

HIE Agricultural and Forestry Block Exemption Scheme 2015-2020

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About this guidance

This guidance covers the State aid scheme HIE staff may use when funding projects involving State aid in the agriculture and forestry sectors. Due to the European Commission's new Agricultural Block Exemption Regulation, HIE's state aid powers have expanded with specific areas covering forestry.

Staff should also be aware of the HIE General Block Exemption Scheme (GBE) and HIE Fisheries & Aquaculture Scheme (FBE).

The HIE ABE Scheme is divided into "articles" and the corresponding numbers from the EU Regulation are shown against each article. HIE has to report annually the expenditure amounts against each GBER article.

Introduction to State aid

State aid is a European Commission (EC) term which refers to forms of public assistance, given to undertakings on a discretionary basis, which has the potential to distort competition and affect trade between Member States of the European Union.

The State aid rules are set by the EC and comprise various articles of the Treaty on the Functioning of the European Union (TFEU), Regulations, Frameworks and Guidelines - which set out what aid *can* be given and under which circumstances. The EC governs Member States' compliance with these rules and many aid measures must be notified to the Commission for approval. Ignoring the rules can result in the EC viewing aid as unlawful and possibly subject to repayment - by the aid recipient/undertaking.

As a public body, HIE can grant State aid through an umbrella of State aid schemes known as the Block Exemptions (General, Agricultural & Forestry, Fisheries & Aquaculture), other approved schemes (BDUK State Aid Scheme) and also De Minimis aid. As such we have a large toolkit of support to offer State aid to businesses and other organisations.

It is important to remember that the State aid rules are not the motivating factor in determining whether to award financial assistance and at what level. The state aid rules may place constraints on what can be awarded but the essence of HIE's decision's to award financial assistance to businesses and organisations is individual appraisal of business proposals and selection on the basis of their contribution to HIE's development policies using the minimum level of public finance to achieve the desired results. The HIE scheme of financial assistance given in return for sustainable economic development that meets HIE's policies does not confer a right to receive State aid on any enterprise, but if State aid is awarded it should always involve the lowest level of public funding that permits the project to achieve HIE's objectives for the region and should thus have very limited effects on free trade and result in an efficient economy. This is very much in line with the EU Treaty, which, simply put, bans State aid unless the positive benefits to society outweigh the damage to the European economy caused by reduced or distorted competition.

As a practical matter of appraisal procedure, HIE will first assess each project for its potential to aid development against HIE's policies for the region and, if financial assistance is appropriate, an assessment will then be made as to whether the assistance would constitute State aid in terms of the EU Treaty. Having made this assessment, it is then possible to ensure that any proposed

assistance will comply with State aid law, so that the most correct and efficient package of assistance can be devised with the minimum risk of State aid procedures affecting the applicant.

The Agricultural and Forestry Block Exemption Regulation (ABER)

The Agricultural Block Exemption Regulation (ABER) encourages Member States to focus on aid that will be of real benefit to job creation and competitiveness and, in addition, reduces the administrative burden for the public sector, the beneficiaries and the European Commission.

The ABER was published in the European Commission's official journal (OJEU L 193) on 25 June 2014 and runs from 2014 to 2020. The full reference is [Commission Regulation \(EU\) No 702/2014](#) of 17 June 2014.

HIE operates an ABER "umbrella" scheme that has been formally registered with the European Commission. This covers the following types of State aid activity:

- Aid for SMEs active in primary agricultural production, the processing of agricultural products and the marketing of agricultural products
- Aid for investments in favour of conservation of cultural and natural heritage located on agricultural holdings
- Aid for research and development in the agricultural sector
- Aid in favour of forestry

Other approved schemes

HIE may also make use of other EC approved schemes which are separate to the ABER:

- HIE General Block Exemption (GBE) Scheme 2014-2020
- HIE Fisheries and Aquaculture Block (FBE) Exemption Scheme 2015-2020
- BDUK Broadband scheme – this is a UK wide approved scheme. The GBER provides for broadband support under both the Regional Aid article and the broadband infrastructure article as an alternative to this scheme.

Food Manufacture

This section deals with the applicability of the ABER and the General Block Exemption Schemes for food manufacture.

State aid for manufacturing and processing food products comes under three different sets of State aid rules, depending on the products. In the case of processing of agricultural products there is a degree of overlap for Small and Medium sized firms (SMEs) which can either receive State aid under the HIE GBE Scheme or this scheme (HIE ABE Scheme 2014-2020). Some tactical guidance about the use of the different schemes is therefore called for.

The first issue for appraisers to deal with is which State aid scheme or schemes apply to the case in hand. The decisive fact is that if the final product of the project HIE is appraising is listed in Annex 1 to the European Treaty (this is shown in Annex 1 to this guidance), then the HIE ABE scheme or fisheries (HIE FBE) would apply. However, many food products start with Annex 1 products but process them into a non-Annex 1 product, such as bread, beer or prepared meals. Assistance towards these products comes under the HIE GBE Scheme. The decision for fish products is

relatively simple as nearly all fish processing ends up with a recognisable piece of fish which means that it is classed as an Annex 1 fish product. The only familiar exceptions are; prepared fish meals, fish fingers made from re-constituted fish (not cut fish-pieces), roll-mop herring and crab-sticks.

Virtually all other Annex 1 products come under the ABE Scheme. With agricultural food products the decision is also fairly simple, but for the opposite reason that few final food products are classed as Annex 1 products. The main examples of these are: abattoir products, dairy products, milk substitutes, packaged vegetables & fruit, ripened fruit, wine, cider perry & mead (but not beer or whisky), sugar and unrefined organic fats and oils.

If HIE proposes to assist a manufacturer of a non-fish Annex 1 product there may well be a choice as to whether to assist under the GBE or the ABE Schemes, when the approach should be to confirm the technical eligibility for either one or both schemes, and then to decide on the most appropriate funding package based on all of the appraisal considerations on an holistic basis. Considerations would include: fit with policy; displacement; additionality; sustainable viability of the business; and value for money of the proposed aid. The alternatives when assessing whether to recommend funding of an agricultural food processor under the HIE ABE or the HIE GBE Scheme are below:

- Large firms cannot be assisted under the ABE for this
- Large firms assisted with capital investment under the GBER must be undertaking new “economic activity”, which excludes expanding an existing facility or investing in a new facility in the same assisted area producing the same or similar products as an existing facility by the same undertaking
- SMEs may receive higher levels of State aid under the ABE Scheme compared to the GBE Scheme in the HIE area. This may not be desirable if other food producers in the area would be limited to lower aid levels because they might not be eligible for the ABE Scheme, thus potentially promoting displacement and complaints. On the other hand social factors of employment may far outweigh displacement risks and the choice of higher aid levels may be justified. The appraisal would need to provide good justification.

Introduction

Whilst HIE does not have a remit to support agriculture and forestry for sectoral reasons (e.g. raw material supply) these activities are often important in remote and fragile rural communities, support for which is in HIE's remit, hence these powers are useful as part of HIE's 'toolbox' for rural development. The current trend for community organisations to take on the ownership and management of land, and HIE's policy of support for communities, and the fact that distinctive food products is an identified priority sector for HIE are further drivers for the use of these powers.

Duration of the scheme

State aid may be granted under this scheme until 31 December 2020 unless the scheme is suspended by the European Commission (EC) for purposes of non-compliance with the Block Exemption Regulation. At the end of the period the EC have the power to allow the continuation of the scheme for up to 6 months whilst a new Regulation is enacted. For purposes of establishing the legitimacy of approvals of financial assistance under this scheme towards the end of this period, the date of "granting" is defined as the date when an offer of State aid becomes legally available to the beneficiary, subject only to compliance with conditions that can be objectively verified such as expenditure or planning permission. If there were any subjective conditions attaching to the assistance (i.e. something requiring a value judgement by HIE) these must have been satisfied before the State aid would be deemed to have been granted, and so these conditions need to be cleared before the final deadline of legal force of the scheme (i.e. currently set as 31.12.2020).

Who can apply?

Not an as-of-right scheme - firms do not have a right to receive State aid from HIE simply because they are eligible. State aid is theoretically available to any person or body that carries out the eligible activities and meets the relevant conditions of the aid, irrespective of the form or constitution of the applicant. In practice both primary agricultural production and forestry imply that the beneficiary would be a land holder (tenant or owner) of biologically productive land, but this is not a pre-requisite in itself for all types of State aid under this scheme. Where these powers are used for the processing of agricultural products it is quite possible that the beneficiary would not be a land holder. As with all HIE assistance, and different from some forms of funding under the Common Agricultural Policy, simply carrying out agricultural activities would not amount to a right to be assisted by HIE's agricultural State aid powers, and all projects funded by HIE must result in an improvement in the overall operation of the enterprise and deliver outputs that justify assistance under HIE's policy guidelines.

SMEs & Large firms - this scheme covers State aid to the sectors of primary agricultural production, to processing of agricultural products and to forestry. SMEs are eligible for all types of aid (all articles) in all three sectors, but large firms have limited eligibility. The detailed guidance on each article that follows shows eligibility for large and small firms. For ready reference, the following table shows the firm size eligibility possibilities.

Type of firm & aid type	Article No.	SME Eligibility Y/N	Large Firm Eligibility Y/N
Large firms & SMEs as agricultural producer groups, providers of promotion measures, of advisory services & of knowledge transfer services	19, 21, 22, 24 & 39	Y	Y
Large firms & SMEs – conservation of culture & natural heritage on farms	29	Y	Y
Large Firms & SMEs – R&D in agriculture and forestry	31	Y	Y
Large firms & SMEs – forestry except for forestry land consolidation	32 - 40	Y	Y
Articles only available to SMEs active in primary agricultural production – the aid benefits land management.	14, 15, 16 & 18	Y (must be primary producers)	N
Articles available to all SMEs if they carry out activity that is eligible under the article	17, 19-43	Y	Yes for some (as above)
SMEs active in Forestry land consolidation	43	Y	N

No State aid may be awarded under this scheme to a beneficiary that is subject to an outstanding recovery order following a previous decision of the EC declaring that an aid was “illegal and incompatible with the internal market.” In addition, no State aid under this scheme may be granted to an enterprise that is “in difficulty” according to the EU definition of financial difficulty, unless the aid would be compensation for a natural disaster.

Definition of the “Beneficiary” and of the “Undertaking”

State aid regulations and guidelines refer to the “beneficiary” often, especially in connection with State aid ceilings and obligations that attach to the aid. The beneficiary is the undertaking which is the target of the aid, but the meaning of “the undertaking” is very particular and is not simply the legal entity that may be the applicant or the recipient of the particular aid concerned.

An “undertaking” for State aid purposes is an entity, or group of entities that carry out a commercial operation. Thus it is the nature and logic of the commercial operations that determine which legal entities are part of the undertaking, and which are therefore to be considered the beneficiaries of the aid.

