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SUBSIDIES

NEW AND FULL NOTIFICATION PURSUANT TO ARTICLE XVI:1 OF THE GATT 1994 AND ARTICLE 25 OF THE AGREEMENT ON SUBSIDIES AND COUNTERVAILING MEASURES

EUROPEAN UNION

The following communication, dated 30 June 2017, is being circulated at the request of the Delegation of the European Union.

EUROPEAN UNION

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1 INTRODUCTION

1.1 Structure of Notification

Subsidies in the European Union are granted both at Union level i.e. out of the Union budget, and by Member States.

In view of this, the notification is divided into two parts. This first part of the notification deals with subsidies granted by the European Union and general information on aid granted within the Union's territory. The second part of this notification, circulated as addenda to this notification, covers subsidies granted by individual Member States. The Member States' notifications cover subsidies granted at both national and sub-national level.

1.2 Period Covered

As far as possible, this notification relates to subsidies granted during the period **2015** and **2016** and to subsidy programmes which are currently in force, and provides statistical information at least up to the end of **2016**.

1.3 Presentation of Notification

The information provided in this notification includes, as far as possible, all the elements required by Article 25.3 of the Subsidies Agreement and in almost all cases follows the presentation required by the subsidies questionnaire. In a few cases, the presentation is different to that specified in the questionnaire, but all the required elements are still included.

1.4 Status of Subsidies

In preparing this notification, the EU has attempted to achieve the maximum transparency with regard to aid and support measures granted within its territory. The fact that such aid has been notified does not, in accordance with Article 25.7 of the Subsidies Agreement, prejudge its legal status under GATT 1994 or this Agreement, nor does it prejudge its effects under the Agreement or the nature of the measure itself. In view of the diverse nature of many of the programmes notified, it may be that only part of a programme's funding involves a subsidy element, which may or may not be specific. Consequently, the appearance of a programme in this notification does not in any way imply that the whole or part of its expenditure amounts to a specific subsidy.

2 EUROPEAN UNION SUBSIDIES

a. Subsidies granted out of the European Union budget

The two largest areas of expenditure were structural and agriculture operations. Another notable area of expenditure is research. All these are described in more detail in this part of the notification.

b. State aid in the Member States

The European Commission is responsible for examining all state aid granted within the EU in order to determine its conformity with Article 107 of the EU Treaty, Member States are required to notify all aid schemes to the Commission, which may decide either not to raise any objection or open an investigation procedure. If the aid scheme is ultimately found not to conform to Article 107, the Commission issues a negative decision which prevents the aid being granted. If the Member State has already granted such aid, the Commission can order the aid to be repaid.

Details of Member States' aid schemes can be found in addenda to this notification.

3 EU FINANCING PROGRAMMES IN THE FIELD OF ENERGY AND TRANSPORT

3.1 Trans European Network - Energy (TEN-E) Programme

The TEN-E framework, developed and shaped in the 1990's through the successive TEN-E Guidelines and the corresponding financing Regulation, aims at (1) supporting the completion of the EU internal energy market while encouraging the rational production, transportation, distribution and use of energy resources, (2) reducing the isolation of less-favoured and island regions, (3) securing and diversify the EU's energy supplies also through co-operation with third countries, (4) contributing to sustainable development and protection of the environment (including inter alia a greater use of renewable energy sources and the reduction of environmental risks associated with the transportation of energy). The current TEN-E policy framework includes electricity, gas and olefin transmission networks, but not CO2 transportation, neither oil pipeline infrastructure. The TEN financing Regulation adopted on 20 June 2007 sets out the conditions for TEN-E funding and, in particular, states that co-financing can be granted for up to 50% of studies' cost and 10% of eligible works' cost, in particular to projects of European interest. The budget for the period 2007-2013 is 155 million euro (about 22 mln € per year).

1. Title of the subsidy programme, if relevant, or brief description or identification of the subsidy

Commission Implementing Decision C(2013)7569 of 11 November 2013 establishing the list of projects selected in the field of trans-European energy networks to be granted financial aid for the financial year 2013 and setting the maximum amount of that aid.

2. Period covered by the notification

2014 (the individual Decisions were notified to the Beneficiaries in 2014 in accordance with the Award Decision C(2013)7569)

3. Policy objective and/or purpose of the subsidy

The current TEN-E policy framework includes electricity, gas and olefin transmission networks, but not CO2 transportation, neither oil pipeline infrastructure. The TEN financing Regulation adopted on 20 June 2007 sets out the conditions for TEN-E funding and, in particular, states that co-financing can be granted for up to 50% of studies' cost and 10% of eligible works' cost, in particular to projects of European interest.

4. Background and authority for the subsidy (including identification of the legislation under which it is granted)

TEN Financial Regulation [OJ L162 of 22.6.2007, p.1] - REGULATION (EC) No 680/2007 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 20 June 2007 laying down general rules for the granting of Community financial aid in the field of the trans-European transport and energy networks

TEN-E Guidelines [OJ L262 of 22.9.2006, p.1] - Decision No 1364/2006/EC of the European Parliament and of the Council of 6 September 2006 laying down guidelines for trans-European energy networks and repealing Decision 96/391/EC and Decision No 1229/2003/EC

5. Form of the subsidy (i.e., grant, loan, tax concession, etc.)

Grant.

6. To whom and how the subsidy is provided (whether to producers, to exporters, or others; through what mechanism; whether a fixed or fluctuating amount per unit; if the latter, how determined)

Others.

7. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy (indicating, if possible, the average subsidy per unit in the previous year). Where provision of per unit subsidy information (for the year covered by the notification, for the previous year, or both) is not possible, a full explanation

Annual amounts in Work programmes:

2013: EUR 22.200.000 out of which EUR 10.000.000 were taken by the EIB for project bonds. The total amount of all decisions notified (16 in total) is 11.669.475 EUR.

8. Duration of the subsidy and/or any other time limits attached to it, including date of inception/commencement

2013-2022

3.2 European Energy Programme for Recovery (energy infrastructure projects)

The European Energy Programme for Recovery ('EEPR Regulation') proposed an important Union contribution of 3.98 billion EUR to co-finance specific energy projects in the fields of gas and electricity interconnections (2.365 billion EUR), offshore wind energy (0.565 million EUR) and carbon capture and storage (1.05 billion EUR).

The origin of the EEPR Regulation is the global 200 billion € European Economic Recovery Plan, presented by the Commission in November 2008, as a response to the economic and financial crisis in Europe.

Furthermore, the "2nd Strategic Energy Review" adopted by the Commission in November 2008 and endorsed by the 2009 Spring European Council constituted a key political document setting the priorities for the EU in the field of energy for the next years, in particular with regards to the strengthening of the energy networks.

The Plan was endorsed by the European Council in December 2008 where the Commission was invited to present a list of concrete energy projects. The EEPR Regulation established the EEPR programme and its financing instrument. It was adopted on 13 July 2009 and entered into force on 1st August 2010.

1. Title of the subsidy programme, if relevant, or brief description or identification of the subsidy

European Energy Programme for Recovery

Sub-Programme: Gas and electricity infrastructure projects allocating financial assistance to 44 projects granted on the basis of Commission decisions.

2. Period covered by the notification

2010 (call for proposals)

3. Policy objective and/or purpose of the subsidy

The EEPR was a financial support programme whose overall objective was to stimulate recovery from the downturn affecting the EU economy while enhancing the achievement of the EU energy policy priorities, namely the security and diversification of energy supply, the operation of the internal energy market and the reduction of greenhouse gas emissions. In particular, the EEPR's main objective was to help securing and speeding up investments in the energy sector, with a direct impact on the EU economy and employment; helping improve the security of supply of the most vulnerable Member States and link energy islands to the rest of the EU energy market. Finally, EEPR was intended to speed up the implementation of the 20/20/20 objectives for 2020, by supporting the deployment of innovative technologies in the field of coal and renewable energy, two major indigenous resources.

Gas and electricity infrastructure is the main priority of the EEPR Regulation. It includes gas and electricity interconnections, Liquefied Natural Gas (LNG) terminals, gas storage facilities and gas reverse flow projects with the specific objective of helping to prevent potential disruptions to the gas supply in the future.

Moreover, the majority of the interconnection projects selected in the EEPR Regulation were already forming part of the Trans-European Energy (TEN-E) networks and some received TEN-E funds to mainly co-finance feasibility studies. Hence, the EEPR programme constitutes the right instrument to contribute to the related expenditure of the implementation of the most mature TEN-E projects.

The Community promoted gas and electricity infrastructure projects having the highest Community added value and contributing to the following objectives:

(a) security and diversification of sources of energy, routes and supplies;

(b) the optimisation of the capacity of the energy network and the integration of the internal energy market, in particular concerning cross-border sections;

(c) the development of the network to strengthen economic and social cohesion by reducing the isolation of the least favoured regions or islands of the Community;

(d) the connection and integration of renewable energy resources; and

(e) the safety, reliability and interoperability of interconnected energy networks, including the ability to use multidirectional gas flows where necessary.

4. Background and authority for the subsidy (including identification of the legislation under which it is granted)

Regulation (EC) No 663/2009 of the European Parliament and of the Council establishing a programme to aid economic recovery by granting Community financial assistance to projects in the field of energy.

5. Form of the subsidy (i.e., grant, loan, tax concession, etc.)

Grants

6. To whom and how the subsidy is provided (whether to producers, to exporters, or others; through what mechanism; whether a fixed or fluctuating amount per unit; if the latter, how determined)

Others.

7. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy (indicating, if possible, the average subsidy per unit in the previous year). Where provision of per unit subsidy information (for the year covered by the notification, for the previous year, or both) is not possible, a full explanation

The call for proposals, covering all three sectors, was published on 19 May 2009. The granting of the EEPR funds was materialised through Individual Commission Decisions that have been notified to the beneficiaries concerned during the period March-May 2010.

At the end of June 2016, 37 projects out of 59 were completed, and a total amount of 2,122,297,449 EUR (after deduction of the recovery orders for an amount of 144,188,902.94 EUR) was paid to the beneficiaries.

8. Duration of the subsidy and/or any other time limits attached to it, including date of inception/commencement

Duration of eligible action(s) selected to be co-financed.

3.3 Guidelines for trans-European energy infrastructure (Regulation EU 347/2013) and amending guidelines for trans-European energy infrastructure as regards the Union list of projects of common interest (Regulation EU 1391/2013)

This Regulation lays down guidelines for the timely development and interoperability of priority corridors and areas of trans-European energy infrastructure. It addresses the identification of projects of common interest necessary to implement priority corridors and areas falling under the energy infrastructure categories in electricity, gas, oil, and carbon dioxide. facilitates the timely implementation of projects of common interest by streamlining, coordinating more closely, and accelerating permit granting processes and by enhancing public participation This Regulation establishes twelve Regional Groups ('Groups'). Projects of common interest included on the Union list pursuant to paragraph 4 of this Article are becoming an integral part of the relevant regional investment plans under Article 12 of Regulations (EC) No 714/2009 and (EC) No 715/2009 and of the relevant national 10-year network development plans under Article 22 of Directives 2009/72/EC and 2009/73/EC and other national infrastructure plans concerned, as appropriate. Those projects will be conferred the highest possible priority within each of those plans.

