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EXECUTIVE SUMMARY OF THE EVALUATION

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

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Context and objectives

State aid control is a key instrument of the EU's competition policy, as enshrined in the Treaty on the Functioning of the European Union. Its objective is to safeguard the internal market by preventing undue distortions of competition and trade. The Treaty generally prohibits State aid unless it is justified for reasons of economic development or for the common good. The European Commission monitors Member States' use of national aid and lays down rules governing the assessment of its compatibility with the smooth functioning of the internal market.

In 2014, the Commission set up a specific State aid framework for agriculture, forestry and rural areas; this comprises the Agricultural Block Exemption Regulation (ABER)¹ and sectoral guidelines². This evaluation assesses how that framework has performed against its main objectives:

- minimising distortion of competition and trade in the agricultural and forestry sector, thus providing predictability and legal certainty for Member States and beneficiaries of State aid;
- ensuring the consistency of the agricultural State aid rules with the common agricultural policy (CAP) and the objectives of CAP support for rural development; and
- simplifying procedures and reducing administrative costs.

The ABER and the 2014 State aid guidelines for agriculture, forestry and rural areas were both set to expire in 2020, but (in line with the rural development rules under the CAP) have been extended to 2022. This evaluation will feed into the process of establishing a new State aid framework to be applied from 1 January 2023.

The evaluation examines the performance of the current framework against five criteria: effectiveness, efficiency, relevance, coherence and EU added value. It looks back to gauge how the rules have performed and where there is scope for improvement.

The evaluation takes into account in-house data, experience from case-handling practice and the outcome of an open public consultation. It is supported by an external evaluation study.

Main findings

The evaluation concludes that the 2014 framework has worked well overall and achieved its objectives. However, it also identifies some weaknesses and a need for an update to meet future challenges such as the European Green Deal and the CAP reform.

More specifically, the evaluation finds that the framework is **relevant**, as it adequately meets the needs of the agricultural and forestry sectors and contributes to CAP rural development objectives and other public policy objectives, in particular those relating to environmental protection and animal and public health. However, some challenges have become more acute in recent years, such as adverse climatic events, biodiversity loss, animal diseases, plant pests

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

² 2014 EU Guidelines for State aid in the agricultural and forestry sectors and in rural area (OJ C 204, 1.7.2014, p. 1.)

and forest fires. The challenges are closely linked to the Commission's new political priorities, in particular the European Green Deal (which addresses climate change and other environmental concerns). To remain relevant, the agricultural State aid rules will have to contribute to the achievement of the Green Deal initiatives, particularly the 2030 targets set by the 'farm to fork' strategy and the biodiversity strategy. Specific attention will be needed to ensure that State aid is compatible with the respect of EU environmental and climate law.

The subsidiarity-based approach envisaged for the future rural development policy will also be a challenge for the new State aid framework. State aid objectives and measures must remain closely linked to and coherent with that policy and the Commission's design of the future State aid rules will have to facilitate its implementation, including the enhanced environmental ambition of the new CAP. Under the forthcoming CAP Strategic Plans Regulation, the EU will establish basic policy parameters, but it will be up to the Member States to tailor their rural development intervention to their specific needs, while remaining in line with the Green Deal targets and the legal framework of the new CAP. The absence of precise eligibility criteria for rural development support at EU level means that the design of the agricultural State aid rules will also have to change.

The evaluation concludes that, as a whole, the current State aid rules have been **effective** in achieving their objectives, in particular the overarching objective of minimising distortive impacts on competition and trade in the internal market. Analysis showed that such effects are limited, mainly because aid beneficiaries in agriculture and forestry are almost exclusively small and medium-sized enterprises. Moreover, aid amounts are generally small and low aid intensities mitigate the effects of aid measures with a higher potential for distortive impacts. Specific analysis of certain aid measures showed positive effects in terms of viable food production, a sustainable use of resources, growth and jobs in rural areas and the achievement of societal objectives such as ecological development and public health. The analysis indicates that these positive effects largely outweigh the limited distortive impacts on competition and trade.

The alignment with the rural development legislation has led to a more streamlined assessment of aid at both Commission and national level. The evaluation shows that the current State aid rules have performed better than the previous ones in terms of enhancing the predictability and legal certainty of State aid control. However, it also reveals aspects that may need further clarification or fine-tuning in the context of the upcoming revision.

As regards **efficiency**, the evaluation suggests that the rules have at least partly achieved their objectives from the point of view of overall simplification. This is particularly true for the extended scope of the ABER, which as from 2014 covers most of the rural development support measures financed under the CAP. The exemption of these measures from the obligation to notify aid has saved time and reduced administrative costs. As for the impact on businesses, speedier procedures mean faster access to aid. The revised guidelines are seen as contributing less to simplification, as Member States' authorities still associate the notification process with a heavy workload and lengthy procedures. The evaluation thus reveals a need to address some weaknesses in order to improve the efficiency of State aid control and do away with unnecessarily unclear or complex provisions.

The evaluation confirms that the agricultural State aid rules are generally **coherent** with other EU policies and legislation. In particular, their almost complete alignment with the rural development rules has fully achieved the key objective of consistency and coherence with the CAP. The close link to the CAP also influences the assessment of coherence between State

aid rules and environmental ambition of the rural development policy, as State aid rules with climate and environmental objectives mirror the rural development provisions. The evaluation also looks at State aid for risk and crisis management in the light of EU animal and public health policy and legislation, and confirms that the rules are coherent in that field too.

Overall, the very existence of a tailor-made State aid framework for agriculture and forestry has EU **added value**, as it reduces administrative costs and provides clarity, transparency, predictability and legal certainty for both Member States and businesses. The revised rules reinforce that added value, as they ensure consistency with rural development measures co-financed under the CAP and facilitate State aid control of those measures.

On the basis of the above findings, the evaluation concludes that the current State aid framework for agriculture, forestry and rural areas has largely achieved its objectives. It nevertheless points to a need to adapt the rules to new challenges, in particular to the European Green Deal ('farm to fork' and biodiversity strategies) and the future Regulation on CAP strategic plans, including its enhanced environmental ambition. It shows that certain aspects of the guidelines raise interpretation problems or are otherwise difficult to apply; in particular, this concerns obsolete or partly outdated rules, unclear definitions and terms giving rise to recurring interpretation requests, and overly complex requirements. Due account should be taken of these shortcomings in the upcoming impact assessment.