Where several different activities are necessary in order to complete a commercial transaction, and where they have been set up in order to deliver the commercial activity, and thus one depends on the other, then there may be several entities engaged in an undertaking. For example, in a group company situation, one subsidiary may be responsible for manufacturing and another may be responsible for marketing and transport, but both share the risks and rewards through the group structure and the involvement of the partners is not merely incidental but has been planned and implemented in a way that ensures the delivery of the undertaking as a whole.

Sometimes these relationships are contractual, such as a partnership, rather than formal ownership links, but the key element is that they are each engaged in part of a commercial operation and they share in some way in the risks and rewards of the commercial operation. The risk and profit sharing

distinguishes this type of co-operation from the relationship between a producer and an independent sub-contractor.

General Eligibility Criteria for all aid under the HIE ABE Scheme 2015-2020

Successful applicants should be able to demonstrate the following:

- The project will deliver commercial benefits to the enterprise and to the HIE area
- The project would not be able to proceed at all, or not at the same scale or speed without public assistance
- The enterprise has the capacity to implement the project effectively to enhance its future competitiveness
- The aid shall have an incentive effect. The key requirement of which is that the beneficiary has submitted a written application to HIE before work on the project activity has started. However, the following types of agricultural aid under this scheme do not need to demonstrate an incentive effect:
 - Promotion of agricultural products among the wider public, Art. 24
 - Conservation of heritage on farms, Art 29
 - Research & Development of interest to all in the sector, Art 31
- Aid is not permitted for export activity where the aid is directly linked to the quantities exported, to the establishment and operation of a distribution network for exports or for other operating costs linked to the export activity.
- Any undertaking which has been the subject of an EC Decision declaring illegal and incompatible aid and which is subject to an outstanding recovery order is not eligible for State aid assistance.
- Any undertaking that complies with the specific definition of a “firm in difficulty” shall not be eligible for State aid assistance under this scheme. (See Annexe 2 for further definition).
- Aid which is subject to an obligation on the beneficiary to locate its headquarters in the UK.
- Aid where the grant of aid is subject to the obligation for the beneficiary to use nationally produced goods or national services
- Aid with conditions attaching that would prevent the possibility of a beneficiary to exploit Research, development and innovation results in other Member States of the EU.

Aid Ceilings by Value

1. Investment in tangible or intangible assets on agricultural holdings (Article 14) and relocation of farm buildings (Article 16): For these types of State aid, financial assistance expressed in Grant Equivalence terms may not exceed the sterling equivalence of **€500,000** on the date of “granting”, per undertaking per project.

The date of granting is the date when the finance becomes legally available to the beneficiary free of any outstanding conditions that require a subjective decision by HIE to determine that the condition has been met. For example: evidence of planning condition; the availability of finance; and receipted expenditure are objective conditions which are not covered by this condition, whereas “submission of an operating plan acceptable to HIE” would be a subjective condition.

2. The following types of State aid are limited to the sterling equivalence of **€7.5m of grant and grant equivalence of phased grants, loans and guarantees** per investment project under this scheme. This is approximately £5.25m to £6m, but must be checked against the actual exchange rate at the time of appraisal. If it is likely that the true value of €7.5m according to the official EU exchange rate on the day that a grant undertaking would be accepted by the client (taking into account the sterling value and recent exchange rates) then care is needed to ensure that the limit will not be exceeded by the date that the grant offer can be formally accepted by the client. If necessary a clause in the offer should link the grant equivalence of the financial assistance being offered to the €7.5m limit. Aid in excess of a grant equivalence of €7.5m must be notified to and approved by the European Commission before a grant offer can be made. This process would be expected to take 6-12 months to complete.
- (a) Processing or marketing, Article 17;
 - (b) Research and development in agriculture or forestry, Article 31;
 - (c) Afforestation, Art 32
 - (d) Agroforestry, Art 33
 - (e) Forestry infrastructure, Art 40
 - (f) Processing & marketing of forestry products, Art 41

Neither of the two ceilings in this section may be breached by virtue of sub-dividing the projects.

Calculation of maximum assistance levels (aid intensity) and documentation of eligible costs

The aid intensities referred to in the detailed rules below are calculated as the grant (or grant equivalence of a subsidy) as a proportion of eligible costs. No deduction for tax or any other charge is made. Aid payable in several instalments shall be discounted to its value at the moment of granting. The discount rate used in grant equivalence and for present value calculations is the EU Discount Rate.

The eligible costs shall be supported by documentary evidence which shall be clear and itemised.

In the unusual case where assistance is to be offered in the form of repayable grant, this element of the assistance must be assumed to have a grant value of the full amount without any deduction for possible repayments.

Cumulation with other assistance

The maximum aid intensity applies to the combined State aid value of all forms of public support, including EU funding.

Aid under this scheme may be cumulated with other categories of aid under this Scheme provided that they concern different eligible costs.

Aid under this scheme may only be cumulated with other aid or De Minimis aid towards the same or partly overlapping eligible costs under the restricted circumstances where the resulting cumulation would not exceed the permitted maximum intensity under this scheme. Under no circumstances

can aid be cumulated with other aid under this scheme or De Minimis aid towards the same eligible costs, if the resulting intensity of aid to the eligible costs exceeds the limits of this scheme.

Article 14 Aid for investments in tangible assets or intangible assets on agricultural holdings linked to primary agricultural production

Only SMEs active in primary agriculture are eligible.

Eligible activities

The investment may be carried out by one or more beneficiaries or concern a tangible asset or intangible asset used by one or more beneficiaries.

The investment shall pursue at least one of the following objectives:

- (a) the improvement of the overall performance and sustainability of the agricultural holding, in particular through a reduction of production costs or the improvement and re-deployment of production;
- (b) the improvement of the natural environment, hygiene conditions or animal welfare standards, provided that the investment concerned goes beyond Union standards in force;
- (c) the creation and improvement of infrastructure related to the development, adaptation and modernisation of agriculture, including access to farm land, land consolidation and improvement, the supply and saving of energy and water;
- (d) the achievement of agri-environmental-climate objectives, including the biodiversity conservation status of species and habitat as well as enhancing the public amenity value of a Natura 2000 area or other high nature value systems, defined in the national or regional rural development programmes of Member States, as long as investments are non-productive;
- (e) the restoration of production potential damaged by natural disasters, adverse climatic events which can be assimilated to natural disasters, animal diseases and plant pests and the prevention of damages caused by those events.

The investment may be linked to the **production at farm-level of biofuels or of energy from renewable sources**, provided that such production does not exceed the average annual consumption of fuels or energy of the given farm.

Where the investment is made for the production of biofuels, the production capacity of the production facilities shall be no more than the equivalence to the annual average transport fuel consumption of the agricultural holding and the produced biofuel shall not be sold on the market.

Where the investment is made for the production of thermal energy and electricity from renewable sources on agricultural holdings, the production facilities shall serve only the beneficiary's own energy needs and their production capacity shall be no more than the equivalent

to the combined average annual energy consumption of thermal energy and electricity on the agricultural holding, including the farm household.

The selling of electricity into the grid shall only be allowed as far as the annual self-consumption limit is respected.

Where the investment is carried out by more beneficiaries with the purpose to serve their own biofuel and energy needs, the annual average consumption shall be accumulated to the amount equivalent to the average annual consumption of all beneficiaries.

The investments in **renewable energy infrastructure** that consume or produce energy shall comply with minimum standards for energy efficiency, where such standards exist at national level.

Investments in installations, the primary purpose of which is electricity production from biomass, shall not be eligible for aid unless a minimum percentage of heat energy, to be determined by the Member States, is utilised. Member States shall establish thresholds for the maximum proportions of cereals and other starch rich crops, sugars and oil crops used for bioenergy production, including biofuels, for different types of installations. Aid to bioenergy investment projects shall be limited to bioenergy meeting the applicable sustainability criteria laid down in Union legislation, including in Article 17(2) to (6) of the EU Directive on Promotion of the use of energy from renewable sources¹.

For investment requiring an environmental impact assessment the aid shall be subject to the condition that such assessment shall have been carried out and the development consent shall have been granted for the investment project concerned before the date of granting the individual aid.

Eligible Costs

- a) the costs for the construction, acquisition, including leasing, or improvement of immovable property, with land only being eligible to an extent not exceeding 10 % of the total eligible costs of the operation concerned;
- b) the purchase or lease purchase of machinery and equipment up to the market value of the asset;
- c) the general costs linked to the expenditure referred to in points (a) and (b), such as architect, engineer and consultation fees, fees relating to advice on environmental and economic sustainability, including feasibility studies; feasibility studies shall remain eligible expenditure even where, based on their results, no expenditure under points (a) and (b) is incurred;
- d) the acquisition or development of computer software and the acquisition of patents, licences, copyrights and trademarks;
- e) expenses for non-productive investments linked to the objectives referred to in paragraph (d);
- f) in the case of irrigation, the costs for investments that fulfil the following conditions:

¹ Directive 2009/28/EC

- i. a river basin management plan, as required by Article 13 of the EU Directive on the establishment of a framework for Community action in the field of water policy ⁽²⁾, must have been notified to the Commission for the entire area in which the investment is to take place, as well as in any other areas whose environment may be affected by the investment. The measures taking effect under the river basin management plan in accordance with Article 11 of that Directive and of relevance to the agricultural sector must be specified in the relevant programme of measures. Water metering enabling measurement of water use at the level of the supported investment must be in place or must be put in place as part of the investment;
- ii. the investment must lead to a reduction of previous water use of at least 25 %;

However, as regards point (f) investments affecting bodies of ground or surface water whose status has been identified as less than good in the relevant river basin management plan for reasons related to water quantity as well as investments resulting in a net increase of the irrigated area affecting a given body of ground- or surface water shall not be eligible for aid under this Article.

The conditions of point (f) (i) and (ii) above shall not apply to an investment in an existing installation which affects only energy efficiency or to an investment in the creation of a reservoir or to an investment in the use of recycled water which does not affect a body of ground- or surface water.

- g) in the case of investments aimed at the restoration of agricultural production potential damaged by natural disasters, adverse climatic events which can be assimilated to natural disasters, animal diseases or plant pests the eligible costs may include the costs incurred for restoring the agricultural production potential up to the level it was at before the occurrence of those events
- h) in the case of investments aimed at the prevention of damages caused by natural disasters, adverse climatic events which can be assimilated to natural disasters, animal diseases or plant pests, the eligible costs may include the costs of specific preventive actions.

From 1 January 2017, in the case of irrigation, aid shall be paid only by Member States which ensure, in respect of the river basin district in which the investment takes place, a contribution of the different water uses to the recovery of the costs of water services by the agricultural sector consistent with Article 9 first indent of the Water Policy Community Action Directive² having regard here appropriate, to the social, environmental and economic effects of the recovery as well as the geographic and climatic conditions of the region or regions affected.