3.3.1 Connecting Europe Facility EU Financing Programme (in the field of energy) (Regulation EU 1316/2013)

Connecting Europe Facility represents the new funding instrument for the trans-European networks.

The draft regulation establishing the CEF determines the conditions, methods and procedures for the Union's financial contribution to TEN projects identified in the respective sectorial guidelines and listed in the Annex of the CEF in the case of transport and energy. It will replace the existing legal bases for TEN funding.

1. Title of the subsidy programme, if relevant, or brief description or identification of the subsidy

Connecting Europe Facility EU Financing Programme (in the field of energy) (Regulation EU 1316/2013)

2. Period covered by the notification

2014

3. Policy objective and/or purpose of the subsidy

The overall objective of the CEF is to help create high-performing and environmentally-sustainable interconnected networks across Europe, thereby contributing to economic growth and social and territorial cohesion within the Union. Such investments in infrastructure are also instrumental in allowing the EU to meet its sustainable growth objectives outlined in the Europe 2020 Strategy and the EU's "20-20-20" objectives in the area of energy policy and climate action.

Under the CEF, and following the adoption of the Regulation on the European Fund for Strategic Investments (Regulation 2015/1017 of 25 June 2015) 5.35 billion EUR is available for trans-European energy infrastructure projects, which aim at, in particular, interconnecting national transmission gas and electricity grids. The European Commission has drawn up a list of 195 EU projects of common interest (PCIs) which may apply for CEF funding. The list is updated every two years to integrate newly needed projects and remove obsolete ones, and the next update will take place by the end of 2017.

In the energy sector, the CEF is only one element of the toolset developed under the new TEN-E guidelines to support projects of common interest. Perhaps even more importantly than CEF money, the guidelines help project promoters with binding deadlines for permit granting decisions (3.5 years) and with regulatory solutions to address specific problems of energy projects of cross border nature. Grants for works under the CEF will not be available to all projects of common interest but only to those that are commercially not viable (i.e. do not have a guarantee of cost recovery under the tariff scheme approved) but have particularly high positive externalities (e.g. increasing Security of Supply, testing new technologies).

4. Background and authority for the subsidy (including identification of the legislation under which it is granted)

Commission Delegated Regulation (EU) No 1268/2012 of 29 October 2012 on the rules of application of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union Regulation (EU) No 347/2013 of the European Parliament and of the Council of 17 April 2013 on guidelines for trans-European energy infrastructure and repealing Decision No 1364/2006/EC and amending Regulations (EC) No 713/2009, (EC) No 714/2009 and (EC) No 715/2009 Text with EEA relevance;

Regulation (EU) No 1316/2013 of the European Parliament and of the Council of 11 December 2013 establishing the Connecting Europe Facility, amending Regulation (EU) No 913/2010 and repealing Regulations (EC) No 680/2007 and (EC) No 67/2010 Text with EEA relevance;

Commission Delegated Regulation (EU) 2016/89 of 18 November 2015 amending Regulation (EU) No 347/2013 of the European Parliament and of the Council as regards the Union list of projects of common interest.

5. Form of the subsidy (i.e., grant, loan, tax concession, etc.)

Grants

6. To whom and how the subsidy is provided (whether to producers, to exporters, or others; through what mechanism; whether a fixed or fluctuating amount per unit; if the latter, how determined)

Others

7. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy (indicating, if possible, the average subsidy per unit in the previous year). Where provision of per unit subsidy information (for the year covered by the notification, for the previous year, or both) is not possible, a full explanation

Annual amounts in multiannual Work programmes (2014-2020):

In the period 2014-2016, CEF Energy awarded 96 actions EUR 1.6 billion for grants, through five calls for proposals, from a possible maximum allocated budget of EUR 2.2 billion. Of the amount awarded, EUR 1.2 billion has been already committed through the signature of grant agreements and EUR 0.55 billion has been disbursed.

8. Duration of the subsidy and/or any other time limits attached to it, including date of inception/commencement

2014-2020

3.4 Shared Management Funds related to the EU Energy Policy

3.4.1 European Regional Development Fund (ERDF)

The ERDF aims to strengthen economic and social cohesion in the European Union by correcting imbalances between its regions.

The ERDF focuses its investments on several key priority areas. This is known as 'thematic concentration':

- Innovation and research;
- The digital agenda;
- Support for small and medium-sized enterprises (SMEs);
- The low-carbon economy.

The ERDF resources allocated to these priorities will depend on the category of region.

- In more developed regions, at least 80% of funds must focus on at least two of these priorities;
- In transition regions, this focus is for 60% of the funds;
- This is 50% in less developed regions.

Furthermore, some ERDF resources must be channeled specifically towards low-carbon economy projects:

- More developed regions: 20%;
- Transition regions: 15%; and
- Less developed regions: 12%

1. Title of the subsidy programme, if relevant, or brief description or identification of the subsidy

European Regional Development Fund (ERDF) (in the field of energy) (Regulation No 1301/2013)

2. Period covered by the notification

2014-2020

3. Policy objective and/or purpose of the subsidy

In the field of energy the focus is on Energy efficiency, renewable energy, smart distribution grids, energy RTDI, smart energy infrastructure (incl. TEN-E).

Specific focus areas defined in the Operational Programmes. Specific selection criteria defined by the Managing Authorities of the Operational Programmes, in line with the Partnership Agreement and the Operational Programmes negotiated with the European Commission.

4. Background and authority for the subsidy (including identification of the legislation under which it is granted)

REGULATION (EU) No 1301/2013 of the European Parliament and of the Council of 17 December 2013 on the European Regional Development Fund and on specific provisions concerning the Investment for growth and jobs goal and repealing Regulation (EC) No 1080/2006

5. Form of the subsidy (i.e., grant, loan, tax concession, etc.)

Grants and financial instruments (Loans, guarantees and equity, possibility to combine with grants)

6. To whom and how the subsidy is provided (whether to producers, to exporters, or others; through what mechanism; whether a fixed or fluctuating amount per unit; if the latter, how determined)

Grants: Public and private entities

Financial Instruments: The body that implements the financial instrument or the fund of funds (e.g. banks) is considered to be the beneficiary of the financial instrument. The beneficiary is distinct from the final recipients which can be public or private bodies, including individuals (e.g. households renovating their residence).

7. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy (indicating, if possible, the average subsidy per unit in the previous year). Where provision of per unit subsidy information (for the year covered by the notification, for the previous year, or both) is not possible, a full explanation

Around EUR 29 bn allocated in total to the energy focus areas from the ERDF and the CF taken together (see also the table below), out of which around EUR 17 bn for energy efficiency in buildings and enterprises, to be used both for grants and financial instruments (2014-2020).

ERDF has to be matched with national co-financing (public or and private), defined within the operational programmes. Maximum share from EU budget depending on the level of development of the region (from 50 to 85% at priority axis level, with an additional 10 percent points top up applies for contributions to EU level instruments or priority axis dedicated to financial instruments only and no national co-financing is required for contributions to EU level instruments).

8. Duration of the subsidy and/or any other time limits attached to it, including date of inception/commencement

2014-2020

3.4.2 Cohesion Fund

The Cohesion Fund is aimed at Member States whose Gross National Income (GNI) per inhabitant is less than 90% of the EU average. It aims to reduce economic and social disparities and to promote sustainable development.

The Cohesion Fund allocates a total of € 63.4 billion to activities under the following categories:

- trans-European transport networks, notably priority projects of European interest as identified by the EU. The Cohesion Fund will support infrastructure projects under the Connecting Europe Facility;

- environment: here, the Cohesion Fund can also support projects related to energy or transport, as long as they clearly benefit the environment in terms of energy efficiency, use of renewable energy, developing rail transport, supporting intermodality, strengthening public transport, etc.

The financial assistance of the Cohesion Fund can be suspended by a Council decision (taken by qualified majority) if a Member State shows excessive public deficit and if it has not resolved the situation or has not taken the appropriate action to do so.

Specific focus areas defined in the Operational Programmes. Specific selection criteria defined by the Managing Authorities of the Operational Programmes, in line with the Partnership Agreement and the Operational Programmes negotiated with the European Commission.

1. Title of the subsidy programme, if relevant, or brief description or identification of the subsidy

The Cohesion Fund (in the field of energy) (Regulation **1300/2013**)

2. Period covered by the notification

2014-2020

3. Policy objective and/or purpose of the subsidy

In the field of energy the focus is on Energy efficiency, renewable energy, smart distribution grids. Specific focus areas defined in the Operational Programmes. Specific selection criteria defined by the Managing Authorities of the Operational Programmes, in line with the Partnership Agreement and the Operational Programmes negotiated with the European Commission.

4. Background and authority for the subsidy (including identification of the legislation under which it is granted)

Regulation (EU) No 1300/2013 of the European Parliament and of the Council of 17 December 2013 on the Cohesion Fund and repealing Council Regulation (EC) No 1084/2006

5. Form of the subsidy (i.e., grant, loan, tax concession, etc.)

Grants and financial instruments (Loans, guarantees and equity, possibility to combine with grants)

6. To whom and how the subsidy is provided (whether to producers, to exporters, or others; through what mechanism; whether a fixed or fluctuating amount per unit; if the latter, how determined)

Grants: Public and private entities

Financial Instruments: The body that implements the financial instrument or the fund of funds (e.g. banks) is considered to be the beneficiary of the financial instrument. The beneficiary is distinct from the final recipients which can be public or private bodies, including individuals (e.g. households renovating their residence).

Eligible countries: BG, HR, CY, CZ, EE, EL, HU, LV, LT, MT, PL, PT, RO, SK and SL

7. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy (indicating, if possible, the average subsidy per unit in the previous year). Where provision of per unit subsidy information (for the year covered by the notification, for the previous year, or both) is not possible, a full explanation

Around EUR 29 billion allocated in total to the energy focus areas from the ERDF and the CF taken together (see also the table above), out of which around EUR 17 bn for energy efficiency in buildings and enterprises, to be used both for grants and financial instruments (2014-2020).

CF has to be matched with national co-financing (public or and private), defined within the operational programmes. Maximum share from EU budget 85% at priority axis level.

Only eligible expenditure can be financed. Eligibility rules are defined at national level, except where specific rules set at EU level apply. The amount of CF that a given project can receive depends on a number of factors, in particular whether it is revenue generating or not (in which case, only the "funding gap" i.e. the part of the investment costs that is not covered by the net revenue generated, can be financed). State aid rules need to be complied with.

Financial instruments can provide finance to revenue generating projects, including cost savings (not limited to the "funding gap" only). The percentage that can be financed will depend on State aid rules and the specific provisions of the given instrument.

8. Duration of the subsidy and/or any other time limits attached to it, including date of inception/commencement

2014-2020

3.4.3 European Social Fund

1. Title of the subsidy programme, if relevant, or brief description or identification of the subsidy

European Social Fund (ESF) (in the field of energy) (Regulation No 1301/2013)

The ESF investments cover all EU regions. More than € 80 billion is earmarked for human capital investment in Member States between 2014 and 2020, with an extra of at least € 3.2 billion allocated to the Youth Employment Initiative.

