provide information on difficulties and administrative burdens associated with State aid procedures and the design of the rules.

As for State aid procedures, notifying aid under the Guidelines is associated with a heavier administrative burden than applying the ABER, as expected given that the two procedures are of different nature. Almost half of the authorities (45%) find notifying aid to always be burdensome, one-fourth (26%) sees it as mostly burdensome and another fourth (23%) sees it as sometimes burdensome. Submitting information under the ABER is, for 29% of public authorities, not burdensome, for 20% sometimes burdensome, for 14% mostly burdensome and for 20% always burdensome.

Moreover, 20 out of 35 of the authorities (54%) indicated that they have had difficulties in applying the current State aid rules. Many referred to problems with the incentive effect requirement, in particular in relation to subsidised services and large undertakings. Several also referred to difficulties associated with multidimensional aid measures such as cooperation and LEADER.

These responses reflect the replies to the questions on efficiency (see section 2.2.1.1.), where respondents express their views on administrative burdens.

1.2.1.8. Level of detail in the State aid rules

One third of the public authorities think that the current rules have a level of detail that is well balanced (31%). However, 54% find them too detailed, while 12% find them too general.

1.2.2. State aid for the agricultural sector

1.2.2.1. Positive impact of granted aid and potential distortive effects

Concerning the impact of aid granted to the agricultural sector, the majority of replies are positive. Most respondents think that the aid has helped to achieve viable food production (61%) and fostered competitiveness in the agri-food sector (56%). When asked if State aid has helped to achieve a sustainable use of natural resources in agriculture, around half of the respondents agree, while around one-third of them disagree.

Regarding potential distortive effects on the internal market, aid to large undertakings that already have economies of scale and a robust market position is an issue identified. Several stakeholders also mentioned the disparities between Member States in terms of financial means.

Nevertheless, more than half of the respondents find that the positive effects of the aid outweigh potential distortive effects on the internal market (56%).

1.2.2.2. Difficulties in complying with the current State aid rules

30 respondents (16% of all respondents), of which almost half were aid beneficiaries (47%) said that they had had difficulties complying with State aid rules but gave very few concrete examples. Those that were mentioned mainly concerned restrictive eligibility criteria and incentive effect requirements.

1.2.2.3. Potential changes to the State aid rules for agriculture

A majority of the respondents are in favour (i.e. agree or agree strongly) of the following potential changes to the rules:

- no investment aid for the purchase of land unless it serves environmental and climate objectives or young farmers (65%);
- better targeting of investment aid for irrigation towards protection of water bodies (57%);
- inclusion of emerging diseases in the scope of aid to combat animal diseases (79%);
- compensation for damage caused by animal diseases or plants pests in the case of 1) loss of value of products even if they are not destroyed (60%) and 2) indirect costs for damage to plants (75%);
- compensation for damage caused by wild animals for income losses such as reduced production capacity (73%).

1.2.3. State aid for the forestry sector

1.2.3.1. Positive impact of granted aid and potential distortive effects

There was a largely positive response also with regard to the impact of aid for the forestry sector. Although many replied that they had no strong views (about one-third), a majority of those that actually took position replied positively. Consequently, most of those respondents confirmed that State aid has helped to achieve viable forest area development (66%) and development of the bioeconomy (63%), increased the resilience and protection of forest ecosystems (64%) and contributed to carbon sequestration (53%) as well as to the recreational or ecological function of forests (62%).

As to potential distortive effects, environmental NGOs referred to the risk of lower prices in raw materials and increased biomass use.

Nevertheless, a majority of the respondents taking position considered that the positive effects outweigh potential distortive effects on the internal market (72% agree or agree strongly).

1.2.3.2. Difficulties in complying with the current State aid rules

Several respondents, comprising both Member States and forestry stakeholders, complained about overly restrictive conditions for granting aid. Among the concrete examples were aid for afforestation and agroforestry (e.g. limits in time and number of annual payments) and difficulties to support the functioning of forest management associations because of the ineligibility of running costs.

1.2.3.3. Potential changes to the State aid rules for forestry

A vast majority of the respondents are in favour (i.e. agree or agree strongly) of the following potential changes to the rules:

- no investment aid for the purchase of land unless it serves environmental and climate objectives (70%);
- investments in afforestation must be consistent with climate and environmental objectives as governed by sustainable forest management principles (96%);
- 100% aid intensity for non-productive investments in the context of cooperation (85%);
- extension of the scope of the ABER to all forestry measures (85%).