Ineligible expenditure and restrictions on eligible expenditure

Aid shall not be granted in respect of the following:

- a) Working capital shall not be considered to be an eligible cost.
- b) the purchase of production rights, payment entitlements and annual plants;

² Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework for Community action in the field of water policy

- c) the planting of annual plants;
- d) drainage works;
- e) investments to comply with Union standards, with exception of aid granted to young farmers within 24 months from the date of their setting-up;
- f) the purchase of animals, with exception of aid granted for investments pursuant to paragraph (e) above.
- g) Costs, other than those referred to in 2(a) and 2(b) above connected with leasing contracts, such as lessor's margin, interest refinancing costs, overheads and insurance charges shall not be considered to be eligible costs.

The GBER states that *“aid referred to in paragraph 1 shall not be granted in contravention of any prohibition or restriction laid down in the EU Regulation on the “Common organisation of the markets in agricultural products”³ even where such prohibitions and restrictions only refer to the Union support provided for in that regulation”*. That Regulation concerns measures that support the market for agricultural products such as subsidies for storage of products, and it mainly establishes procedures where any such measures within a Member State must be controlled by or authorised by the European Commission.

The Regulation does not impose additional constraints on specific investments in farm or forestry development, but HIE appraising Staff need to be alert to the fact that the markets for farm products may well be significantly affected by these control measures which may bear on the viability or freedom of action of investment projects as prices or quantities may be affected.

Geographic eligibility

No geographic restrictions.

Sectoral eligibility

The aid shall not be limited to specific agricultural products and must therefore be available either to all sectors of the primary agricultural production or to the whole plant production sector or to the whole animal production sector. However, Member States may exclude certain products because of overcapacity in the internal market or a lack of market outlets.

Aid intensity as a % of eligible costs

40 % which may be increased to 60% for

- a) young farmers, or farmers who have set up during the five years preceding the date of application for aid;
- b) collective investments, such as storage facilities which are used by a group of farmers or facilities to prepare the agricultural products before marketing, and integrated projects

³ Regulation (EU) No 1308/2013

covering several measures provided for in the European Agricultural Fund for Rural Development (EAFRD)⁴, including those linked to a merger of producer organisations;

- c) investments in areas facing natural and other specific constraints;
- d) operations supported in the framework of the European Innovation Partnership (EIP), such as an investment in a new stable, allowing the testing of a new practice of animal housing, which has been developed in an operational group composed of farmers, scientists, and animal welfare non-governmental organisation;
- e) investments for the improvement of the natural environment, hygiene conditions or animal welfare standards, as referred to in 1(b); in this case the increased rate as provided for in this paragraph shall only apply to the additional costs necessary to obtain a level exceeding the Union standards in force and not leading to an increase in production capacity.

As regards non-productive investments referred to in the eligible activities paragraph (d) page 10 and investments for the restoration of production potential referred to in paragraph (e) page 10, the maximum aid intensity shall not exceed 100 %. For investments in relation to preventive measures, referred to in paragraph (e) page 10, the maximum aid intensity shall not exceed 80 %. However, it may be increased to up to 100 % if the investment is carried out collectively by more than one beneficiary.

Aid Ceilings by Value

Financial assistance expressed in Grant Equivalence terms may not exceed the sterling equivalence of €500,000 on the date of “granting”, per undertaking per project. The date of granting is the date when the finance becomes legally available to the beneficiary free of any outstanding conditions that require a subjective decision by HIE to determine that the condition has been met. For example: evidence of planning condition; the availability of finance; and receipted expenditure are objective conditions which are not covered by this condition, whereas “submission of an operating plan acceptable to HIE” would be a subjective condition.

Types of assistance

Grant, loan, equity, guarantees.

Notification threshold

Projects exceeding a grant equivalence of €500,000 must be notified to the European Commission and approved in advance of a grant offer.

Article 15 Aid for agricultural land consolidation

Only SMEs active in primary agriculture are eligible.

Eligible activities

⁴ Regulation (EU) No 1305/2013

Support to individuals and SMEs for the operational costs of consolidating land that is owned or controlled by more than one person or entity so that it can function as a single land-holding for agricultural purposes.

Geographic eligibility

No geographic restrictions.

Sectoral eligibility

The aid shall not be limited to specific agricultural products and must therefore be available either to all sectors of the primary agricultural production or to the whole plant production sector or to the whole animal production sector.

Eligible Costs

- Legal costs
- Administrative costs
- Survey costs

Aid limits

Up to 100% of eligible costs.

Types of assistance

Grant or Loan

Notification threshold

No threshold has been set, although by their nature the extent of costs is likely to be limited in practice.

Article 16 Aid for investments concerning the relocation of farm buildings

Only SMEs active in primary agriculture are eligible.

Eligible activities

The relocation of the farm building shall pursue an objective of public interest. The public interest invoked to justify the granting of aid under this Article shall be specified in the relevant provisions of the Member State concerned.

Geographic eligibility

No geographic Restrictions.

Sectoral eligibility

The aid shall not be limited to specific agricultural products and must therefore be available either to all sectors of the primary agricultural production or to the whole plant production sector or to the whole animal production sector.

Eligible Costs

Dismantling moving and relocating existing farm buildings.

Aid limits

- **For non-productive investment** the maximum aid intensity may reach up to 100 % of the actual eligible costs where the relocation concerns activities close to rural settlements, with a view to improving the quality of life or increasing the environmental performance of the rural settlement.
- **For productive investments involving relocation** where, in addition to the dismantling, removal and re-building of existing facilities, the relocation results in a modernisation of these facilities or in an increase in production capacity the aid intensities for investments referred to in Article 14 above shall apply in respect to the costs relating to the modernisation of the facilities or the increase in the production capacity. For the purpose of this paragraph, the pure replacement of an existing building or facilities by a new up-to-date building or facilities without fundamentally changing the production or the technology involved shall not be considered to be related to the modernisation.

Types of assistance

Grant and loan.

Notification threshold

No threshold has been set.

Article 17 Aid for investments in connection with the processing and marketing of agricultural products

Only SMEs are eligible.

Eligible activities

The investment shall concern the processing of agricultural products or the marketing of agricultural products.

- ‘agricultural product’ means the products listed in Annex I, except the fishery and aquaculture products listed in Annex I to the Regulation on the Common organisation of markets in fishery and aquaculture⁵;
- ‘processing of agricultural products’ means any operation on an agricultural product resulting in a product which is also an agricultural product, except on-farm activities necessary for preparing an animal or plant product for first sale;
- ‘marketing of agricultural products’ means holding or display with a view to sale, offering for sale, delivery or any other manner of placing on the market, except the first sale by a primary producer to resellers or processors and any activity preparing a product for such first sale; a sale

⁵ (EU) No 1379/2013

by a primary producer to final consumers is considered as marketing of agricultural products if it takes place in separate premises reserved for that purpose;

Ineligible activities

- Investments in connection with the production of food based biofuels shall not be eligible for aid under this Article.
- Aid shall not be granted in respect of investments to comply with Union standards in force.

Geographic eligibility

No geographic Restrictions.

Sectoral eligibility

The aid shall not be limited to specific agricultural products and must therefore be available either to all sectors of the primary agricultural production or to the whole plant production sector or to the whole animal production sector.

Eligible Costs

- (a) the construction, acquisition, including leasing, or improvement of immovable property, with land only being eligible to an extent not exceeding 10 % of total eligible costs of the operation concerned; the purchase or lease purchase of machinery and equipment up to the market value of the asset;
- (b) general costs linked to expenditure referred to in points (a) and (b), such as architect, engineer and consultation fees, fees relating to advice on environmental and economic sustainability, including feasibility studies; feasibility studies shall remain eligible expenditure even where, based on their results, no expenditure under in points (a) and (b) is incurred;
- (c) acquisition or development of computer software and acquisitions of patents, licenses, copyrights, trademarks.

Costs, other than those referred to in paragraph (a) and (b), connected with leasing contracts, such as lessor's margin, interest refinancing costs, overheads and insurance charges shall not be considered to be eligible costs. Working capital shall not be considered to be an eligible cost.

Special Conditions

For investment requiring an environmental impact assessment under the EU Directive on the assessment of the effect of certain public and private projects on the environment⁶ the aid shall be subject to the condition that such assessment shall have been carried out and the development consent shall have been granted for the investment project concerned before the date of granting the individual aid.

Aid limits

40 % of the amount of the eligible costs.

⁶ 2011/92/EU

This may be increased by 20%:

- (a) linked to a merger of producer organisations; or
- (b) supported in the framework of the EU Entrepreneurship and Innovation Programme (EIP).

Types of assistance

Grant, loan, equity, guarantees.

Notification threshold

HIE assistance with a grant equivalence of up to but not exceeding the sterling equivalence of €7.5m may be approved without prior approval from the European commission. This is approximately £5.25m to £6m, but must be checked against the actual exchange rate at the time of appraisal. If it is likely that the true value of €7.5m according to the official EU exchange rate on the day that a grant undertaking would be accepted by the client (taking into account the sterling value and recent exchange rates) then care is needed to ensure that the limit will not be exceeded by the date that the grant offer can be formally accepted by the client. If necessary a clause in the offer should link the grant equivalence of the financial assistance being offered to the €7.5m limit.

Amounts in grant equivalence terms in excess of €7.5m may not be awarded until a notification has been submitted to and approved by the European Commission. This requires more economic evidence justifying the amount of State aid and more market and competition evidence than for approvals below this the €7.5m threshold and can take at least 6 to 12 months to conclude.

Article 18 Start-up aid for young farmers

Only SMEs active in primary agriculture are eligible. Please note the thresholds for access to this aid require to be further defined by the Scottish Government/Uk Government.

Eligible activities

Assistance to set up a new agricultural holding by a qualified or suitably experienced young farmer under the age of 40 years (see item 34 in Annex 2 for a fuller definition of “young farmer”).

Special conditions of eligibility attaching to the activities

Where the aid is granted to a young farmer who is setting up a holding in the form of a legal person, the young farmer shall exercise effective and long-term control over the legal person in terms of decisions related to management, benefits and financial risks. Where several people including those not the young farmer, participate in the capital or management of the legal person, the young farmer shall be capable of exercising such effective and long-term control either solely or jointly together with other persons. Where a legal person is solely or jointly controlled by another legal person, those requirements shall apply to any natural person having control over that other legal person.

The aid shall be conditional on the submission of a **business plan**, the implementation of which shall start within nine months from the date of the adoption of the decision granting the aid. The business plan shall describe at least the following:

- (a) the initial situation of the agricultural holding;
- (b) milestones and targets for the development of the activities of the agricultural holding;
- (c) details of the actions, including those related to environmental sustainability and resource efficiency, required for the development of the activities of the agricultural holding, such as investments, training, advice.