For the 2014-2020 period, the ESF will focus on four of the cohesion policy's thematic objectives:

- promoting employment and supporting labour mobility
- promoting social inclusion and combating poverty
- investing in education, skills and lifelong learning
- enhancing institutional capacity and an efficient public administration

In addition, 20% of ESF investments will be committed to activities improving social inclusion and combating poverty. This is known as thematic concentration.

2. Period covered by the notification

2014-2020

3. Policy objective and/or purpose of the subsidy

In the field of The ESF contributes to energy and climate change challenges in implementing its investment priorities for employment, social inclusion, education and institutional capacity, through the improvement of education and training systems necessary for the adaptation of skills and qualifications, the up-skilling of the labour force, and the creation of new jobs in sectors related to the environment and energy.

4. Background and authority for the subsidy (including identification of the legislation under which it is granted)

Regulation (EU) No 1304/2013 of the European Parliament and of the Council of 17 December 2013 on the European Social Fund and repealing Council Regulation (EC) No 1081/2006

5. Form of the subsidy (i.e., grant, loan, tax concession, etc.)

Grants and financial instruments (Loans, guarantees and equity, possibility to combine with grants)

6. To whom and how the subsidy is provided (whether to producers, to exporters, or others; through what mechanism; whether a fixed or fluctuating amount per unit; if the latter, how determined)

Grants: Public and private entities

Financial Instruments: The body that implements the financial instrument or the fund of funds (e.g. banks) is considered to be the beneficiary of the financial instrument. The beneficiary is distinct from the final recipients which can be public or private bodies, including individuals.

7. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy (indicating, if possible, the average subsidy per unit in the previous year). Where provision of per unit subsidy information (for the year covered by the notification, for the previous year, or both) is not possible, a full explanation

The ESF contribution allocated to the thematic objective "Supporting the shift to a low-carbon, resource efficient economy", as a secondary theme, amounts to EUR 1.1 bn and additional ESF funding could further support actions related to this thematic objective.

Maximum share from EU budget depending on the level of development of the regions (from 50 to 85% at priority axis level).

Financial instruments can provide finance to revenue generating projects, including cost savings (not limited to the "funding gap" only). The percentage that can be financed will depend on State aid rules and the specific provisions of the given instrument.

8. Duration of the subsidy and/or any other time limits attached to it, including date of inception/commencement.

2014-2020

3.4.4 European Agricultural Fund for Rural Development

The EU's rural development policy helps the rural areas of the EU to meet the wide range of economic, environmental and social challenges of the 21st century. Frequently called "the second pillar" of the Common Agricultural Policy (CAP), it complements the system of direct payments to farmers and measures to manage agricultural markets (the so-called "first pillar"). Rural Development policy shares a number of objectives with other European Structural and Investment Funds (ESIF).

1. Title of the subsidy programme, if relevant, or brief description or identification of the subsidy

European Agricultural Fund for Rural Development (EAFRD) (in the field of energy) (Regulation No 1305/2013)

2. Period covered by the notification

2014-2020

3. Policy objective and/or purpose of the subsidy

In the field of energy the EAFRD focusses on the support of rural development under investment in physical assets: Support for processing of agricultural biomass for renewable energy, production of bioenergy for on-farm use, support of infrastructure for energy supply for distributing renewable energy are available. Under Farm and business development measure renewable energy production can also be supported as a startup aid for non-agricultural activities or diversification into non-agricultural activities.

4. Background and authority for the subsidy (including identification of the legislation under which it is granted).

Regulation (EU) No 1305/2013 of the European Parliament and of the Council of 17 December 2013 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) and repealing Council Regulation (EC) No 1698/2005

5. Form of the subsidy (i.e., grant, loan, tax concession, etc.)

Grants and financial instruments (Loans, guarantees and equity, possibility to combine with grants)

6. To whom and how the subsidy is provided (whether to producers, to exporters, or others; through what mechanism; whether a fixed or fluctuating amount per unit; if the latter, how determined)

Grants: Farmers or groups of farmers, in specific cases other businesses and/or public entities.

Financial Instruments: The body that implements the financial instrument or the fund of funds (e.g. banks) is considered to be the beneficiary of the financial instrument.

The beneficiary is distinct from the final recipients which can be farmers or groups of farmers, in specific cases other businesses and/or public entities (e.g., farmer modernizing the agricultural holding).

7. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy (indicating, if possible, the average subsidy per unit in the previous year). Where provision of per unit subsidy information (for the year covered by the notification, for the previous year, or both) is not possible, a full explanation

For the 2014-2020 period for rural development programmes EUR 99,6 billion are available from EAFRD mobilising more than EUR 160 billion of public funding in the 28 Member States. It is up to the Member States how big percentage of their amount is devoted for investment in energy production. Based on the strategy of the programmes, MS reserved EUR 1.3 billion of public support for the projects primarily targeting "increasing efficiency in energy use in agriculture and food processing" and EUR 1.6 billion for "facilitating the supply and use of renewable sources of energy, of by-products, wastes and residues and of other non-food raw material, for the purposes of the bio-economy".

Moreover, energy-related projects can also be financed from other measures, such as measures aiming at improving the economic performance of farms, including irrigation (almost EUR 30 billion of public support reserved for enhancing of economic performance and increasing efficiency in water use by agriculture).

Only eligible expenditure can be financed. The minimum EU contribution is 20% (share of EAFRD contribution in the total public support. Depending on the region and type of operation, the maximum Union contribution can be 53% to 100%.

Aid intensity rates (share of public contribution in the total eligible expenditure of the project) are subject to type of operation. Building of infrastructure can be 100%, but in other cases it is 40% in most of the regions and it can be higher in case of less developed regions, or other regional cases. Beneficiaries of investment related support may request for an advance payment up to 50% of the public aid if that option is included in the Rural Development Programme (RDP).

8. Duration of the subsidy and/or any other time limits attached to it, including date of inception/commencement

2014-2020

3.5 Guidelines for the development of the trans-European transport network (Regulation EU 1315/2013)

This Regulation establishes guidelines for the development of a trans-European transport network comprising a dual-layer structure consisting of the comprehensive network and of the core network, the latter being established on the basis of the comprehensive network. It identifies projects of common interest and specifies the requirements to be complied with for the management of the infrastructure of the trans-European transport network.

The trans-European transport network comprises transport infrastructure and telematic applications as well as measures promoting the efficient management and use of such infrastructure and permitting the establishment and operation of sustainable and efficient transport services.

This Regulation sets out the priorities for the development of the trans-European transport network and provides for measures for the implementation of the trans-European transport network

3.5.1 Connecting Europe Facility EU Financing Programme (in the field of transport) (Regulation EU 1316/2013)

Connecting Europe Facility represents the new funding instrument for the trans-European networks.

This regulation establishing the CEF determines the conditions, methods and procedures for the Union's financial contribution to TEN projects identified in the respective sectorial guidelines and listed in the Annex of the CEF in the case of transport and energy. It will replace the existing legal bases for TEN funding.

1. Title of the subsidy programme, if relevant, or brief description or identification of the subsidy

Connecting Europe Facility EU Financing Programme (in the field of transport sector) (Regulation EU 1316/2013)

2. Period covered by the notification

2015-2016

3. Policy objective and/or purpose of the subsidy

The overall objective of the CEF is to help create high-performing and environmentally-sustainable interconnected networks across Europe, thereby contributing to economic growth and social and territorial cohesion within the Union. Such investments in infrastructure are also instrumental in allowing the EU to meet its sustainable growth objectives outlined in the Europe 2020 Strategy and the Union priorities, notably those related to 'Jobs, growth and investment', 'Digital single market' and 'Energy Union and climate'.

The objectives and priorities set in the Multi-Annual Work Programme for 2017 call for proposals are in line with the Union priorities, notably those related to 'Jobs, growth and investment', 'Digital single market' and 'Energy Union and climate'

Under the CEF, €24 billion is available for trans-European transport infrastructure projects and objectives such as i) removing bottlenecks, enhancing rail interoperability, bridging missing links and, in particular, improving cross-border sections, ii) ensuring sustainable and efficient transport systems in the long run, with a view to preparing for expected future transport flows, as well as enabling all modes of transport to be decarbonised through transition to innovative low-carbon and energy-efficient transport technologies, while optimising safety and iii) optimising the integration and interconnection of transport modes and enhancing the interoperability of transport services, while ensuring the accessibility of transport infrastructures.

The infrastructure of the trans-European transport network consists of the infrastructure for railway transport, inland waterway transport, road transport, maritime transport, air transport and multimodal transport, as determined in the relevant sections of Chapter II of the CEF regulation (Regulation EU 1316/2013)

The CEF will complement Cohesion Policy transport priorities by targeting in particular the delivery of cross-border and projects in the rail or inland waterways sectors, the most complex projects on the TEN-T in terms of implementation. The CEF has been designed to bring maximum support to these projects. €11.3 billion are available in the CEF only for the Cohesion Fund eligible Member States, applying the higher co-financing rates of the Cohesion fund. During the first three years of the CEF, the selection of projects eligible for financing shall respect the Member States national allocations under the Cohesion Fund.

4. Background and authority for the subsidy (including identification of the legislation under which it is granted)

REGULATION (EU) No 1315/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 11 December 2013 on Union guidelines for the development of the trans-European transport network and repealing Decision No 661/2010/EU

REGULATION (EU) No 1316/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL establishing the Connecting Europe Facility, amending Regulation (EU) No 913/2010 and repealing Regulations (EC) No 680/2007 and (EC) No 67/2010

5. Form of the subsidy (i.e., grant, loan, tax concession, etc.)

Grants, procurement and financial instruments

6. To whom and how the subsidy is provided (whether to producers, to exporters, or others; through what mechanism; whether a fixed or fluctuating amount per unit; if the latter, how determined)

Others.

7. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy (indicating, if possible, the average subsidy per unit in the previous year). Where provision of per unit subsidy information (for the year covered by the notification, for the previous year, or both) is not possible, a full explanation

Annual amounts in multiannual Work programmes (2014-2020):

2015 - EUR 2,226,848,306

2015 - EUR 3,846,665,700

8. Duration of the subsidy and/or any other time limits attached to it, including date of inception/commencement

2014-2020

4 COMMON AGRICULTURAL POLICY (CAP)

4.1 General Observations

4.1.1 The CAP reform process

During the period under review of this notification the implementation of the 2013 reform continued.

The 2013 reform is a continuation of the reform process of the CAP, following the direction of previous reforms of the last more than 20 years. With these reforms a fundamental policy shift has taken place from price support mechanisms to income support conditioned on the respect of certain criteria, with a shift in policy away from trade distorting amber box support to non trade distorting green box support. Direct payments now cover nearly 90% of the EU budget outlay for "first pillar" support (i.e. market measures and Direct Payments together). The 2013 Reform enhanced further the environmental and climate-change mitigating elements of the CAP.