1.2.4. State aid for non-agricultural activities in rural areas

Around one-third of the respondents had no strong views on the impact of aid to non-agricultural activities. However, a majority of those that actually took position responded positively. More than two-thirds (69 to 76%) of those respondents agree or agree strongly that the aid has led to employment and growth in rural areas, boosted the creation and development of SMEs, strengthened the economic and social fabric and contributed to cultural and recreational activities. As many as 76% also agree or agree strongly that the positive effects outweigh potential distortive effects on the internal market.

There were no concrete examples of difficulties to comply with the rules for this category of aid.

1.2.5. EU added value

A vast majority of the respondents agreed to that there is added value in having a common framework of detailed rules for assessing the compatibility of State aid with the internal market (82% and even 92% when taking only into account the 162 respondents who expressed an opinion).

2. Summary of position papers

Eight Member States' authorities at both national and regional levels submitted position papers, either *ad hoc* or through the public consultation, as did three farmers' associations, two forestry associations, two environmental NGOs, one public financial institute and one State-owned forestry company. The most common views are briefly summarised as follows:

- **CAP legal framework post 2022**

A common theme for most submissions is that State aid rules must not undermine the subsidiarity approach pursued by the proposal on CAP Strategic Plans. Member States must be allowed to freely decide the content and nature of their national strategic plans.

- **Environment and climate**

Most submissions also call for strengthened incentives for activities with environmental and climate objectives, including an increase of the maximum aid levels for environment-climate actions targeting biodiversity, ecosystem services and carbon sequestration. One NGO argues that State aid should benefit only practices that are beneficial for environment and human health and not be granted to industrial farming (e.g. intensive livestock farming).

- **Scope of the State aid instruments**

Several submissions ask for new aid measures to be included in the State aid instrument. References are made *inter alia* to aid for animal identification, species protection, the reduction of antibiotics, land improvement systems, the purchase of breeding animals, forestry insurance and additional non-agricultural activities. There are also numerous requests for adding new eligible costs to existing aid measures (e.g. extend the scope of diseases eligible for aid to combat animal disease and the scope of eligible costs in relation to damage caused by wild animals). Many also ask for a more flexible approach towards forestry aid schemes, for example in respect of aid to forestry associations and State-owned companies.

- **ABER**

Most submissions also asks for an extension the scope of the ABER. The various demands concern for example aid relating to damage caused by wild animals, all aid measures co-financed by the EAFRD, all forestry measures (also those that are not co-financed by the EAFRD), LEADER support, aid for outermost regions and aid for diversification into non-agricultural activities. Some also ask for the inclusion of large undertakings for aid measures of public interest, such as environmental services or the prevention of animal diseases and plant pests.

- **Simplified cost options**

Both Member States' authorities and farmers' associations ask for a broader scope of simplified cost options.

- **Maximum aid intensities/amounts**

There are numerous requests for increased maximum aid levels for measures such as environment-climate actions, agro-forestry investments, animal welfare, young farmers, fallen stock, advisory services, genetic tests and insurance premiums.

- **Subsidised services**

Both Member State authorities and farmers' associations complain about difficulties associated with aid in the form of subsidised services (e.g. information actions, advisory services and veterinary services), in particular when it comes to the application of the incentive effect requirement as well as the identification of undertakings in difficulty and large undertakings. A common suggestion is to let service providers submit aid applications on behalf of the final beneficiaries. Others ask for the possibility to pay aid directly to final beneficiaries instead of paying it in kind to the service provider.

- **Incentive effect requirement**

The incentive effect requirement is generally seen as a source of administrative burden, not only in relation to subsidised services (see bullet above) but also for aid granted in the form of guarantees via financial institutes.

- **Large undertakings/SME definition**

Several Member States call for a clarification of the SME definition and refer in particular to the difficulties caused by the classification of municipalities as large undertakings (i.e. even very small municipalities have to submit a contra factual scenario when applying for aid to investments in local infrastructure).

- **Undertakings in difficulty**

Some Member State authorities and farmers' associations ask for a more widespread inclusion of undertakings in financial difficulty in the scope of the ABER and Guidelines, in particular in respect of aid to combat animal diseases and plant pests, aid for farm replacement services and aid financed through tax exemptions.

- **Multidimensional aid measures**

Both regions and Member States refer to difficulties in implementing multidimensional aid measures such as cooperation and LEADER.

Annex 3: Methods and analytical models

The evaluation is based on case experience and in-house data analysis of State aid statistics, an evaluation support study, conducted by an external evaluator, and an open, internet based public consultation that ran from 26 April to 19 July 2019.

This Annex describes the method and analytical models used in the **evaluation support study**.