The business plan shall provide that the beneficiary is required to fall within the definition of “active farmer” provided for in the definition 42 of Annex 2 to this guidance within 18 months from the date of setting up. However, where the beneficiary does not possess adequate occupational skills and competences to fall within that definition, the beneficiary shall be entitled to receive aid, provided that the beneficiary makes a commitment to acquire those occupational skills and competences within 36 months from the date of the adoption of the decision granting the aid. That commitment must be included in the business plan.

Aid shall be provided or paid in at least two tranches or instalments over a maximum period of five years. The last instalment of the aid shall be conditional upon the correct implementation of the business plan referred to in this section.

Geographic eligibility

No geographic restrictions.

Sectoral eligibility

The aid shall not be limited to specific agricultural products and must therefore be available either to all sectors of the primary agricultural production or to the whole plant production sector or to the whole animal production sector.

Aid limits

The aid amount per small farm is limited to the Sterling equivalent of €15,000 and per young farmer shall be limited to the Sterling equivalent of €70,000 where they are involved in more than one farm.

Types of assistance

Grant and Loan

Notification threshold

No threshold has been set, although by their nature the extent of costs is likely to be limited in practice.

Article 19 Start-up aid for producer groups and organisations in the agricultural sector

Newly formed Producer groups are likely to be SMEs but the beneficiary may be an SME or a large firm.

Eligible activities

Start-up assistance for producer groups or organisations that have been officially recognised by the competent authority of the UK or Scottish Government on the basis of a submission of a business plan.

Ineligible bodies and activities.

Aid shall not be granted to:

- (a) production organisations, entities or bodies such as companies or cooperatives, the objective of which is the management of one or more agricultural holdings and which are therefore in effect single producers;
- (b) agricultural associations, which undertake tasks such as mutual support and farm relief and farm management services, in the members' holdings without being involved in the joint adaptation of supply to the market;

Special conditions are as follows:

1. Except in the milk and milk product sectors, producer groups, organisations or associations the objectives of which pursue a specific aim which may include at least one of the following objectives:
 - Ensuring that production is planned and adjusted to demand, particularly in terms of quality and quantity;
 - Concentration of supply and the placing on the market of the products produced by its members, including through direct marketing;
 - Optimising production costs and returns on investments in response to environmental and animal welfare standards, and stabilising producer prices;
 - Carrying out research and development initiatives on sustainable production methods, innovative practices, economic competitiveness and market developments;
 - promoting, and providing technical assistance for, the use of environmentally sound cultivation practices and production techniques, and sound animal welfare practices and techniques;
 - promoting, and providing technical assistance for, the use of production standards, improving product quality and developing products with a protected designation of origin, with a protected geographical indication or covered by a national quality label;
 - the management of by-products and of waste in particular to protect the quality of water, soil and landscape and preserving or encouraging biodiversity;
 - contributing to a sustainable use of natural resources and to climate change mitigation;
 - developing initiatives in the area of promotion and marketing;
 - managing of the mutual funds referred to in operational programmes in the fruit and vegetables sector referred to in Article 31(2) of this Regulation and under Article 36 of Regulation (EU) No 1305/2013

- providing the necessary technical assistance for the use of the futures markets and of insurance schemes.
2. In the milk and milk product sectors, producer groups, organisations or associations the objectives of which pursue a specific aim which may include at least one of the following objectives:
 - Ensuring that production is planned and adjusted to demand, particularly in terms of quality and quantity;
 - Concentration of supply and the placing on the market of the products produced by its members, including through direct marketing;
 - Optimising production costs and returns on investments in response to environmental and animal welfare standards, and stabilising producer prices;
 3. If the aid concerns an association of producer organisations, appraising staff should check with Scottish Government Rural Affairs whether the body would be eligible according to the Common Organisation of Markets in Agricultural Products³.

Eligible Costs

The aid shall cover the following eligible costs:

- the costs of the rental of suitable premises,
- the acquisition of office equipment, including computer hardware and software,
- administrative staff costs,
- overheads and legal and administrative fees.
- Where premises are purchased, the eligible costs for premises shall be limited to rental costs at market rates.

Geographic eligibility

No geographic Restrictions.

Aid intensity and aid conditions

- The aid intensity shall be limited to 100 % of the eligible costs.
- The aid shall be degressive (i.e. successive tranches are of lesser amounts than the previous one)
- The aid shall be paid as a flat rate aid in annual instalments for the first five years from the date on which the producer group or organisation was officially recognised by the competent authority on the basis of the business plan referred to in paragraph 2. Member States shall only pay the last instalment after having verified the correct implementation of that business plan.
- The aid shall be granted subject to the obligation of the Member State concerned to verify that the objectives of the business plan have been reached within a period of five years from the date of the official recognition of the producer group or organisation.
- The agreements, decisions and concerted practices concluded in the framework of the producer group or organisation shall comply with the competition rules as they apply by virtue of Articles

206 to 210 of the EU Regulation on common organisation of markets in agricultural products³.
Appraising staff should check with Scottish Government Rural Affairs.

Types of assistance

Grant and Loan

Notification threshold

No threshold has been set, although by their nature the extent of costs is likely to be limited in practice.

Article 20 Aid for the participation of producers of agricultural products in quality schemes

Only SMEs are eligible.

State aid under this article is intended to be used for schemes rather than ad hoc cases, and there is a special condition that the assistance “shall be accessible to all eligible undertakings in the area concerned, based on objectively defined conditions”.

Eligible activities

The following may be assisted:

- new participation in quality schemes by producers of agricultural products
- compulsory control measures in relation to the quality schemes undertaken pursuant to European Union or national legislation by or on behalf of the competent authority
- preparation of applications for entering a quality scheme.

The quality schemes must comply with one of the following;

- (a) Quality schemes for agricultural products (including farm certification schemes) that are recognised by EU Regulations;
- (b) Quality schemes for agricultural products (including farm certification schemes) that are recognised by the UK or Scottish Government as complying with the following criteria:
 - i. the specificity of the final product produced under such quality schemes must be derived from a clear obligations to guarantee: — specific product characteristics, or — specific farming or production methods, or — the quality of the final product that goes significantly beyond the commercial commodity standards as regards public, animal or plant health, animal welfare or environmental protection;
 - ii. the quality scheme must be open to all producers;
 - iii. the quality scheme must involve binding final product specifications and compliance with those specifications must be verified by public authorities or by an independent inspection body;

- iv. the quality scheme must be transparent and assure complete traceability of agricultural products;
- (c) voluntary agricultural product certification schemes recognised by the Member State concerned as meeting the requirements laid down in the Commission Communication — EU best practice guidelines for voluntary certification schemes for agricultural products and foodstuffs⁷.

Eligible costs

The following categories of aid to producers of agricultural products shall be eligible for this aid:

- (a) costs of new participation in quality schemes;
- (b) costs for compulsory control measures in relation to the quality schemes undertaken pursuant to European Union or national legislation by or on behalf of the competent authority;
- (c) costs of market research activities, product conception and design and for preparation of applications for the recognition of quality schemes.

Geographic eligibility

No geographic Restrictions.

Aid limits and special conditions

- (a) The aid for new participation in quality schemes in 1 above shall be granted to producers of agricultural products in the form of an annual incentive payment, the level of which shall be determined according to the level of the fixed costs arising from participation in the quality schemes.
- (b) The aid for participation and control measures in 1 & 2 above shall not be granted towards the cost of controls undertaken by the beneficiary itself, or where Union legislation provides that the cost of controls is to be met by producers of agricultural products and groups thereof, without specifying the actual level of charges.
- (c) The aid for participation in quality schemes shall be granted for a maximum period of five years and shall be limited to the sterling equivalence of €3,000 per beneficiary per year.
- (d) The aid shall be accessible to all those eligible undertakings in the area concerned, based on objectively defined conditions.
- (e) The aid for control measures and preparatory work as in in 2 & 3 above shall be paid to the body responsible for control measures, the research provider or the consultancy provider.
- (f) The aid for control measures and preparatory costs as in 2 & 3 above shall be limited to 100 % of the real costs incurred.

Types of assistance

Grant and loan

⁷ OJC 341, 16.12.2010, P.5.

Notification threshold

No threshold has been set, although by their nature the extent of costs is likely to be limited in practice.

Article 21 Aid for knowledge transfer and information actions

The final beneficiaries shall be SMEs but service providers may be firms of any size.

State aid under this article is intended to be used for schemes rather than ad hoc cases, and there is a special condition that the assistance “shall be accessible to all eligible undertakings in the area concerned, based on objectively defined conditions”.

Eligible activities

- Knowledge transfer and information actions.
- Vocational training and skills acquisition actions, including training courses, workshops and coaching.
- Demonstration activities and information actions.
- Aid may also cover short-term farm management exchange and farm visits.

Eligible Costs

- Aid to demonstration activities may cover relevant investment costs.
- The costs of organising the vocational training, skills acquisition actions, including training courses, workshops and coaching, demonstration activities or information actions;
- The costs for travel, accommodation and per diem expenses of the participants;
- The cost of the provision of replacement services during the absence of the participants;
- In the case of demonstration projects in relation to investments:
 - i. the construction, acquisition, including leasing, or improvement of immovable property, with land only being eligible to an extent not exceeding 10 % of total eligible costs of the operation concerned;
 - ii. the purchase or lease purchase of machinery and equipment up to the market value of the asset;
 - iii. general costs linked to expenditure referred to in points (i) and (ii), such as architect, engineer and consultation fees, fees relating to advice on environmental and economic sustainability, including feasibility studies; feasibility studies shall remain eligible expenditure even where, based on their results, no expenditure under in points (i) and (ii) is incurred;
 - iv. the acquisition or development of computer software and the acquisitions of patents, licences, copyrights and trademarks.

- The costs referred to above for demonstration projects shall only be eligible to the extent used for the demonstration project and for the duration period of the demonstration project. Only the depreciation costs corresponding to the life of the demonstration project, as calculated on the basis of generally accepted accounting principles, shall be considered as eligible.

Geographic eligibility

No geographic Restrictions.

Sectoral eligibility

The aid shall not be limited to specific agricultural products and must therefore be available either to all sectors of the primary agricultural production or to the whole plant production sector or to the whole animal production sector.

Aid limits and special conditions

The aid intensity shall be limited to 100 % of the eligible costs. In the case of demonstration projects the maximum aid amount shall be limited to the sterling equivalence of €100,000 over 3 fiscal years.

Aid for organising events and replacement services referred to under “Eligible Costs” above shall not involve direct payments to the beneficiaries. This aid shall be paid to the provider of the knowledge transfer and information actions.