The 2003 CAP Reform introduced a decoupled direct payments scheme, the Single Payment Scheme (SPS), as well as a simplified direct payments scheme for some new Member States called the Single Area Payment Scheme (SAPS). Under the SPS and SAPS aid is no longer linked to production and farmers can decide whether and what to produce knowing that they receive the same amount of aid, therefore production is adjusted to suit market demand. The 2013 reform continued this decoupling of direct payment. The 2013 reform main elements is decoupled 'basic payment' (Basic payment scheme [BPS] or Single area payment scheme [SAPS],) complemented by a series of other decoupled support schemes targeting specific objectives or types of farmers: greening, young farmers, redistributive payments, areas with national constraints and Voluntary Couples Support (VCS) - see 4.3.3 for details.

Under the current CAP, market intervention measures operate as a genuine safety net in case of crisis. As a result of these reforms the CAP has been further modernised and simplified. Moreover, Rural Development policy has been further strengthened to allow farmers to face new challenges, such as climate change, renewable energies, water management and biodiversity.

The main CAP Regulations in force at 1/1/2015: **Regulation (EU) No 1307/2013** of the European Parliament and of the Council establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy and repealing Council Regulation (EC) 637/2008 and Council Regulation (EC) No 73/2009 and **Regulation (EU) No 1305/2013** of the European Parliament and of the Council on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) and repealing Council Regulation (EC) No 1698/2005.

The Regulations for the Common Market Organisation and Rural Development have as of 1/1/2014 been replaced by ***Regulation (EU) No 1308/2013*** *of the European Parliament and the Council of 17 December 2013 establishing a common organisation of the markets in agricultural products.*

Further, financing of CAP expenditure is governed by **Regulation (EU) No 1306/2013** of the European Parliament and the Council of 17 December 2013 on the financing, management and monitoring of the common agricultural policy.

4.1.2 Financing the CAP

The expenditure for agriculture included in this notification relates to payments made by the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD) during the years 2015 and 2016. For the EAGF (first pillar of the CAP) the SCM questionnaire is answered in Section B below together with detailed information on the individual support measures in section 4.3 (4.3.1 Export subsidies, 4.3.2 Interventions in agricultural markets and 4.3.3 Direct payments). Support covered by the EAFRD (second pillar of the CAP) is treated in the same manner in sections 4.4 and 4.5 of this notification. Sections 4.6 and 4.7 cover support for pre-accession measures in the field of Rural Development in so far as the payments occurred in the Member States of EU28.

As from 2014 a crisis reserve was introduced to ensure additional support for the agricultural sector in the case of a major crisis. This is financed annually within the financial discipline mechanism taking the form of an adjustment rate reducing the direct payments. To ensure that the annual ceilings for the financing of market related expenditures and direct payments are respected in a given year, the mentioned adjustment rate might if needed be increased. In the case that the total amount of the crisis reserve has not been spent by the end of the budget year in question, or there are other remaining budgetary availabilities for the EAGF, the adjustment is repaid to the direct payments recipients in the following budget year.

General Summary of expenditure for Agriculture and Rural Development, million EUR

	2014	2015	2016
European Agricultural Guarantee Fund (EAGF)	**44,137.85**	**44,834.52**	**44,124.06**
Export subsidies	4.48	0.31	0.60
Other intervention in markets	2,473.69	2,666.18	3,139.33
Direct payments	41,659.68	42,168.04	40,984.13
Of which non-trade distorting direct payments	*38,952.09*	*39,085.01*	*36,431.05*
European Agricultural Fund for Rural Development (EAFRD)	**11,177.59**	**11,779.39**	**12,345.01**
Rural Development 2014-2020	224.99	5,252.19	7,809.87
Rural development 2007-2013	10,947.35	6,464.30	4,495.77
Rural development completion of previous periods	5.25	62.90	46.8
Pre-accession (Ipard)	**158.73**	**201.90**	**339.24**

4.1.3 Information on the Internet

General information on the Common Agricultural Policy can be found at:
http://ec.europa.eu/agriculture/index_en.htm (English)
http://ec.europa.eu/agriculture/index_fr.htm (French)
http://ec.europa.eu/agriculture/index_es.htm (Spanish)

The legislation referred to in this notification is publicly available at the following websites:
http://eur-lex.europa.eu/homepage.html?locale=en (English)
http://eur-lex.europa.eu/homepage.html?locale=fr (French)
http://eur-lex.europa.eu/homepage.html?locale=es (Spanish)

The EU budget can be consulted at:
http://eur-lex.europa.eu/budget/www/index-en.htm (English)
http://eur-lex.europa.eu/budget/www/index-fr.htm (French)
http://eur-lex.europa.eu/budget/www/index-es.htm (Spanish)

4.2 European Agricultural Guarantee Fund (EAGF)

1. Title of the programme

Common Agricultural Policy - Direct payments and interventions in markets ("First Pillar")

2. Period covered by the notification

1 January 2015-31 December 2016

3. Policy objective and/or purpose of the programme

The policy objective aims at:

- providing the farming community with a fair standard of living,
- supplying consumers with food at reasonable prices, and
- promoting effective use of resources.

4. Background and authority for the programme

Treaty on the Functioning of the European Union, in particular Title III of Part III.

5. Form of assistance granted

The aid is normally in the form of grants or loans.

6. To whom and how the assistance is provided

Payments are made to economic actors in the sector, for the large part agricultural producers.

7. Total expenditure under the programme

European Agricultural Guarantee Fund - financial year (million EUR)

	2014	2015	2016
Intervention in markets	2,473.7	2,666.2	3,139.3
Export subsidies	4.5	0.3	0.6
Direct payments	41,659.7	42,168.0	40,984.1
Total EAGF	**44,137.9**	**44,834.5**	**44,124.1**
Of which non-trade distorting direct payments	*38,952.1*	*39,085.0*	*36,431.0*

8. Duration of the programme

The current multiannual financial framework covers the period from 2014 to 2020.

9. Trade effects

In 2016, 87% of the support provided had no or at most minimally trade distorting effects unchanged compared to 2014.

4.3 Measures Financed Through The EAGF ("First Pillar" of the CAP)

4.3.1 Export refunds

The last export licence was granted in July 2013. All payments made after this date for export subsidies relate to licences issued before this date, but where the administrative procedures for making the payments had not been finalised. The total amounts paid on export refunds by the EAGF in 2014, 2015 and 2016 are as follows:

Export subsidies (EAGF payments) EUR million

Products	**2014**	**2015**	**2016**
Cereals	2.5	0.0	0.0
Sugar	0.3	0.0	0.0
Rice	0.0	0.0	0.0
Olive oil	0.0	0.0	0.0
Fruit and vegetables	0.0	0.0	0.0
Wine	0.0	0.0	0.0
Dairy products	0.0	0.0	0.0
Bovine meat	0.4	0.2	0.6
Pigmeat	0.2	0.1	0.0
Eggs and poultry	0.9	0.0	0.0
Refunds on non-Annex I	0.1	0.1	0.0
Total expenditure	**4.5**	**0.3**	**0.6**

4.3.2 Interventions in agricultural markets per sector

In order to stabilise markets and assure the agricultural population of an equitable standard of living, the Common Agricultural Policy provides, in the Common Market Organisation Regulation, intervention and aid measures that vary according to the nature of the product and the special characteristics of the market. This section 4.3.2 deals with spending for the Interventions in agricultural markets per sector; section 4.3.3 will address Direct Payments in a similar way. Most of the support schemes represented in the section 4.3.2 of this notification have their legal basis in **Regulation (EU) No 1308/2013 of the European Parliament and of the Council of 17 December 2013 establishing a common organisation of the markets in agricultural products and repealing Council Regulations (EEC) No 922/72, (EEC) No 234/79, (EC) No 1037/2001 and (EC) No 1234/2007 as well as Council Regulation (EU) No 1370/2013 of 16 December 2013 determining measures on fixing certain aids and refunds related to the common organisation of the markets in agricultural products.**

Support to agricultural markets (EAGF budget - payments) EUR million

Products	2014	2015	2016
Cereals	0.0	0.0	0.0
Rice	0.0	0.0	0.0
Food programs	-7.2	-3.2	0.0
Sugar	0.2	0.0	0.0
Olive oil	43.0	44.1	46.0
Textile plants	6.3	6.1	6.1
Fruits and vegetables	1,010.5	1,118.6	1,172.7
Wine	1,022.4	1,029.8	1,027.1
Promotion	54.2	67.1	66.7
Other plant products	240.8	240.0	242.0
Dairy products	71.8	119.6	406.6
Beef and veal	0.0	0.0	29.6
Sheep and goat	0.0	0.0	1.8
Pigmeat	0.0	11.5	105.7
Eggs and poultry	0.0	0.0	0.4
Other measures & animal products	31.8	32.6	34.5
Total expenditure	**2,473.7**	**2,666.2**	**3,139.3**

The increased amounts for the animal sectors in 2016 represent mainly emergency aid under Regulation (EU) 2015/1853 and storage costs. For dairy and pigmeat emergency aids amount to respectively EUR 324 million and EUR 74.9 million, in addition to respectively EUR 18.2 million and EUR 30.8 million of storage aids. The amounts for beef and veal and sheep and goat represent emergency aids only. The amount for poultry covers another emergency measure related to avian flu.

4.3.2.1 Cereals

Public intervention

Public intervention is available for certain cereals from 1 November to 31 May.

During this period it is open for common wheat for a maximum quantity offered of 3 million tonnes per intervention period (and by automatic tendering procedure above 3 million tonnes).

Buying into public intervention for durum wheat, barley and maize, shall be carried out by means of implementing acts, if the market situation so requires. For these cereals buying-in prices will be determined by means of tendering procedures. The buying-in price shall not be higher than the reference price.

The intervention price for cereals is equal to the reference price- EUR 101.31/tonne for the defined standard quality (related to the wholesale stage for goods delivered to the warehouse, before unloading).

Cereals will only be accepted in public intervention if they comply with certain minimum quality specifications.

In practice public intervention has not been used for cereals since 2010. Based on current market prices (well above the reference price), no public intervention is expected for cereals in the near future.

4.3.2.2 Rice

Public intervention

Public intervention is available for paddy rice from 1 April to 31 July. During this period, public intervention may be opened by the Commission for paddy rice, by means of implementing acts, if the market situation so requires. Rice will only be accepted in intervention if it complies with certain eligibility criteria.

The reference threshold for paddy rice is EUR 150/tonne for the defined standard quality (related to the wholesale stage for goods delivered to the warehouse, before unloading)

If the rice offered to intervention differs from the standard quality, the price is adjusted accordingly.

In practice public intervention has not been used for rice since 2000. Based on current market prices (well above the reference price), no public intervention is expected for rice in the near future.

4.3.2.3 Sugar

Private storage

There is a private storage system as a safety net in case the market price falls below the threshold price during a representative period and is likely to remain at that level. Taking into account the market situation, the Commission may decide to grant aid for private storage of white sugar to undertakings which are allocated a sugar quota. After the sugar quota will expire all sugar undertakings can benefit from the measure.