The support study started by the reconstruction of the **intervention logic** of the agricultural State Aid framework and the development of the judgement criteria and indicators on which the evaluation is primarily based. This was followed by the development of a comprehensive **descriptive part**, which includes an overview of the agricultural State Aid framework (regulations and rules) as well as the implementation of agricultural State aid by measure, aid scheme and expenditure (EU-28 and in more detail in selected MS).

The main source of information on the use of State aid was the **State aid cases database** from DG COMP[85]. The information was cross-checked and completed with the **2017 State aid scoreboard**[86], which includes aid expenditure made by MS before 31 December 2016 falling under the scope of Art. 107(1) TFEU. The data are based on the annual reporting by Member States in SARI pursuant to Art. 6(1) of Commission Regulation (EC) No. 794/2004. In order to delineate the relevant temporal and thematic study scope, several selection criteria have been applied to the data sources to identify the aid schemes relevant to the evaluation.

Table 1: Selection criteria for aid schemes under closer scrutiny in the evaluation support study

Scoping	Criteria applied
Temporal scope	The study covers the period 1 July 2014 - 31 December 2016. Aid schemes were selected as falling within the temporal scope if: (i) the EC decision date is between 1 July 2014 and 31 December 2016 for notified schemes; or (ii) the registration date is between 1 July 2014 and 31 December 2016 for block-exempted schemes.
Thematic scope	Aid schemes cover one or more aid measures. A scheme has been included in the thematic scope if it covers at least one of the eight specific aid measures. In total, 29 aid schemes cover more than one measure subject of this evaluation study. When counting the number of aid schemes at the level of each aid measure under review, these schemes are counted as many times as the relevant aid measures are included.

Source: ADE

Farm Accountancy Data Network (FADN) and national bookkeeping data

FADN data at regional or national level was used to assess the direct effects of State aid on the economic performance of undertakings confronted with adverse events (Evaluation Question 2). This approach allows the comparison of the economic results of an undertaking with and without compensation measures (counterfactual scenario). In some aid schemes the evaluator relied on other sources of farmers' accounting.

Documentary and literature review

A comprehensive documentary review was conducted covering numerous regulations, the State aid modernisation initiative, policy briefs and roadmaps. Relevant legislative,

[85] The State aid cases database is publicly available and includes all State aid cases subject of a Commission decision since 1 January 2000; it also provides information on block-exempted cases (extraction of 12/02/2018) http://ec.europa.eu/competition/elojade/isef/index.cfm?clear=1&policy_area_id=3

[86] Source: http://ec.europa.eu/competition/state_aid/scoreboard/index_en.html (29/01/2018)

policy or guidance documents, studies and evaluations were considered for the different subjects of the evaluation. They included among other things the Study on risk management in the EU agriculture, the mid-term evaluation of Regulation (EU) No 652/2014, the Evaluation study of the forestry measures under Rural Development, and the Special Report of the European Court of Auditors "Is EU support for prevention and restoring damage to forests caused by fire and natural disasters well managed?". Specific studies were reviewed on agricultural insurance in Spain and Poland.

Review of Rural Development Programmes (Rural Development Programmes)

83 Rural Development Programmes corresponding to the eight case studies of the Member States were reviewed in detail, providing information on the forestry measures and the investments related to non-agricultural products. The Rural Development Programme sets the objectives of the Rural development measures of the Member State or region, useful for the reconstruction of the intervention logic of aid schemes under Evaluation Question 5 and Evaluation Question 8. The 2016 annual implementation reports (AIR) were also consulted, providing additional information on the rural development expenditures for the relevant measures. This information has been cross-checked with information from the State aid database.

Online survey

Between late May and mid-July 2018, an online survey was conducted among national authorities in charge of State aid at the level of EU-28 identified by DG AGRI. 27 Member States responded to the questionnaire (N=27), the response rate being 96%.

Country case studies

Eight Member States were selected for the conduct of an in-depth case study, taking into account the following criteria: (i) geographic distribution at EU level, with representation of the four climatic areas[87]; (ii) coverage of the specific State aid measures within a Member State or region (at the same time the non-mobilisation of certain measures was also an interesting source of information); and (iii) different administrative contexts (i.e. centralized or decentralized management of public support for agriculture, forestry and processing). Based on the aforementioned, the following Member State were selected: the Czech Republic, Estonia, Finland, France, Germany, Italy, Poland and Spain.