Bodies providing knowledge transfer and information actions shall have the appropriate capacities in the form of staff qualifications and regular training to carry out those tasks.

The provision of vocational training and skills acquisition activities may be undertaken by producer groups or other organisations, regardless of their size.

The aid shall be accessible to all those eligible undertakings in the area concerned, based on objectively defined conditions.

Where the provision of the eligible activities is undertaken by producer groups and organisations, membership of such groups or organisations shall not be a condition for access to those activities. Any contribution of non-members towards the administrative costs of the producer group or organisation concerned shall be limited to the costs of providing the activities that the beneficiaries participate in.

Types of assistance

Grant or loan

Notification threshold

No threshold has been set, although by their nature the extent of costs is likely to be limited in practice.

Article 22 Aid for advisory services

The final beneficiaries shall be SMEs but service providers may be firms of any size.

State aid under this article is intended to be used for schemes rather than ad hoc cases, and there is a special condition that the assistance “shall be accessible to all eligible undertakings in the area concerned, based on objectively defined conditions”.

The aid shall be designed to help undertakings active in the agricultural sector and young farmers benefit from the use of advisory services for the improvement of the economic and environmental performance as well as the climate friendliness and resilience of their undertaking or investment.

Eligible activities

Payments to service providers for advisory services for undertakings active in the agricultural sector and young farmers.

The advice shall be linked to at least one Union priority for rural development in accordance with Article 5 of the EAFRD and shall cover as a minimum one of the following elements:

- (a) obligations deriving from the statutory management requirements or standards for good agricultural and environmental conditions provided for in the EU Regulation of General Principles of Cross Compliance⁸
- (b) where applicable, the agricultural practices beneficial for the climate and the environment laid down in Chapter 3 of Title III of Regulation on Payment for agricultural practices beneficial for the climate and the environment⁹ and the maintenance of the agricultural area referred to in Article 4(1)(c) of that Regulation (that is, “*maintaining an agricultural area in a state which makes it suitable for grazing or cultivation without preparatory action going beyond usual agricultural methods and machineries, based on criteria established by Member States on the basis of a framework established by the Commission*”);
- (c) measures aiming at modernisation, competitiveness building, sectoral integration, innovation, market orientation as well as the promotion of entrepreneurship;
- (d) requirements as defined by Member States for implementing Article 11(3) (i.e. “minimum requirements to be Complied with”) of the Directive on Community action in the field of water policy¹⁰;
- (e) requirements as defined by Member States for implementing Article 55 of Regulation (EC) No 1107/2009 of the European Parliament and of the Council (placing of plant protection products on the market), and in particular the compliance with the general principles of integrated pest management as referred to in Article 14 of Directive 2009/128/EC of the European Parliament and of the Council;
- (f) where relevant, occupational safety standards or safety standards linked to the farm;
- (g) specific advice for farmers setting up for the first time, including advice on economic and environmental sustainability.

Advice may also cover issues, other than those referred to in paragraphs (a) – (g) above, related to climate change mitigation and adaptation, biodiversity and protection of water as laid down in the

⁸ Chapter I of Title VI of Regulation (EU) No 1306/2013

⁹ (EU) No 1307/2013

¹⁰ Directive 2000/60/EC

EU Regulation on direct payments to farmers under the CAP¹¹ or linked to the economic and environmental performance of the agricultural holding including competitiveness aspects. This may include advice for the development of short supply chains, organic farming and health aspects of animal husbandry.

Eligible Costs

The revenue and capital costs for the delivery of advisory services by suitably qualified service providers.

Special conditions

- The aid shall not involve direct payments to the beneficiaries. The aid shall be paid to the advisory service provider
- The bodies selected to provide the advisory service shall have the appropriate resources in the form of regularly trained and qualified staff and advisory experience and reliability with respect to the fields they advise in.
- The provision of advisory service may be undertaken by producer groups or other organisations, regardless of their size.
- When providing advice, the provider of the advisory service shall respect the non-disclosure obligations referred to in the EU Regulation on the management of the CAP¹²
- The aid shall be accessible to all those eligible undertakings in the area concerned, based on objectively defined conditions.
- Where the provision of advisory services is undertaken by producer groups and organisations, membership of such groups or organisations shall not be a condition for access to the service. Any contribution of non-members towards the administrative costs of the group or organisation concerned shall be limited to the costs of providing the advisory service.

Geographic eligibility

No geographic Restrictions.

Sectoral eligibility

The aid shall not be limited to specific agricultural products and must therefore be available either to all sectors of the primary agricultural production or to the whole plant production sector or to the whole animal production sector.

Aid limits

The amount of aid shall be limited to the equivalence of €1,500 per advice.

Types of assistance

Grants and loans

Notification threshold

¹¹ Annex I to Regulation (EU) No 1307/2013

¹² Article 13(2) of Regulation (EU) No 1306/2013

No threshold has been set, although by their nature the extent of costs is likely to be limited in practice.

Article 24 Aid for promotion measures in favour of agricultural products

The provision of promotion activity may be by firms of any size.

State aid under this article is intended to be used for schemes rather than ad hoc cases, and there is a special condition that the assistance “shall be accessible to all eligible undertakings in the area concerned, based on objectively defined conditions”.

Eligible activities

The aid shall cover:

- (a) the organisation of and participation in competitions, trade fairs and exhibitions;
- (b) publications aimed at raising awareness of agricultural products among the wider public.

Eligible costs

Participation: For the organisation of and participation in competitions, trade fairs and exhibitions referred to in eligible activity (a):

- participation fees;
- travel costs and costs for the transportation of animals;
- costs of publications and websites announcing the event;
- the rent of exhibition premises and stands and costs of their installation and dismantling;
- symbolic prizes up to a value of EUR 1 000 per prize and per winner of a competition.

Publications: For publications aimed at raising awareness of agricultural products among the wider public referred to in eligible activity (b):

- costs of publications in print- and electronic media, websites, and spots in electronic media, on radio or television, aimed at presenting factual information on beneficiaries from a given region or producing a given agricultural product, provided that the information is neutral and that all beneficiaries concerned have equal opportunities to be represented in the publication;
- costs for the dissemination of scientific knowledge and factual information on:
 - i. quality schemes open to agricultural products from other Member States and third countries;
 - ii. generic agricultural products and their nutritional benefits and suggested uses for them.

Special conditions

Publications shall not refer to any particular undertaking, brand name or origin. However that restriction shall not apply to reference to the origin of agricultural products covered by: (a) quality schemes as recognised by EU Regulations, provided that the reference corresponds exactly to that protected by the Union; (b) quality schemes as recognised by UK authorities, provided that the reference is secondary in the message.

The aid for symbolic prizes referred to in eligible cost 1 above shall only be paid to the provider of the promotion measures if the prize has been actually awarded and upon presentation of a proof of the award.

Aid for promotion measures (both types of eligible activity) shall be accessible to all eligible undertakings in the area concerned, based on objectively defined conditions. Where the promotion measure is undertaken by producer groups and organisations, participation shall not be subject to membership of these groups or organisations and any contribution in terms of administration fees for the group or organisation shall be limited to the cost of providing the promotion measures.

Geographic eligibility

No geographic restrictions.

Sectoral eligibility

The aid shall not be limited to specific agricultural products and must therefore be available either to all sectors of the primary agricultural production or to the whole plant production sector or to the whole animal production sector.

Aid limits

The aid intensity shall be limited to 100 % of the eligible costs.

Types of assistance

The aid shall be granted:

- (a) in kind; or
- (b) on the basis of the reimbursement of the real costs incurred by the beneficiary.

Where the aid is granted in kind the aid shall not include direct payments to the beneficiaries but shall be paid to the provider of the promotion measures.

The provision of promotion measures may be undertaken by producer groups or other organisations, regardless of their size.

Notification threshold

No threshold has been set, although by their nature the extent of costs is likely to be limited in practice.

Article 29 Aid for investments in favour of the conservation of cultural and natural heritage located on agricultural holdings

Large firms and SMEs are eligible.

Eligible activities

The aid shall be granted for cultural and natural heritage in form of natural landscapes and buildings which is formally recognised as cultural or natural heritage by the competent public authorities.

Eligible Costs

The aid shall cover the following eligible costs intended for the conservation of cultural and natural heritage:

- (a) investment costs in tangible assets;
- (b) capital works.

Geographic eligibility

No geographic restrictions.

Sectoral eligibility

The aided project shall be of interest to all undertakings active in the particular agricultural or forestry sector or sub-sector concerned.

Aid limits

The aid intensity shall be limited to 100 % of the eligible costs.
Aid for capital works shall be limited to €10,000 per year.

Types of assistance

Grant and loan.

Notification threshold

If the proposed State aid value (in grant equivalence terms) to a single undertaking on a single project equals or exceeds the equivalence (at the time of “granting” see Annexe 2 No. 29 for definition) of €500,000 then it must first be notified to and approved by the European Commission before a grant offer can be made by HIE.

Article 31 Aid for research and development in the agricultural and forestry sectors

Large firms and SMEs are eligible.

The purpose of this article is to subsidize R&D where it would be unlikely to be undertaken by a commercial undertaking, but would have general applicability for either the forestry or the

agricultural sector. The aid may be granted at 100% aid intensity directly to the organisation performing the research, in return for proposals for the research and the results being publicised widely and made available at no cost.

Assistance to firms towards R&D that they may carry out or commission to improve their own business, and where they can control the use of the results, has State aid cover under HIE's general Block Exemption Scheme (Articles 25-29).

Eligible activities

Carrying out R&D in the forestry or agricultural sectors - the definition of "R&D" is that recorded in definitions of the HIE GBE 2014-2020 Scheme and which have been added to the definition section of this document (see numbers 63 – 67).

Eligible Costs

The eligible costs shall be the following:

- (a) personnel costs related to researchers, technicians and other supporting staff to the extent employed on the project;
- (b) costs of instruments and equipment to the extent and for the period used for the project. Where such instruments and equipment are not used for their full life for the project, only the depreciation costs corresponding to the life of the project, as calculated on the basis of generally accepted accounting principles are considered as eligible;
- (c) costs of buildings and land, to the extent and for the duration period used for the project. With regard to buildings, only the depreciation costs corresponding to the life of the project, as calculated on the basis of generally accepted accounting principles, are considered as eligible. For land, costs of commercial transfer or actually incurred capital costs are eligible;
- (d) costs of contractual research, knowledge and patents bought or licensed from outside sources at arm's length conditions, as well as costs of consultancy and equivalent services used exclusively for the project;
- (e) additional overheads and other operating expenses, including costs of materials, supplies and similar products, incurred directly as a result of the project.

Special conditions

Aid shall be granted directly to the research and knowledge-dissemination organisation. The aid shall not involve payments to undertakings active in the agricultural sector based on the price of the agricultural products.