Quota system

The current quota system will expire on 30/9-2017.

The quotas for the production of sugar, isoglucose and inulin syrup at national or regional level are fixed as follows:

(tonnes, Regulation (EU) No 1308/2013)

Member State region	Sugar	Isoglucose	Inulin syrup
Belgium	676,235.0	114,580.2	0
Bulgaria	0	89,198.0	
Czech Republic	372,459.3		
Denmark	372,383.0		
Germany	2,898,255.7	56,638.2	
Ireland	0		
Greece	158,702.0	0	
Spain	498,480.2	53,810.2	
France (metropolitan)	3,004,811.15		0
French overseas departments	432,220.05		
Croatia	192,877.0		
Italy	508,379.0	32,492.5	
Latvia	0		
Lithuania	90,252.0		
Hungary	105,420.0	250,265,8.0	
Netherlands	804,888.0	0	0
Austria	351,027.4		
Poland	1,405,608.1	42,861.4	
Portugal (mainland)	0	12,500.0	
Autonomous region of the Azores	9,953.0		
Romania	104,688.8	0	
Slovenia	0		
Slovakia	112,319.5	68,094.5	
Finland	80,999,0	0	
Sweden	293,186.0		
United Kingdom	1,056,474.0	0	
TOTAL	13,529,618.2	720,440.8	0

Member States allocate a quota to each undertaking producing sugar, isoglucose or inulin syrup established in its territory and approved under certain conditions. For each undertaking, the allocated quota shall be equal to the quota under Regulation (EC) No 1234/2007 which was allocated to the undertaking for the marketing year 2010/2011.

The sugar, isoglucose or inulin syrup produced during a marketing year in excess of the quota may be:

- used for the processing of certain products (bioethanol, chemical industry, etc.);
- carried forward to the quota production of the next marketing year;
- used for the specific supply regime for the outermost regions;
- exported within the quantitative limit fixed by the Commission respecting the commitments resulting from international agreements; or
- released onto the internal market in the frame of the temporary market management mechanism.

Other quantities are subject to a surplus levy. The surplus levy is fixed by the Commission at a sufficiently high level in order to avoid the accumulation of quantities. The surplus levy referred is charged by the Member State to the undertakings on its territory according to the quantities of production established for those undertakings for the marketing year concerned.

Temporary market management mechanism

In order to ensure a sufficient supply, the Commission can, for the quantity and time necessary, adjust the level of the duty payable on imported raw sugar and fix the quantities of out-of-quota sugar that can be released onto the market and the applicable surplus levy.

4.3.2.4 Olive oil

The European Commission pursues the implementation of an *Action plan for the quality of olive oil* adopted in 2012. The olive oil regulatory "regime" sets marketing standards for olive oil concerning the packaging, labelling, presentation and advertising required for marketing in the EU, thus providing safeguards for consumers and allowing producers to maximise the benefits of selling a quality product. Certain Member States (IT, FR and EL) benefit from EU co-financing for a maximum amount of EUR 47.6 million to support programmes carried out by producers organisations and interbranch organisations in the areas of market knowledge, improvement of environmental impact, improvement competitiveness, quality, traceability schemes and dissemination of information.

Private storage

The Commission may decide to authorise bodies, offering sufficient guarantees and approved by the Member States, to conclude contracts for the storage of olive oil that they market, inter alia, taking into account the average price recorded on the market, the reference thresholds, the production costs and/or the need to timely respond to a particularly difficult market situation or economic development having a significant negative impact on the margins in the sector.

4.3.2.5 Textile plants

National restructuring programmes for the cotton sector

EU funds are attributed to Member States to finance specific restructuring measures to assist the cotton sector. The restructuring programmes must be compatible with EU law and consistent with the activities, policies and priorities of the EU. Council Regulation (EC) No 637/2008 provides that each cotton producer Member State shall, either every four years and for the first time by 1 January 2009, submit to the Commission a draft four-year restructuring programme or submit to the Commission, by 31 December 2009, a single draft modified restructuring programme for a duration of eight years. The annual budget for the restructuring programme per Member State from the financial year 2010 onwards shall be as follows EUR 4.0 million for Greece and EUR 6.134 million for Spain.

The restructuring programmes contain one or more of the following measures:

a. full and permanent dismantling of ginning facilities;

b. investments in the ginning industry;

c. participation of farmers in cotton quality schemes;

d. information and promotion activities;

e. aid to machinery contractors, not exceeding losses incurred.

Aid is not granted for research projects and measures to support research projects or for measures which are eligible for EU support under Council Regulation (EC) No 1698/2005 (Rural Development).

As from 1 January 2014, the annual budget for the Greek restructuring programme has been transferred to Rural Development funds in application of Article 66(1) of Regulation (EU) No 1307/2013.

4.3.2.6 Fruit and vegetables

The objectives of the fruit and vegetables scheme remain to improve the competitiveness and market orientation of the fruit and vegetable sector, reduce producers' income fluctuations resulting from crises, promote consumption - so contributing to improved public health - and enhance environmental safeguards. The support measures include:

(a) planning of production, including production and consumption forecasting and follow-up;

(b) improvement of product quality, whether in a fresh or processed form;

(c) boosting products' commercial value;

(d) promotion of the products, whether in a fresh or processed form;

(e) environmental measures, particularly those relating to water, and methods of production respecting the environment, including organic farming;

(f) crisis prevention and management.

EU Funding is available for producer organizations recognized by the Member States through approved 3-5 year operational programmes in line with the scheme's objectives. Higher support (60% EU co-financing instead of 50%) is foreseen in some cases, such as for mergers of producer organisations. Additional national financial assistance is allowed and partially reimbursed by EU funds in areas where marketed production by producer organisations is less than 15%. EU aid to producer organisations remains limited to 4.1% of the value of marketed produce, but this may rise to 4.6% (4,7% in case of associations of producer organisations) provided that the amount in excess of 4,1% is used only for crisis prevention and management.

<u>Crisis prevention and management</u>

Producer organisations' Operational Programmes may include crisis prevention and management measures. Those can consist of investments making the management of the volumes placed on the market more efficient, training and exchanges of best practices, promotion and communication, whether for prevention or during a crisis period, support for the administrative costs of setting up mutual funds, replanting of orchards for health or phytosanitary reasons, market withdrawal, green harvesting/non-harvesting and harvest insurance.

Exceptional measures

The Commission adopted six subsequent Regulations to address the consequences of the Russian ban on imports from the EU, laying down temporary exceptional support measures open to all producers of certain fruit and vegetables through market withdrawals for free distribution and other destinations, as well as non-harvesting and green harvesting.

Environmental measures

Producer organisations are required to devote at least 10% of expenditure in each operational programme to environmental actions or to include at least two environmental actions in their operational programme.

4.3.2.7 School schemes

School Fruit and Vegetables Scheme

The EU School Fruit and Vegetables Scheme (SFVS) has been operational as from school year 2009-2010. It aims to encourage the consumption of fruit and vegetables which in turn contribute to shaping healthy eating habits in young people. This has positive implications for agriculture and can contribute to larger efforts to fight against obesity and overweight. Since 2014, the SFVS makes available €150 million of EU funds per school year to provide fruit and vegetables to school children and this money is matched by national and private funds in the scale of 25% or 10% for less developed regions (co-financing). Around 11,7 million children from 24 Member States out of 28 benefited from the Scheme in school year 2015/16.

School Milk Scheme

EU aid is granted for supplying to pupils in educational establishments milk and certain processed milk products. Member States may, in addition to EU aid, grant national aid. The EU aid is EUR 18.15/100 kg milk. The amounts of aid for other eligible milk products are determined taking into account the milk components of the product concerned. The aid is granted on a maximum quantity of 0.25 litre of milk equivalent per pupil and per day.

4.3.2.8 Wine

National financial envelopes

The 2008 wine reform introduced national financial envelopes (proportional to the production level in each Member State) to set up national support programmes in order to assist the wine sector to achieve the two main reform objectives. Member States are responsible for the support programmes drawn up at the geographical level deemed the most appropriate by selecting among a predefined menu of measures and ensure that they are consistent both within the programme and with other sources of financing (e.g. Rural Development). The first programming period (2008-2013) was concluded with the phasing out of previous intervention measures which gave progressively way to structural measures such as restructuring of vineyards, investments in transforming and marketing facilities and promotion of EU wine in third countries, which accounted for 2/3 of the global expenditure. For the current programming period (2014-2018) innovation was introduced as a new measure. It is expected that most of the budget will continue to be executed under the 3 main measures mentioned above. Support programmes shall contain one or more of the following measures:

- Single Payment Scheme:

  At the beginning of each programming period, Member States have had the possibility to provide support to vine-growers by allocating to them payment entitlements under the SPS and transferring funds from their national support programme in the wine sector to the Single Payment Scheme.

  See Section 4.3.3.1 of this notification.

- Promotion on third-country markets:

  This support covers information or promotion measures concerning EU wines in third countries, thereby improving their competitiveness in those countries. The support relates to wines with a protected designation of origin or geographical indication or wines with an indication of the wine grape variety. The EU contribution to promotion activities shall not exceed 50% of the eligible expenditure. The measures may consist only of:

  - public relations, promotional or advertisement measures, in particular highlighting the advantages of the EU products, especially in terms of quality, food safety or environmental friendliness;
  - participation at events, fairs or exhibitions of international importance;
  - information campaigns, in particular on the EU systems covering designations of origin, geographical indications and organic production;
  - studies of new markets, necessary for the expansion of market outlets;
  - studies to evaluate the results of the promotional and information measures.

- Information in the Member States:

  Since the 2013 reform, Member States may choose to finance also projects with a view to informing consumers about the responsible consumption of wine and about the Union systems covering designations of origin and geographical indications. These information activities may be carried out through information campaigns and through participation in events, fairs and exhibitions of national or Union importance.

- Restructuring and conversion of vineyards:

  The objective of measures relating to the restructuring and conversion of vineyards is to increase the competitiveness of wine producers. Restructuring and conversion of vineyards is supported if Member States submit the inventory of their production potential. Support for restructuring and conversion of vineyards may only cover one or more of the following activities:

  - varietal conversion, including by means of grafting-on;
  - relocation of vineyards;
  - replanting of vineyards where that is necessary following mandatory grubbing-up for health or phytosanitary reasons on the instructions of the Member State (since the 2013 reform);
  - improvements to vineyard management techniques, in particular the introduction of advanced systems of sustainable production.

The normal renewal of vineyards which have come to the end of their natural life is not supported. Support for restructuring and conversion of vineyards may only take the following forms:

  - Compensation of producers for the loss of revenue due to the implementation of the measure. Compensation of producers for the loss of revenue may cover up to 100% of the relevant loss.
  - Contribution to the costs of restructuring and conversion. The EU contribution to the actual costs of restructuring and conversion of vineyards does not exceed 50%. In regions classified as convergence regions in accordance with Regulation (EC) 1083/2006, the EU contribution to the costs of restructuring and conversion does not exceed 75%.