Case studies were based on desk work and in-depth interviews and meetings with different stakeholders (competent authorities at national and regional levels, Rural Development Programme managing authorities, representatives of beneficiaries, and in some Member States, beneficiaries and competitors). A State aid authority within each Member State was provided by DG AGRI. The assessment involved different policy levels in ministries, different ministries and, particularly in decentralised Member States, different management levels (national, regional). This process required time as confidence had to be built and a large number of people had to be interviewed in multiple rounds. Precise information was collected on the use of the State aid instruments (agricultural or others) and the actual expenditures related to the specific aid measures. Finally, the case studies also served to collect the views of the competent authorities with regard to the relevance and coherence of the State aid rules, their efficiency, added value, and the administrative burden related to them. Case studies provided a deeper understanding of the implementation of agricultural State aid, and fed directly into the different Evaluation Questions.

Intervention case studies – counterfactual scenario

[87] DG AGRI (2008), Fact Sheet, Climate Change : the challenges for agriculture.

A number of interventions were selected for more in-depth analysis with regard to the relevance and effectiveness of the aid provided. These intervention case studies provided as much information as possible on the aid provided in response to a given event (or in support of a given investment) and the beneficiaries.

In order to conduct the intervention case studies, the evaluator adopted the following approach:

- **Reconstruction of the intervention logic** of each State aid measure in order to identify the expected direct effects of each measure on the beneficiaries and the expected indirect effects.

- Assessment of the **direct effects** using a counterfactual scenario. The direct economic effects of an aid measure on a beneficiary were assessed on the basis of a simulation of the economic situation of a beneficiary with and without aid. The objective of the simulation was to assess the significance of the aid, defined in terms of support relative to the net income. In some cases aid can make the difference between continued operations and bankruptcy, while in other cases it would shorten the period needed for a return to profitability. In addition to the assessment of the economic effects on the beneficiaries, the incentive effect was assessed based on interviews with competent authorities and with beneficiaries or their representatives.

- Assessment of the possible **indirect effects** on public policy based on a qualitative analysis of the contribution of the public policy to the CAP objectives or other EU policy objectives.

- Assessment of the effects on **competition**, mainly based on two elements: an analysis of the characteristics of the aid and of its capacity to have a significant effect on trade and competition.
    - Do all enterprises have access to the aid?
    - Does the aid influence production volumes? For instance, aid compensating for losses has no effect on production.
    - Does the amount of aid (total and share in gross income or operating accounts) provide a comparative advantage to the beneficiary *vis-à-vis* non-beneficiaries? This is illustrated in the case studies.
    - For investment measures (Themes 2 and 3), in addition to the foregoing, consideration of aid intensity; competitors were interviewed in this regard.

This analysis was completed with the point of view of the authorities on the effects of their State aid on trade and competition and the effects of aid provided by other MS.

Assessment of the aid's effects **on trade**: the evolution of trade was considered when available and relevant; for compensatory measures, the aid compensates for losses in order to restore a situation to how it was prior to the event. Regarding agricultural risk management, data were available to two major animal diseases.

The **effects on trade and competition were not measured quantitatively,** for different reasons. Trade trends depend on many factors and the causal link cannot be established. The measures affect too few producers to have a significant impact on trade. Third, as regards the effect on competition of the compensatory measures, it was not possible to identify comparable competitors (i.e. experiencing the same adverse impact yet not receiving State aid) in order to compare both situations in terms of trade.

For investment in non-agricultural activities, no data on trade of the specific sub-products or niche markets were publicly available. The effects were discussed qualitatively.

Table 2: Use of accounting data by intervention case study

Measure	Country	Specific intervention	Source of accounting data	Level of the area studied
Adverse climatic events	France	Severe drought of 2015	INOSYS Breeding Network	Regional (Limousin region)
	Poland	Severe drought of 2015	FADN public database	Regional (Mazowsze i Podlasie)
Animal diseases and plant pests	Estonia	Outbreak of African swine fever in 2015	Literature review	National
	France	H5N1 epidemic outbreak of 2015	FADN public database	Regional (Aquitaine and Pays de la Loire)
Fallen stock	Germany	Fallen stock	FADN public database, Ministry of Food and Agriculture	Regional (Lower Saxony)
	Finland	Fallen stock	FADN public database	National
Protected animals	Finland	Protected animals	FADN public database	National
Insurance premiums	Poland, Spain	/	Literature review	National
Prevention and restoration of forests from damages	France	Prevention against forest fires	Regional ASA	Aquitaine region
	Germany	Prevention of plant pests	/	Bavaria region
	Finland	Prevention of root rot	National database 'LUKE'	National
Forestry investments	Germany	Soil friendly harvesting	Cost price data from public enterprises	Baden Württemberg
Non-agricultural investments	Germany	Increased automation and diversification	Accounting data from undertakings and competitors	Baden Württemberg