Prior to the date of the start of the aided project the following information shall be published on the internet:

- (a) that the aided project is to be carried out;
- (b) the goals of the aided project;
- (c) an approximate date for the publication of the results expected from the aided project;
- (d) the place of publication of the results expected from the aided project on the internet;

(e) a reference that the results of the aided project are available to all undertakings active in the particular agricultural and forestry sector or sub-sector concerned at no cost.

The results of the aided project shall be made available on internet from the end date of the aided project or the date, on which any information concerning those results is given to members of any particular organisation, whatever comes first. The results shall remain available on internet for a period of at least 5 years starting from the end date of the aided project.

Geographic eligibility

No geographic restrictions.

Sectoral eligibility

The aid shall not be limited to specific agricultural products and must therefore be available either to all sectors of the primary agricultural production or to the whole plant production sector or to the whole animal production sector.

Aid limits

The aid intensity shall be limited to 100 % of the eligible costs.

Types of assistance

Loan and grant.

Notification threshold

If the proposed State aid value (in grant equivalence terms) to a single project equals or exceeds the equivalence (at the time of “granting”, see Annexe 2 No. 29 for definition) of €7.5m it must first be notified to and approved by the EC before a grant offer can be made by HIE.

Article 38 Aid for knowledge transfer and information actions in the forestry sector

Large firms and SMEs are eligible.

Eligible activities

The aid shall cover:

- vocational training and skills acquisition actions, including training courses, workshops and coaching, demonstration activities and information actions.
- Aid may also cover short-term forest management exchanges and forest visits.

Bodies providing knowledge transfer and information actions shall have the appropriate capacities in the form of staff qualifications and regular training to carry out such tasks.

Eligible Costs

The aid shall cover the following eligible costs:

(a) the costs of organising and delivering the knowledge transfer or information action;

(b) in the case of demonstration projects related to investments:

- i. the construction, acquisition, including leasing, or improvement of immovable property, with land only being eligible to an extent not exceeding 10 % of total eligible costs of the operation concerned;
- ii. the purchase or lease purchase of machinery and equipment up to the market value of the asset;
- iii. general costs linked to expenditure referred to in points (i) and (ii), such as architect, engineer and consultation fees, fees relating to advice on environmental and economic sustainability, including feasibility studies; feasibility studies shall remain eligible expenditure even where, based on their results, no expenditure under points (i) and (ii) is incurred;
- iv. acquisition or development of computer software and acquisitions of patents, licenses, copyrights and trademarks;

(c) the costs for travel, accommodation and per diem expenses of the participants.

The aid referred to in paragraph (a) and (b) above shall not involve direct payments to the beneficiaries. The aid shall be paid to the knowledge transfer and information actions provider.

Geographic eligibility

No geographic restrictions.

Aid limits

The aid intensity shall be limited to 100 % of the eligible costs.

Types of assistance

Grant and loan.

Notification threshold

No threshold has been set, although by their nature the extent of costs is likely to be limited in practice.

Article 39 Aid for advisory services in the forestry sector

Large firms and SMEs are eligible.

Aid shall be granted to the providers of advisory services for forest holders and other land managers in order to improve the economic and environmental performance and climate friendliness and resilience of their holdings, enterprise or investment.

Eligible activities

Providing advisory services.

Where justified and appropriate, the advice may be partly provided in group, while taking into account the situation of the individual beneficiaries of the advisory services.

Eligible Costs

Actual costs of providing the service.

Special conditions

The advice shall cover as a minimum issues related to the implementation of Directives 92/43/EEC on the conservation of natural habitats and of wild fauna and flora, Directive 2000/60/EC (a framework for Community action in the field of water policy) and Directive 2009/147/EC (the conservation of wild birds).

The aid shall not involve direct payments to the beneficiaries. The aid shall be paid to the provider of the advisory services.

The provider of advisory service shall have the appropriate resources in the form of regularly trained and qualified staff and advisory experience and reliability with respect to the fields they advise in. When providing advice, the provider of advisory services shall respect the non-disclosure obligations referred to in Article 13(2) of the EU Regulation on management of the CAP¹³, i.e.

“Member States shall ensure the separation between advice and checks. In that respect, and without prejudice to national law concerning public access to documents, Member States shall ensure that the selected and designated bodies as referred to in Article 12(1) do not disclose any personal or individual information or data they obtain in the course of their advisory activity to persons other than the beneficiary who is managing the holding concerned, with the exception of any irregularity or infringement found in the course of their activity which is covered by an obligation laid down in Union or national law to inform a public authority, in particular in the case of criminal offences.”

Geographic eligibility

No geographic restrictions.

Aid limits

The aid shall be limited to the equivalence of €1,500 per advice.

Types of assistance

Grant and loan.

Notification threshold

No threshold has been set, although by their nature the extent of costs is likely to be limited in practice.

¹³ (EU) No 1306/2013

Article 43 Aid for forestry land consolidation

Aid granted to private forestry holders that are **SMEs** to help bring together into one holding several disparate pieces of land.

Eligible activities

Bringing together into one holding several disparate pieces of land.

Eligible Costs

Limited to the legal and administrative costs, including survey costs.

Geographic eligibility

No geographic restrictions.

Aid limits

Up to 100 % of the real costs incurred.

Types of assistance

Grant and loan.

Notification threshold

No threshold has been set, although by their nature the extent of costs is likely to be limited in practice.

Annex 1 – Definition of Annex 1 Goods as per the EU Treaty

State aid for production, processing and marketing of these products may be given under the rules for agriculture and fisheries. The processing of these products into products not on this list may be assisted under the HIE GBE Scheme.

- Live Animals
- Meat and edible meat offal
- Fish, crustaceans and molluscs
- Dairy produce; birds' eggs; natural honey
- Guts, bladders and stomachs of animals (other than fish), whole and pieces thereof
- Animal products not elsewhere specified or included; dead animals, unfit for human consumption
- Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage
- Edible vegetables and certain roots and tubers
- Edible fruit and nuts; peel of melons or citrus fruit
- Coffee, tea and spices, excluding maté
- Cereals
- Products of the milling industry; malt and starches; gluten; inulin
- Oil seeds and oleaginous fruit; miscellaneous grains, seeds and fruit; industrial and medical plants; straw and fodder
- Pectin
- Lard and other rendered pig fat; rendered poultry fat
- Unrendered fats of bovine cattle, sheep or goats; tallow (including 'premier jus') produced from those fats
- Lard stearin, oleostearin and tallow stearin; lard oil, oleo-oil and tallow oil, not emulsified or mixed or prepared in any way
- Fats and oil, of fish and marine mammals, whether or not refined
- Fixed vegetable oils, fluid or solid, crude, refined or purified
- Animal or vegetable fats and oils, hydrogenated, whether or not refined, but not further prepared
- Margarine, imitation lard and other prepared edible fats
- Residues resulting from the treatment of fatty substances or animal or vegetable waxes
- Preparations of meat, of fish, of crustaceans or molluscs
- Beet sugar and cane sugar, solid
- Other sugars; sugar syrups; artificial honey (whether or not mixed with natural honey); caramel
- Molasses, whether or not decolourised
- Flavoured or coloured sugars, syrups and molasses, but not including fruit juices containing added sugar in any proportion
- Cocoa beans, whole or broken, raw or roasted
- Cocoa shells, husks, skins and waste
- Preparations of vegetables, fruit or other parts of plants
- Grape must, in fermentation or with fermentation arrested otherwise than by the addition of alcohol
- Wine of fresh grapes; grape must with fermentation arrested by the addition of alcohol
- Other fermented beverages (for example, cider, perry and mead)
- Ethyl alcohol or neutral spirits, whether or not denatured, of any strength, obtained from agricultural products listed in Annex I to the Treaty, excluding liqueurs and other spirituous

beverages and compound alcoholic preparations (known as ‘concentrated extracts’) for the manufacture of beverages

- Vinegar and substitutes for vinegar
- Residues and waste from the food industries; prepared animal fodder
- Unmanufactured tobacco, tobacco refuse
- Natural cork, unworked, crushed, granulated or ground; waste cork
- Flax, raw or processed but not spun; flax tow and waste (including pulled or garnetted rags)
- True hemp (*Cannabis sativa*), raw or processed but not spun; tow and waste of true hemp (including pulled or garnetted rags or ropes)

Non-Annex I goods

It is not possible to provide an exclusive definition of the term ‘non-Annex I good’ since it represents all goods not listed in Annex I of the Treaty, i.e. those which are made by processing the agricultural products listed in the basic agricultural product regulations. Thus it covers the vast majority of manufactured foods.

As a general rule it can be taken to include:

- ethnic and ready meals
- flavoured yoghurts
- some types of margarine
- chocolate confectionery
- pasta
- ice cream
- biscuits
- snack products
- pizzas
- tinned sweet corn
- sauces
- mineral water
- spirits
- bakery products
- frozen sweet corn
- sugar confectionery
- malt extract
- breakfast cereals
- bread
- sandwiches
- frozen deserts
- potato crisps
- peanut butter
- soups
- soft drinks
- beer

However, the following goods are specifically excluded from ‘non-Annex I goods’ (and thus are considered Annex I goods):

- Those goods covered by the processed fruit and vegetable regime (e.g. orange juice, tomato paste)
- Those first-stage processed products listed in the Annex I regimes (e.g. butter cheese, jam flour)

Annex 2 – General Definitions in the HIE ABE Scheme

1. 'aid' means any measure that is State aid by virtue of fulfilling all the criteria laid down in Article 107(1) of the Treaty;
2. 'SME' or 'micro, small and medium-sized enterprises' means undertakings fulfilling the criteria laid down in Annex 3;
3. 'agricultural sector' means all undertakings active in primary agricultural production, processing and marketing of agricultural products;
4. 'agricultural product' means the products listed in Annex I, except the fishery and aquaculture products listed in Annex I to Regulation (EU) No 1379/2013 of the European Parliament and of the Council ⁽¹⁴⁾;
5. 'primary agricultural production' means the production of products of the soil and of stock farming, listed in Annex I, without performing any further operation changing the nature of such products;
6. 'processing of agricultural products' means any operation on an agricultural product resulting in a product which is also an agricultural product, except on-farm activities necessary for preparing an animal or plant product for first sale;
7. 'marketing of agricultural products' means holding or display with a view to sale, offering for sale, delivery or any other manner of placing on the market, except the first sale by a primary producer to resellers or processors and any activity preparing a product for such first sale; a sale by a primary producer to final consumers is considered as marketing of agricultural products if it takes place in separate premises reserved for that purpose;
8. 'agricultural holding' means a unit comprising of land, premises and facilities used for primary agricultural production;
9. 'natural disasters' means earthquakes, avalanches, landslides and floods, tornadoes, hurricanes, volcanic eruptions and wild fires of natural origin;
10. 'aid scheme' means any act on the basis of which, without further implementing measures being required, individual aid awards may be made to undertakings defined within the act in a general and abstract manner and any act on the basis of which aid which is not linked to a specific project may be granted to one or several undertakings for an indefinite period of time and for an indefinite amount;
11. 'evaluation plan' means a document containing at least the following minimum elements: the objectives of the aid scheme to be evaluated; the evaluation questions; the result indicators; the envisaged methodology to conduct the evaluation; the data collection requirements; the