- Green harvesting:

  Green harvesting means the total destruction or removal of grape bunches while still in their immature stage, thereby reducing the yield of the relevant area to zero. Support for green harvesting contributes to restoring the balance of supply and demand in the market in wine in the EU by controlling excessive production in order to prevent market crises. It may be granted as compensation in the form of a flat rate payment per hectare to be determined by the Member State concerned. The payment does not exceed 50% of the sum of the direct costs of the destruction or removal of grape bunches and the loss of revenue related to the destruction or removal of grape bunches.

- Mutual funds:

  Support for the setting-up of mutual funds provides assistance to producers seeking to insure themselves against market fluctuations. This support is granted in the form of temporary and digressive aid to cover the administrative costs of the setting up of the funds.

- Harvest insurance:

  Support for harvest insurance contributes to safeguarding producers' incomes where these are affected by natural disasters, adverse climatic events, diseases or pest infestations. Support for harvest insurance may be granted in the form of a financial EU contribution which must not exceed:

  a. 80% of the cost of the insurance premiums paid for by producers for insurance against losses as a result of adverse climatic events which can be assimilated to natural disasters;

  b. 50% of the cost of the insurance premiums paid for by producers for insurance against:

     i. losses referred to in (a) and against other losses caused by adverse climatic events;

     ii. losses caused by animals, plant diseases or pest infestations.

  Support for harvest insurance may only be granted if the insurance payments concerned do not compensate producers for more than 100% of the income loss suffered, taking into account any compensation the producers may have obtained from other support schemes related to the insured risk. Support for harvest insurance must not distort competition in the insurance market.

- Investments:

  Support may be granted for tangible or intangible investments in processing facilities and winery infrastructure as well as marketing structures and tools intended to improve the overall performance of the enterprise and its adaptation to market demands, as well as to increase its competitiveness and shall concern the production or marketing of wine.

  Support under paragraph at its maximum rate is limited to micro, small and medium-sized enterprises.

- Innovation (since the 2013 reform this is a self-standing measure):

  Support may be granted for tangible of intangible investments aimed at the development of new products, processes and technologies concerning determined grapevine products.

  The support shall be intended to increase the marketability and competitiveness of these products and may include an element of knowledge transfer.

The maximum aid rate is the same as for the Investments measure.

- By-product distillation:

  Support may be granted for the voluntary or obligatory distillation of by-products of wine-making. The amount of aid is fixed per % volume and per hectolitre of alcohol produced. No aid is paid for the volume of alcohol contained in the by-products to be distilled which exceeds 10% in relation to the volume of alcohol contained in the wine produced. The maximum applicable aid level is based on collection and processing costs. The alcohol resulting from the supported distillation is used exclusively for industrial or energy purposes so as to avoid distortion of competition.

4.3.2.9 Promotion of agricultural products

The promotion policy has been reformed with the adoption of Regulation (EU) No 1144/2014 of the European Parliament and of the Council of 22 October 2014 on information provision and promotion measures concerning agricultural products implemented in the internal market and in third countries. This regulation applies from 1 December 2015 and repeals Council Regulation (EC) No 3/2008 of 17 December 2007.

The EU can assist in financing measures for the information on and promotion of agricultural products and food on the EU internal market and in third countries. These measures can consist of public relations, promotional or publicity actions, participation at events and fairs, in particular those that highlight the advantages of EU products, especially in terms of quality, hygiene, food safety, nutrition, labelling, animal welfare or environmental friendliness of their production. Also covered are information campaigns on the EU system of protected designations of origin (P.D.O), protected geographical indications (P.G.I) and traditional speciality guaranteed (T.S.G.), information on EU quality and labelling systems and on "organic farming".

The financing of the new promotion policy is foreseen to increase progressively from EUR 61 million in 2014 to EUR 200 million in 2020 together with higher EU co-financing rates in comparison to the previous regime The EU co-finances promotion measures at a rate of 70% for simple programmes (programmes submitted by one or more organisations from the same Member State), 80% for multi programmes (programmes submitted by at least two organisations from at least two Member States or one or more European organisations) and programmes targeting third countries, 85% for crisis management programmes and a 5% top on for beneficiaries from Member States under financial assistance, whereas the national co-financing disappears. A key element of the new promotion policy is the establishment of an annual work programme, which sets out the strategic priorities for promotion measures in terms of products, schemes and markets to be targeted, and the corresponding allocated budgets. The objective is to have a dynamic and pro-active policy, adapted each year to emerging market opportunities and the needs of the sector.

4.3.2.10 Other plant products

Hops

From 1 January 2011, the hops Producer Organisations in Germany receive annually a specific aid of EUR 2 277 000. This aid has replaced the former hops area aid that Member States could retain up to 25% of the component of national ceilings coupled.

4.3.2.11 POSEI - excluding direct aids

The legal basis for this expenditure is **Regulation (EU) 228/2013** of the European Parliament and the Council of 13 March 2013 laying down specific measures for agriculture in the outermost regions of the Union and repealing Council Regulation (EC) No 247/2006. Objective factors arising as a result of insularity and remoteness of certain regions of the EU impose constraints on economic operators and producers in these outermost regions that severely handicap their activities. Therefore appropriate specific supply measures to guarantee supply and to compensate for the additional costs arising from their remoteness, insularity and distant location are applied.

4.3.2.12 Milk and dairy product

Public intervention

Public intervention is available for butter produced directly and exclusively from pasteurised cream obtained directly and exclusively from cow's milk in an approved undertaking in the Union of a minimum butterfat content, by weight, of 82% and a maximum water content, by weight, of 16% and for skimmed milk powder of top quality made from cow's milk in an approved undertaking in the Union by the spray process, with a minimum protein-content of 34% by weight of the fat free dry matter. The reference thresholds are EUR 246.39 per 100 kg for butter and EUR 169.80 per 100 kg for skimmed milk powder. When buying-in at fixed price, the public intervention price is 90% of the reference threshold for butter and 100% for skimmed milk powder.

For butter and skimmed milk powder, public intervention is open from 1 March to 30 September. Where quantities offered for public intervention during this period exceed 50 000 tonnes butter or 109 000 tonnes skimmed milk powder, the Commission suspends buying-in at fixed price for the product concerned. In that case buying-in is carried out on the basis of a tendering procedure according to specifications to be determined by the Commission.

An exceptional increase of the maximal quantities to be bought-in at fixed price was decided in 2016 in view of the prolonged period of severe market imbalance experienced in the milk sector. Global demand for milk and milk products had deteriorated in the course of 2015, notably due to the introduction and prolongation of the Russian import ban and the weakening demand in China, the main world importer of dairy products. At the same time milk supply generally increased in the main exporting regions. In order to help the milk and milk products sector find a new balance in this exceptional market situation, the ceilings for the buying-in of butter and skimmed milk powder at a fixed price have been increased to 100 000 t butter and 350 000 t. skimmed milk powder for the year 2016.

Private storage

Aid for private storage may be granted to respond to a particular difficult market situation for the following products:

- butter produced from cream obtained directly and exclusively from cow's milk;
- skimmed milk powder made from cow's milk;
- cheese benefiting from a protected designation of origin or from a protected geographical indication and with a certain maturing period.

Since the introduction of the Russian import ban, private storage aid has been made available for butter, skimmed milk powder and cheese. The butter and cheese schemes came to an end on 30 September 2016. The skimmed milk powder scheme ended on 28 February 2017.

Exceptional support measures

The Commission may adopt exceptional measures against market disturbance caused by significant price rises or falls on internal or external markets or other events and market support measures related to animal diseases and loss of consumer confidence due to public, animal or plant health risks.

In October 2015, temporary exceptional aid worth EUR 420 million was made available to Member States in the form of national envelopes for distribution to livestock farmers. Member States had the possibility to provide a nationally-funded "top-up" of up to 100% of these amounts.

In the autumn of 2016, in order to help the milk and milk products sector find a new balance, EUR 150 million was made available to milk producers in the Union who voluntarily engaged in reducing cow milk deliveries for a 3 month period, starting in October 2016.

In parallel, in order to improve farmers' resilience, a one-time financial grant was made available in September 2016 to each Member State within an overall budget of EUR 350 million for milk producers and farmers in other livestock sectors who engaged in one or more activities fostering economic sustainability and market stabilisation. As in 2015, Member States had the possibility to provide a nationally-funded "top-up" of up to 100% of the allocated amounts.

Apart from the dairy sector, the other livestock sectors that benefited from these two targeted aid schemes were pigmeat, beef and veal, as well as sheep and goat.

Production limitation

The milk quota system ended with effect from 31 March 2015.

4.3.2.13 Beef and veal

Public intervention

As regards the beef and veal sector, the reference threshold is fixed at EUR 2,224/tonne for carcasses of male bovine animals of grade R3 as laid down in the EU scale for the classification of carcasses of bovine animals aged eight months or more. The Commission may open public intervention for beef and veal if, over a representative period, the average market price in a Member State or in a region of a Member State recorded on the basis of the Community scale for the classification of carcasses is below 85% of the reference threshold. The Commission may close public intervention if, over a representative period, this condition is no longer fulfilled. The intervention prices for beef and veal and the quantities accepted for intervention are determined by the Commission by means of tendering procedures. In special circumstances, tendering procedures may be restricted to, or the intervention prices and the quantities for intervention may be fixed per Member State or region of a Member State on the basis of recorded average market prices. The maximum buying-in price determined in accordance with tendering procedures shall not exceed 85% of the reference threshold.

Private storage

Aid for private storage may be granted to respond to a particularly difficult market situation and/or taking into account the average recorded EU market prices and the production costs.

Exceptional market support measures

The Commission may adopt exceptional measures against market disturbance caused by significant price rises or falls on internal or external markets or other events and market support measures related to animal diseases and loss of consumer confidence due to public, animal or plant health risks.

As mentioned in section 4.3.2.12, exceptional aid was granted in both 2015 and 2016 in view of the exceptional severe market situation. The aid was primarily used for the dairy sector, but 7% were used for the beef and veal sector and 8% of the 2016 exceptional adjustment aid is foreseen to be used for the beef meat sector.

4.3.2.14 Sheepmeat and goatmeat

Private storage

Aid for private storage may be granted to respond to a particularly difficult market situation and/or taking into account the average recorded EU market prices and the production costs.

Exceptional market support measures

The Commission may adopt exceptional measures against market disturbance caused by significant price rises or falls on internal or external markets or other events and market support measures related to animal diseases and loss of consumer confidence due to public, animal or plant health risks

As mentioned in section 4.3.2.12, exceptional aid was granted in both 2015 and 2016 in view of the exceptional severe market situation. The aid was primarily used for the dairy sector, but 0.4% were used for the sheep and goat sector under the 2015 targeted aid and 3% of the 2016 exceptional adjustment aid is foreseen to be used for the sheep and goat sector.

4.3.2.15 Pigmeat

Private storage

Aid for private storage may be granted to respond to a particularly difficult market situation and/or taking into account the average recorded EU market prices and the production costs.