¹⁴ 1.7.2014 L 193/15 Official Journal of the European Union EN (1) Regulation (EU) No 1379/2013 of the European Parliament and of the Council on the common organisation of the markets in fishery and aquaculture products, amending Council Regulations (EC) No 1184/2006 and (EC) No 1224/2009 and repealing Council Regulation (EC) No 104/2000 (OJ L 354, 28.12.2013, p. 1).

proposed timing of the evaluation, including the date of submission of the final evaluation report; the description of the independent body conducting the evaluation or the criteria that will be used for its selection and the modalities for ensuring the publicity of the evaluation;

12. 'individual aid' means: (a) ad hoc aid; and (b) awards of aid to individual beneficiaries on the basis of an aid scheme;
13. 'ad hoc aid' means aid not granted on the basis of an aid scheme;
14. 'undertaking in difficulty' means an undertaking in respect of which at least one of the following circumstances occurs:
 - a. in the case of a limited liability company (other than an SME that has been in existence for less than three years), where more than half of its subscribed share capital has disappeared as a result of accumulated losses. This is the case when deduction of accumulated losses from reserves (and all other elements generally considered as part of the own funds of the company) leads to a negative cumulative amount that exceeds half of the subscribed share capital. For the purposes of this provision, 'limited liability company' refers in particular to the types of company mentioned in Annex I of Directive 2013/34/EU of the European Parliament and of the Council ⁽¹⁵⁾ and 'share capital' includes, where relevant, any share premium;
 - b. in the case of a company where at least some members have unlimited liability for the debt of the company (other than an SME that has been in existence for less than three), where more than half of its capital as shown in the company accounts has disappeared as a result of accumulated losses. For the purposes of this provision, 'a company where at least some members have unlimited liability for the debt of the company' refers in particular to the types of company mentioned in Annex II to Directive 2013/34/EU;
 - c. where the undertaking is subject to collective insolvency proceedings or fulfils the criteria under its domestic law for being placed in collective insolvency proceedings at the request of its creditors;
 - d. where the undertaking has received rescue aid and has not yet reimbursed the loan or terminated the guarantee, or has received restructuring aid and is still subject to a restructuring plan;
 - e. in the case of an undertaking that is not an SME, where, for the past two years:
 - i. the undertaking's book debt to equity ratio has been greater than 7,5 and
 - ii. the undertaking's EBITDA interest coverage ratio has been below 1,0;

¹⁵ Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (OJ L 182, 29.6.2013, p. 19).

15. 'fallen stock' means animals which have been killed by euthanasia with or without a definite diagnosis or which have died, including stillborn and unborn animals, on a farm or on any premises or during transport, but which have not been slaughtered for human consumption;
16. 'adverse climatic event which can be assimilated to a natural disaster' means unfavourable weather conditions such as frost, storms and hail, ice, heavy or persistent rain or severe drought which destroy more than 30 % of the average of the production calculated on the basis of:
 - a. the preceding three-year period; or
 - b. a three-year average based on the preceding five-year period, excluding the highest and the lowest entry;
17. 'other adverse climatic events' means unfavourable weather conditions which do not meet the conditions of Article 2(16) of this Regulation;
18. 'plant pest' means harmful organisms as defined in Article 2(1)(e) of Council Directive 2000/29/EC ⁽¹⁶⁾;
19. 'catastrophic event' means an unforeseen event of biotic or abiotic nature caused by human action that leads to important disturbances of forest structures, eventually causing important economic damage to the forest sectors;
20. 'gross grant equivalence' means the amount of the aid if it had been provided in the form of a grant to the beneficiary, before any deduction of tax or other charges);
21. 'tangible assets' means assets consisting of land, buildings and plant, machinery and equipment;
22. 'intangible assets' means assets that do not have a physical or financial embodiment such as patents, licences, know-how or other intellectual property;
23. 'agroforestry systems' means land use systems where trees are grown in combination with agriculture on the same land;
24. 'repayable advance' means a loan for a project which is paid in one or more instalments and the conditions for the reimbursement of which depend on the outcome of the project;
25. 'start of works on the project or activity' means the earlier of either the start of the activities or the construction works relating to the investment, or the first legally binding commitment to order equipment or employ services or any other commitment that makes the project or activity irreversible; buying land and preparatory works such as obtaining permits and conducting feasibility studies are not considered start of works or activity;
26. 'large enterprises' means undertakings not fulfilling the criteria laid down in Annex 3;

¹⁶ Council Directive 2000/29/EC of 8 May 2000 on protective measures against the introduction into the Community of organisms harmful to plants or plant products and against their spread within the Community (OJ L 169, 10.7.2000, p. 1).

27. 'fiscal successor scheme' means a scheme in the form of tax advantages which constitutes an amended version of a previously existing scheme in the form of tax advantages and which replaces it;
28. 'aid intensity' means the gross aid amount expressed as a percentage of the eligible costs, before any deduction of tax or other charge;
29. 'date of granting the aid' means the date when the legal right to receive the aid is conferred on the beneficiary under the applicable national legal regime;
30. 'Union standard' means mandatory standard laid down in Union legislation setting the level which individual undertakings must achieve, in particular as regards the environment, hygiene and animal welfare; however, standards or targets set at Union level which are binding for Member States but not for individual undertakings are not deemed to be Union standards;
31. 'rural development programme' means rural development programme as provided for in Article 6(1) of Regulation (EU) No 1305/2013;
32. 'non-productive investment' means investment which does not lead to a significant increase in the value or profitability of the holding;
33. 'investments to comply with an Union standard' means investments made to comply with an Union standard after the expiry of the transitional period provided for in Union legislation;
34. 'young farmer' means a person who is no more than 40 years of age on the date of submitting the aid application, possesses adequate occupational skills and competences and is setting up for the first time in an agricultural holding as a head of that holding;
35. 'outermost regions' means the regions referred to in the first paragraph of Article 349 of the Treaty;
36. 'smaller Aegean islands' means the smaller islands referred to in Article 1(2) of Regulation (EU) No 229/2013 of the European Parliament and of the Council ⁽¹⁷⁾;
37. 'less developed regions' means regions where the gross domestic product (GDP) per capita is less than 75 % of average GDP of the EU-27;
38. 'EU-25' means the 25 Member States of the Union who were Member States of the Union in May 2005
39. 'EU-27' means the 27 Member States of the Union who were Member States of the Union in January 2007;

¹⁷ Regulation (EU) No 229/2013 of the European Parliament and of the Council of 13 March 2013 laying down specific measures for agriculture in favour of the smaller Aegean islands and repealing Council Regulation (EC) No 1405/2006 (OJ L 78, 20.3.2013, p. 41).

40. 'capital works' means works, undertaken by the farmer personally or by the farmer's workers, that create an asset;
41. 'food based biofuel' means a biofuel produced from cereal and other starch rich crops, sugars and oil crops as defined in the Commission's Proposal for a Directive of the European Parliament and of the Council amending Directive 98/70/EC relating to the quality of petrol and diesel fuels and amending Directive 2009/28/EC on the promotion of the use of energy from renewable sources ⁽¹⁸⁾;
42. 'active farmer' means an active farmer within the meaning of Article 9 of Regulation (EU) No 1307/2013 ⁽¹⁹⁾ of the European Parliament and of the Council;
43. 'producer group and organisation' means a group or organisation set up for the purpose of:
- a. adapting the production and output of producers who are members of such producer groups or organisations to market requirements; or
 - b. jointly placing goods on the market, including the preparation for sale, centralisation of sales and supply to bulk buyers; or
 - c. establishing common rules on production information, with particular regard to harvesting and availability; or
 - d. other activities that may be carried out by producer groups or organisations, such as the development of business and marketing skills and the organisation and facilitation of innovation processes;
44. 'fixed costs arising from participation in quality scheme' means the costs incurred for entering a supported quality scheme and the annual contribution for participating in that quality scheme, including, where necessary, expenditure on checks required to verify compliance with the specifications of the quality scheme;
45. 'advice' means complete advice given in the framework of one and the same contract;
46. 'member of a farm household' means a natural or legal person or a group of natural or legal persons, whatever legal status is granted to the group and its members by national law, with the exception of farm workers;
47. 'Transmissible Spongiform Encephalopathy (TSE) and Bovine Spongiform Encephalopathy (BSE) test costs' means all costs, including those for test kits and for the taking, transporting, testing, storing and destruction of samples necessary for sampling and laboratory testing in accordance

¹⁸ COM(2012) 595, 17.10.2012.

¹⁹ Regulation (EU) No 1307/2013 of the European Parliament and of the Council of 17 December 2013 establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy and repealing Council Regulation (EC) No 637/2008 and Council Regulation (EC) No 73/2009 (OJ L 347, 20.12.2013, p. 608).

with Chapter C of Annex X to Regulation (EC) No 999/2001 of the European Parliament and of the Council ⁽²⁰⁾;

48. 'herd book' means any book, register, file or data medium:
- a. which is maintained by a breeders' organisation or association officially recognised by a Member State in which the breeders' organisation or association was constituted; and
 - b. in which pure-bred breeding animals of a given breed are entered or registered with mention of their ancestors;
49. 'protected animal' means any animal protected either by Union or by national legislation;
50. 'research and knowledge-dissemination organisation' means an entity (such as universities or research institutes, technology transfer agencies, innovation intermediaries, research-oriented physical or virtual collaborative entities), irrespective of its legal status (organised under public or private law) or way of financing, whose primary goal is to independently conduct fundamental research, industrial research or experimental development, or to widely disseminate the results of such activities by way of teaching, publication or knowledge transfer. Where such entity also pursues economic activities the financing, the costs and the revenues of those economic activities must be accounted for separately. Undertakings that can exert influence upon such an entity, in the quality of, for example, shareholders or members, may not enjoy a preferential access to its research capacities or to the results generated by it;
51. 'arm's length' means that the conditions of the transaction between the contracting parties do not differ from those which would be stipulated between independent undertakings and contain no element of collusion. Any transaction that results from an open, transparent and unconditional procedure is considered as meeting the arm's length principle;
52. 'fast growing trees' means a short rotation forest, where the minimum time before felling is set to be not less than 8 years and the maximum time before felling is set not to exceed 20 years;
53. 'trees for short rotation coppicing' means tree species of CN code 06 02 9041 to be defined by Member States that consist of woody, perennial crops, the rootstock or stools of which remain in the ground after harvesting, with new shoots emerging in the following season and with a maximum harvest cycle to be determined by the Member States;
54. 'transaction cost' means an additional cost linked to fulfilling a commitment, but not directly attributable to its implementation or not included in the costs or income foregone that are compensated directly; and which can be calculated on a standard cost basis;
55. 'other land manager' means an undertaking which manages land other than undertaking active in the agricultural sector;

²⁰ Regulation (EC) No 999/2001 of the European Parliament and of the Council of 22 May 2001 laying down rules for the prevention, control and eradication of certain transmissible spongiform encephalopathies (OJ L 147, 31.5.2001, p. 1).

56. 'processing of agricultural products into non-agricultural products' means any operation on an agricultural product resulting in a product which is not covered by Annex I to the Treaty;
57. "a" areas' means those areas designated in an approved regional aid map for the period from 1 July 2014 to 31 December 2020 in application of the provisions of Article 107(3)(a) of the Treaty;
58. "c" areas' means those areas designated in an approved regional aid map for the period 1 July 2014 to 31 December 2020 in application of the provisions of Article 107(3)(c) of the Treaty;
59. 'sparsely populated areas' means areas accepted by the Commission as such in the individual decisions on regional aid maps for the period from 1 July 2014 to 31 December 2020;
60. 'NUTS 3 area' means a region specified at level 3 of a common classification of territorial units for statistics in accordance with Regulation (EC) No 1059/2003 of the European Parliament and of the Council²¹;
61. 'non-predefined "c" areas' means areas that a Member State at its own discretion designates as 'c' areas provided that the Member State demonstrates that such areas fulfil certain socioeconomic criteria and that those areas are designated in an approved regional aid map for the period 1 July 2014 to 31 December 2020 in application of the provisions of Article 107(3)(c) of the Treaty;
62. 'former "a" areas' means those areas designated as 'a' areas in an approved regional map for the period from 1 January 2011 to 30 June 2014;
63. 'foodstuffs' means foodstuffs which are not agricultural products and which are listed in Annex I to Regulation (EU) No 1151/2012 of the European Parliament and of the Council²².
64. 'fundamental research' means experimental or theoretical work undertaken primarily to acquire new knowledge of the underlying foundations of phenomena and observable facts, without any direct commercial application or use in view;
65. 'industrial research' means the planned research or critical investigation aimed at the acquisition of new knowledge and skills for developing new products, processes or services or for bringing about a significant improvement in existing products, processes or services. It comprises the creation of components parts of complex systems, and may include the construction of prototypes in a laboratory environment or in an environment with simulated interfaces to existing systems as well as of pilot lines, when necessary for the industrial research and notably for generic technology validation;
66. 'experimental development' means acquiring, combining, shaping and using existing scientific, technological, business and other relevant knowledge and skills with the aim of developing new or improved products, processes or services. This may also include, for example, activities aiming at the conceptual definition, planning and documentation of new products, processes or services; Experimental development may comprise prototyping, demonstrating, piloting, testing and validation of new or improved products, processes or services in environments

²¹ Establishment of a common classification of territorial units for statistics (NUTS) OJ L154, 21.06.2003

²² Quality scheme for agricultural products and foodstuffs OJ L343, 14.12.2012

representative of real life operating conditions where the primary objective is to make further technical improvements on products, processes or services that are not substantially set. This may include the development of a commercially usable prototype or pilot which is necessarily the final commercial product and which is too expensive to produce for it to be used only for demonstration and validation purposes. Experimental development does not include routine or periodic changes made to existing products, production lines, manufacturing processes, services and other operations in progress, even if those changes may represent improvements;

67. 'feasibility study' means the evaluation and analysis of the potential of a project, which aims at supporting the process of decision-making by objectively and rationally uncovering its strengths and weaknesses, opportunities and threats, as well as identifying the resources required to carry it through and ultimately its prospects for success;

Annex 3 - Definition of micro, small and medium-sized enterprises

Article 1 Enterprise

An enterprise is considered to be any entity engaged in an economic activity, irrespective of its legal form. This includes, in particular, self-employed persons and family businesses engaged in craft or other activities, and partnerships or associations regularly engaged in an economic activity.

Article 2 Staff headcount and financial ceilings determining enterprise categories

1. The category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million.
2. Within the SME category, a small enterprise is defined as an enterprise which employs fewer than 50 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 10 million.
3. Within the SME category, a microenterprise is defined as an enterprise which employs fewer than 10 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 2 million.

Article 3 Types of enterprise taken into consideration in calculating staff numbers and financial amounts

1. An 'autonomous enterprise' is any enterprise which is not classified as a partner enterprise within the meaning of paragraph 2 or as a linked enterprise within the meaning of paragraph 3.
2. 'Partner enterprises' are all enterprises which are not classified as linked enterprises within the meaning of paragraph 3 and between which there is the following relationship: an enterprise (upstream enterprise) holds, either solely or jointly with one or more linked enterprises within the meaning of paragraph 3, 25 % or more of the capital or voting rights of another enterprise (downstream enterprise). However, an enterprise may be ranked as autonomous, and thus as not having any partner enterprises, even if this 25 % threshold is reached or exceeded by the following investors, provided that those investors are not linked, within the meaning of paragraph 3, either individually or jointly to the enterprise in question:
 - a. public investment corporations, venture capital companies, individuals or groups of individuals with a regular venture capital investment activity who invest equity capital in unquoted businesses ('business angels'), provided the total investment of those business angels in the same enterprise is less than EUR 1 250 000;
 - b. universities or non-profit research centres;
 - c. institutional investors, including regional development funds;
 - d. autonomous local authorities with an annual budget of less than EUR 10 million and fewer than 5000 inhabitants.
3. 'Linked enterprises' are enterprises which have any of the following relationships with each other:
 - a. an enterprise has a majority of the shareholders' or members' voting rights in another enterprise;

- b. an enterprise has the right to appoint or remove a majority of the members of the administrative, management or supervisory body of another enterprise;
 - c. an enterprise has the right to exercise a dominant influence over another enterprise pursuant to a contract entered into with that enterprise or to a provision in its memorandum or articles of association;
 - d. an enterprise, which is a shareholder in or member of another enterprise, controls alone, pursuant to an agreement with other shareholders in or members of that enterprise, a majority of shareholders' or members' voting rights in that enterprise. There is a presumption that no dominant influence exists if the investors listed in the second subparagraph of paragraph 2 are not involving themselves directly or indirectly in the management of the enterprise in question, without prejudice to their rights as stakeholders. Enterprises having any of the relationships described in the first subparagraph through one or more other enterprises, or any one of the investors mentioned in paragraph 2, are also considered to be linked. Enterprises which have one or other of such relationships through a natural person or group of natural persons acting jointly are also considered linked enterprises if they engage in their activity or in part of their activity in the same relevant market or in adjacent markets. An 'adjacent market' is considered to be the market for a product or service situated directly upstream or downstream of the relevant market.
4. Except in the cases set out in paragraph 2, second subparagraph, an enterprise cannot be considered an SME if 25 % or more of the capital or voting rights are directly or indirectly controlled, jointly or individually, by one or more public bodies.
 5. Enterprises may make a declaration of status as an autonomous enterprise, partner enterprise or linked enterprise, including the data regarding the ceilings set out in Article 2. The declaration may be made even if the capital is spread in such a way that it is not possible to determine exactly by whom it is held, in which case the enterprise may declare in good faith that it can legitimately presume that it is not owned as to 25 % or more by one enterprise or jointly by enterprises linked to one another. Such declarations are made without prejudice to the checks and investigations provided for by national or Union rules.

Article 4 Data used for the staff headcount and the financial amounts and reference period

1. The data to apply to the headcount of staff and the financial amounts are those relating to the latest approved accounting period and calculated on an annual basis. They are taken into account from the date of closure of the accounts. The amount selected for the turnover is calculated excluding value added tax (VAT) and other indirect taxes.
2. Where, at the date of closure of the accounts, an enterprise finds that, on an annual basis, it has exceeded or fallen below the headcount or financial ceilings stated in Article 2, this will not result in the loss or acquisition of the status of medium-sized, small or microenterprise unless those ceilings are exceeded over two consecutive accounting periods.
3. In the case of newly established enterprises whose accounts have not yet been approved, the data to apply is to be derived from a bona fide estimate made in the course of the financial year.

Article 5 Staff headcount

The headcount corresponds to the number of annual work units (AWU), i.e. the number of persons who worked full-time within the enterprise in question or on its behalf during the entire reference year under consideration. The work of persons who have not worked the full year, the work of those who have worked part-time, regardless of duration, and the work of seasonal workers are counted as fractions of AWU.

The staff consists of:

- (a) employees;
- (b) persons working for the enterprise being subordinated to it and deemed to be employees under national law;
- (c) owner-managers;
- (d) partners engaging in a regular activity in the enterprise and benefiting from financial advantages from the enterprise.

Apprentices or students engaged in vocational training with an apprenticeship or vocational training contract are not included as staff. The duration of maternity or parental leaves is not counted.

Article 6 Establishing the data of an enterprise

1. In the case of an autonomous enterprise, the data, including the number of staff, are determined exclusively on the basis of the accounts of that enterprise.
2. The data, including the headcount, of an enterprise having partner enterprises or linked enterprises are determined on the basis of the accounts and other data of the enterprise or, where they exist, the consolidated accounts of the enterprise, or the consolidated accounts in which the enterprise is included through consolidation. To the data referred to in the first subparagraph are added the data of any partner enterprise of the enterprise in question situated immediately upstream or downstream from it. Aggregation is proportional to the percentage interest in the capital or voting rights (whichever is greater). In the case of cross-holdings, the greater percentage applies. To the data referred to in the first and second subparagraph is added 100 % of the data of any enterprise, which is linked directly or indirectly to the enterprise in question, where the data were not already included through consolidation in the accounts.
3. For the application of paragraph 2, the data of the partner enterprises of the enterprise in question are derived from their accounts and their other data, consolidated if they exist. To these is added 100 % of the data of enterprises which are linked to these partner enterprises, unless their accounts data are already included through consolidation. For the application of the same paragraph 2, the data of the enterprises which are linked to the enterprise in question are to be derived from their accounts and their other data, consolidated if they exist. To these is added, pro rata, the data of any possible partner enterprise of that linked enterprise, situated immediately upstream or downstream from it, unless it has already been included in the consolidated accounts with a percentage at least proportional to the percentage identified under the second subparagraph of paragraph 2.
4. Where in the consolidated accounts no staff data appear for a given enterprise, staff figures are calculated by aggregating proportionally the data from its partner enterprises and by adding the data from the enterprises to which the enterprise in question is linked.