Aid for private storage has been granted for pigmeat in 2015[1] and 2016[2] given the persisting difficult market situation which compromised the financial stability of many farms. In 2015 and in 2016, respectively 63 969 and, 90 867 tonnes of pigmeat were put into storage.

Exceptional market support measures

The Commission may adopt exceptional support measures against market disturbance caused by significant price rises or falls on internal or external markets or other events and market support measures related to animal diseases and loss of consumer confidence due to public, animal or plant health risks.

As mentioned in section 4.3.2.12, exceptional aid was granted in both 2015 and 2016 in view of the exceptional severe market situation. The aid was primarily used for the dairy sector, but 18% were used for the beef and veal sector and 13% of the 2016 exceptional adjustment aid is foreseen to be used for the sheep and goat sector.

4.3.2.16 Eggs and poultrymeat

Exceptional market support measures

The Commission may adopt exceptional support against market disturbance caused by significant price rises or falls on internal or external markets or other events and market support measures related to animal diseases and loss of consumer confidence due to public, animal or plant health risks.

In 2016 the Commission granted to Italy exceptional support measures for the eggs and poultrymeat sectors, which had been heavily affected by the outbreaks of highly pathogenic avian influenza of subtype H5N8.[3]

4.3.2.17 Bee-keeping

Special provisions for the apiculture sector

With a view to improving general conditions for the production and marketing of apiculture products, Member States may draw up a national programme for a period of three years ('bee-keeping programme') aiming to improve general conditions for production and marketing of apicultural products. The measures which may be included in the 'bee-keeping programme' are laid down in Regulation (EU) No 1308/2013:

- technical assistance to beekeepers and groupings of beekeepers;
- combating beehive invaders and diseases, particularly varroasis;
- rationalisation of transhumance;

[1] Commission Implementing Regulation (EU) 2015/2334 of 14 December 2015 opening private storage for pigmeat and fixing in advance the amount of aid, OJ L 329, 15.12.2015, p. 10–13.

[2] Commission Implementing Regulation (EU) 2015/360 of 5 March 2015 opening private storage for pigmeat and fixing in advance the amount of aid OJ L 62, 6.3.2015, p. 16–19.

[3] Commission Implementing Regulation (EU) 2016/760 of 13 May 2016 on exceptional support measures for the eggs and poultrymeat sectors in Italy, OJ L 126, 14.5.2016, p.63.

- measures to support laboratories carrying out analyses of the physico-chemical properties of honey;
- measures to support the restocking of hives in the EU;
- cooperation with specialised bodies for the implementation of applied research programmes;
- in the field of beekeeping and apiculture products;
- Market monitoring;
- Enhancement of product quality with a view of exploiting the potential of products on the market.

Measures financed from the EAFRD in accordance with Council Regulation (EC) No 1305/2013 shall be excluded from the apiculture programme. The EU shall provide part-financing for the apiculture programmes equivalent to 50% of the expenditure borne by Member States.

4.3.3 Direct payments

The support schemes represented in this section 4.3.3 of this notification find their legal basis in Regulation (EU) No 1307/2013 of the European Parliament and of the Council establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy and repealing Council Regulation (EC) 637/2008 and Council Regulation (EC) No 73/2009.

The basic payment ensures basic income support for farmers engaged in agricultural activities.

The basic payment is applied either as the basic payment scheme (BPS) or as a transitional simplified scheme, the single area payment scheme (SAPS).

The level of direct aids for the period covered by this notification is as follows:

Direct Payments (EAGF financial year - execution of payment appropriations), EUR million

	2015		**2016**	
Million EUR	Decoupled	Coupled	Decoupled	Coupled
SPS (Single Payment Scheme) (1)	29,582.6		43.1	
SAPS (Single Area Payment Scheme)	7,770.3		4,032.4	
Redistributive Payment	440.1		1,237.1	
BPS (Basic Payment Scheme)			17,857.6	
Payment for agricultural practices beneficial for the climate and the environment			11,716.4	
Payment for farmers in areas with natural constraints			2.8	
Payment for young farmers			317.0	
Specific support	500.6	1,398.0	-2.3	5.4
Cotton		244.0		243.9
Silkworms		0.4		
Suckler cow		929.1		0.6
Sheepmeat and goatmeat		28.4		0.4
POSEI		426.6		426.8
Voluntary Coupled Support				3,800.6
Small Farmers Scheme (3)			875.5	32.2
Other products / measures (2)		-5.9		-0.7
Reimbursement of financial discipline	**791.5**	**62.4**	**351.4**	**43.9**
Total	**39,085.0**	**3,083.0**	**36,431.0**	**4,553.1**
Total direct payments	**42,168.0**		**40,984.1**	

(1) Additional amounts of aid, Separate Sugar Payment, Separate Fruit and Vegetables payment and Separate Soft Fruit payment and other decoupled support are included.
(2) Other (incl. support for specific type of farming, additional amount for sugar beet and cane producers, transitional fruit and vegetables payment other than tomatoes).
(3) The small farmers scheme is partly coupled/decoupled reflecting the implementation choices of the Member States. The amount of reimbursement is considered decoupled/coupled with the same proportion as the rest of the direct payments.

4.3.3.1 Structure of direct payments and general conditions

Direct payments are available to active farmers as defined in Articles 4(1)(a) and 9 of Regulation (EU) No 1307/2013. Decoupled payments are granted on the basis of eligible hectares (irrespective of actual production on that area; it is sufficient to maintain the area in a state suitable for grazing or cultivation). Coupled payment support is granted on the basis of eligible units (hectares or animals).

Generally, direct payments are not granted to a farmer if the total amount due or the area of land eligible for payment is too small. These so-called "minimum requirements" vary from country to country as it is set by national administrations, but it is generally between €100 and €500, or 0.3 ha to 5 ha, per farm per year.

Decoupled direct payments are granted to farmers in the form of a basic income support based on the number of agricultural hectares. There is a 'basic payment' (Basic payment scheme [BPS] or Single area payment scheme [SAPS], see further section 4.3.3.2) complemented by a series of other decoupled support schemes targeting specific objectives or types of farmers:

- a '**green**' direct payment for agricultural practices beneficial for the climate and the environment (see further section 4.3.3.3.2).

- a payment to **young farmers (YFP)** in the form of a top-up payment added to the basic payment, obligatory in every Member State. It is granted for a maximum of five years from the moment a young farmer sets up for the first time as the head of a farm holding. The YFP can account for up to 2% of total direct payment national allocations.

- (where applied) a **redistributive payment** to provide improved support to small and middle-size farms: Member states may allocate up to 30% of their total direct payments national allocations to a redistributive payment for the first eligible hectares. The number of hectares for which this payment can be granted is limited to a threshold set by national authorities (up to 30 hectares or up to the average farm size in Member States in which the latter is more than 30 hectares). The amount per hectare is the same for all farmers in the country where it is applied, and cannot exceed 65% of the national/regional average direct payment per hectare.

- (where applied) a payment for **areas with natural constraints**, where farming conditions are particularly difficult, e.g. coastal or mountain areas,

- (where applied), farmers may benefit from the **small farmers scheme (SFS)**. The SFS is a simplified direct payment scheme granting a one-off payment replacing all other direct payments to farmers who choose to participate. The maximum level of the payment is decided at national level, but in any case may not exceed €1,250. The SFS includes simplified administrative procedures, and participating farmers are exempt from greening obligations and cross-compliance sanctions (see further in section 4.3.3.3).

Besides, Member States may opt to apply **voluntary coupled support (VCS)**. The aim of this type of support is to create an incentive to maintain the current levels of production in regions or in sectors undergoing certain difficulties and that are particularly important for economic, social or environmental reasons. Unlike for decoupled payments, eligibility to the "basic payment" is not a pre-requisite to qualify for the VCS.

Moreover, as a transitional provision, Member States applying the SAPS may grant a transitional national aid (TNA) to farmers in sectors for which TNA (or, where relevant, complementary national direct payments) was granted in 2013.

The overall amount of direct payments to farmers in any Member State is limited each year by the size of that country's annual allocation (or 'financial envelope') from the EU budget. National authorities can decide which of the various direct payments schemes to finance from this allocation, subject to certain limits set in the EU legislation. They may also choose to transfer money to or from their national rural development allocations.

The Act of Accession of Croatia provides for a transitional period for the progressive introduction of the CAP direct payments to farmers, from 25% in 2013 to 100% in 2022. It also establishes the possibility for Croatia, during the transitional period and subject to the approval by the Commission, to fill the gap by paying farmers national support in the form of ***Complementary National Direct Payments*** (CNDPs, commonly known as 'top-ups').

National envelopes: Direct payments are based on global national envelopes set in **Annex II** of Regulation (EU) No 1307/2013 (DP regulation) and showed in the below table). These national envelopes do not include the financing of the crop specific payment for cotton and the support for "POSEI". The envelopes are after any transfer of amounts to and from Rural development envelopes (only applicable until 2019). The amounts of "reduction" as referred to in Article 11 of the DP regulation are not deducted and these envelopes are not net payments ceilings. Moreover, the envelopes are before application of financial discipline. The national envelopes are the basis for setting the ceilings for the various direct payments schemes. Payment related to claim year N are paid in financial year N+1. Amounts are in 1000 EUR.

Member State	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Belgium	523,658	509,773	502,095	488,964	481,857	505,266
Bulgaria	721,251	792,449	793,226	794,759	796,292	796,292
Czech Republic	844,854	844,041	843,200	861,708	861,698	872,809
Denmark	870,751	852,682	834,791	826,774	818,757	880,384
Germany	4,912,772	4,880,476	4,848,079	4,820,322	4,792,567	5,018,395
Estonia	114,378	114,562	123,704	133,935	143,966	169,366
Ireland	1,215,003	1,213,470	1,211,899	1,211,482	1,211,066	1,211,066
Greece	1,921,966	1,899,160	1,876,329	1,855,473	1,834,618	1,931,177
Spain	4,842,658	4,851,682	4,866,665	4,880,049	4,893,433	4,893,433
France	7,302,140	7,270,670	7,239,017	7,214,279	7,189,541	7,437,200
Croatia	183,735	202,865	241,125	279,385	317,645	306,080
Italy	3,902,039	3,850,805	3,799,540	3,751,937	3,704,337	3,704,337
Cyprus	50,784	50,225	49,666	49,155	48,643	48,643
Latvia	181,044	205,764	230,431	255,292	280,154	302,754
Lithuania	417,890	442,510	467,070	492,049	517,028	517,028
Luxembourg	33,604	33,546	33,487	33,460	33,432	33,432
Hungary	1,345,746	1,344,461	1,343,134	1,343,010	1,342,867	1,269,158
Malta	5,241	5,241	5,242	5,243	5,244	4,690
Netherlands	749,315	736,840	724,362	712,616	700,870	732,370
Austria	693,065	692,421	691,754	691,746	691,738	691,738
Poland	3,378,604	3,395,300	3,411,854	3,431,236	3,450,512	3,061,518
Portugal	565,816	573,954	582,057	590,706	599,355	599,355
Romania	1,599,993	1,772,469	1,801,335	1,872,821	1,903,195	1,903,195
Slovenia	137,987	136,997	136,003	135,141	134,278	134,278
Slovakia	438,299	441,478	444,636	448,155	451,659	394,385
Finland	523,333	523,422	523,493	524,062	524,631	524,631
Sweden	696,890	697,295	697,678	698,723	699,768	699,768
United Kingdom	3,173,324	3,179,880	3,186,319	3,195,781	3,205,243	3,591,683

4.3.3.2 Basic payment

According to Article 1(b)(i) of Regulation (EU) No 1307/2013, the basic payment is granted either in the form of a **basic payment scheme (BPS)** or as a transitional simplified scheme, the **single area payment scheme (SAPS).** Eligibility for the basic payment is a pre-condition to receive other decoupled direct payments.

BPS is granted on the basis of annual activation of payment entitlements with eligible hectares. Payment entitlements were allocated to farmer in 2015 for their eligible area. The value of entitlements corresponds either to the national/regional flat rate, or it is based on the individual reference of each farmer and converges towards the flat rate over the period.

More detailed information on the basic payment scheme can be found in this site:

https://ec.europa.eu/agriculture/sites/agriculture/files/direct-support/direct-payments/docs/basic-payment-scheme_en.pdf (English)

As an alternative to BPS, Member States applying SAPS in 2014 may continue to use such scheme until 31 December 2020. This regime facilitates and reduces the administrative burden with only flat-rate payments per eligible ha of agricultural land. The SAPS is a decoupled direct support scheme with no, or at most minimal, trade-distorting effects.

The financial ceiling for BPS/SAPS is calculated for each Member State by deducting from the [total] national ceiling for direct payments any allocations for other direct payment schemes decided by each relevant Member State.

The Act of Accession of the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia and that of Bulgaria and Romania provide for a transitional period for the progressive introduction of the CAP direct payments to farmers in the new Member States, from 25% in 2004 to 100% in 2013 (respectively from 25% in 2007 to 100% in 2016 in Bulgaria and Romania). It also establishes the possibility for the new Member States, during the transitional period and subject to the approval by the Commission, to pay farmers additional support in the form of ***Complementary National Direct Payments*** (CNDPs, commonly known as 'top-ups').

4.3.3.3 Greening and cross compliance

4.3.3.3.1 Cross compliance

The CAP reform of 2013 implemented by Regulation (EU) No 1306/2013 carries forward the principle that there is a link through the cross compliance (CC) system between receipt of CAP support by farmers and respect of a set of basic rules related to the main public expectations on environment, public, animal and plant health and animal welfare. With cross compliance, the CAP support is reduced for farmers not respecting these basic rules in proportion of the severity, extent and/or permanence of the infringement determined.

The 2013 CAP reform provides for exemption from the cross compliance system for farmers participating in the Small Farmers Scheme. While these farmers need to respect the Directives and Regulations of the sectorial legislation, they are exempted from reductions of CAP payments under cross compliance. This change represents a simplification for these farmers and national administrations.

4.3.3.3.2 Green direct payment

The objective of the green direct payment is to enhance the environmental performance of the CAP by complementing cross-compliance and second pillar agro-environment-climate schemes. The green direct payment of a farmer is, like the other decoupled direct payments, paid per hectare for farmers respecting three annual practices that benefit the environment and the climate. These practices include diversifying crops, maintaining permanent grassland and dedicating 5% of arable land to ecologically beneficial elements ('ecological focus areas'). 30% of the total direct payments national allocations are dedicated to this payment.

As this is mandatory scheme, farmers who break greening rules will be paid less. Such reductions reflect the number of hectares identified as non-compliant, taking into account the specific nature of the requirement concerned. As of 2017, reductions can be accompanied by administrative penalties. In line with the proportionality principle, the size of such penalties depends on the severity and scope of non-compliance.

4.3.3.4 Coupled Support

4.3.3.4.1 Voluntary coupled support

During the period 2015-2020, Member States may grant coupled support to farmers operating in the following sectors and productions: cereals, oilseeds, protein crops, grain legumes, flax, hemp, rice, ,nuts, starch potato, milk and milk products, seeds, sheepmeat and goatmeat, beef and veal, olive oil, silk-worms, dried fodder, hops, sugar beet, cane and chicory, fruit and vegetables and short rotation coppice.

Coupled support may only be granted to sectors or regions of a Member State where specific types of farming or specific agricultural sectors that are particularly important for economic, social or environmental reasons undergo certain difficulties. Furthermore, it may only be granted to the extent necessary to create an incentive to maintain current levels of production in the sectors or regions concerned. The support shall take the form of an annual payment and shall be granted within defined quantitative limits and be based on fixed areas and yields or on a fixed number of animals. In order to finance the coupled support, Member States may decide to use up to 8% (13% under specific conditions or more upon approval by the Commission) of their annual national ceiling for direct payments. Those percentages may be increased by up to two percentage points for those Member States which decide to use at least 2% of their annual national ceiling for direct payments to support production of protein crops under this scheme. Member States may, by 1 August 2016, review their decision with effect from 2017. On the basis of the Member States' decisions, the Commission shall fix corresponding ceilings for coupled support on a yearly basis.

Sectors	**Applicable quantitative limit (ha/heads)***	**Total amount allocated (in MEUR)***	
		2015	**2016**
Beef and veal	18,616,664	1,706.3	1,701.6
Milk and milk products	12,321,533	829.21	836.85
Sheep and goat	41,627,791	477.99	480.87
Protein crops	4,318,571	427.64	433.01
Fruit and vegetables	675,186	203.8	208.2
Sugar beet	497,222	174.25	176.98
Cereals	1,935,435	86,902	89,104
Olive oil	886,704	70,393	69,469
Rice	447,431	56.670	56.402
Grain legumes	252,983	18,164	17,970
Starch potato	58,145	17,649	17,684
Nuts	418,000	14,000	14,000
Seeds	28,238	5,472	5,444
Hops	8,869	4,530	4,536
Oilseeds	76,285	1,432	1,894
Hemp	13,787	1,946	1,948
Silkworms	11,000	827	818
Flax	3,936	571	574

* Total EU decided by Member States (i.e. actual payments to farmers may be lower due to reduction and sanctions applied)

4.3.3.4.2 Cotton

The coupled aid is granted per hectare of eligible area of cotton. In order to be eligible, the area shall be located on agricultural land authorised by the Member State for cotton production, sown under authorised varieties and actually harvested under normal growing conditions. The aid is paid for cotton of sound and fair merchantable quality. The obligation to maintain coupled support in the cotton sector results from Protocol 4 annexed to the Act of accession of Greece and the payment is implemented in accordance with the objectives of that Protocol.

The payments are limited by base areas and fixed yields and reference amounts by Member State are established to calculate the specific amounts to be paid per hectare of eligible area. If the eligible cotton area exceeds the basic area, aid is reduced proportionally to the overshot.

Cotton coupled support - Base areas, fixed yields and reference amounts

	Base area	**Fixed yield**	**Aid per ha (€/t)***
Bulgaria	3,342 ha	1.2 tonne/ha	EUR 584.88 (2015) EUR 649.45 (2016 onwards)
Greece	250,000 ha	3.2 tonne/ha	EUR 234.18 (2015 onwards)
Spain	48,000 ha	3.5 tonne/ha	EUR 362.15 (2015 onwards)
Portugal	360 ha	2.2 tonne/ha	EUR 228.000 (2015 onwards)

** Farmers who are members of an approved inter-branch organisation are granted an aid per eligible hectare increasing the amount of aid per hectare mentioned above by an amount of EUR 2.*

Source: Regulation (EU) No. 1307/2013, Article 58.

4.3.4 POSEI

The legal basis for this expenditure is Regulation (EU) No 228/2013. Objective factors arising as a result of insularity and remoteness of certain regions of the EU impose constraints on economic operators and producers in these outermost regions that severely handicap their activities. Therefore specific measures on agriculture are applied to remedy the difficulties caused by these handicaps referred to in Article 349 of the Treaty.

4.4 Measures Financed By The European Agricultural Fund For Rural Development ("Second Pillar" Of The CAP)

1. Title of the programme

Common Agricultural Policy: Rural Development ("Second Pillar")

2. Period covered by the notification

1 January 2015-31 December 2016

3. Policy objective and/or purpose of the programme

Contribute to the achievement of the Common Agricultural Policy's objectives as laid down in the Treaty on the Functioning of the European Union, in particular Title III of Part III. Rural development policy should also take into account the general objectives for economic and social cohesion policy set out in the Treaty and contribute to their achievement, while integrating other major policy priorities as spelled out in the conclusions of the Lisbon and Göteborg European Councils for competitiveness and sustainable development.

4. Background and authority for the programme

As from 1.1.2014 **Regulation (EU) No 1305/2013** of the European Parliament and the Council of 17 December 2013on support for rural development by the European Agricultural Fun for Rural Development (EAFRD) and replacing Council Regulation (EC) No 1698/2005. Member States shall designate the authorities responsible for the managing, implementation and control of the programmes.

5. Form of assistance granted - Grants from EU budget

Rural development programmes are co-financed by Member States and the EU budget. Support might take the form of grants as well as financial instruments.

6. To whom and how the assistance is provided

The aid is co-financed with the Member States and implemented through multi-annual programmes based on the aims of the EAFRD and the needs of the rural areas. The Member States are responsible for the implementation of the programme and the selection of individual projects.

7. Total expenditure under the programme

The table below shows the amounts involved (payment appropriations in million € for each financial instrument).

Expenditure (payments) for Rural Development (million EUR)

Financial instrument	2014	2015	2016
EAFRD 2014-2020	225.0	5,252.2	7,809.9
EAFRD 2007-2013	10,947.4	6,464.3	4,495.8
EAGGF Guarantee Section completion of programs 2000-2006	-1.4	-1.3	-1.0
EAGGF Guidance Section completion of earlier programs	6.6	64.2	47.8
Transitional instrument for New Member States Completion of 2004-2006 programs	0.0	0.0	0.0
Other	0.0	0.0	0.0
Total	**11,177.6**	**11,779.4**	**12,345.0**

8. Duration of the programme

2014-2020

9. Trade effects

No, or at most minimal, trade distorting effects.

4.5 Measures Financed By The European Agricultural Fund For Rural Development ("Second Pillar" Of The CAP)

4.5.1 Policy framework

The European Union has an active rural development policy because this helps achieve valuable goals for the countryside and for the people who live and work there. The EU's rural areas are a vital part of its physical make-up and its identity. Farming involves 22 million people in the EU and manages close to 50% of the EU territory. The whole EU agri-food sector generates 7.5% of employment and 3.7% of EU's total value added. Agri-food sector is the 4th export sector in EU: increased the value of its exports by 50% from 2010 to 2016 (faster than overall EU exports). Many of the EU's rural areas face significant challenges. Average income per head is lower in rural regions than in towns and cities, while the skills base is narrower and the services sector is less developed. Also, caring for the rural environment often carries a financial cost. The Europe 2020 Strategy, the EU Environmental Action Programme 2020 and the 2020 Climate and Energy Package are just as relevant to the countryside as to the towns and cities. The EU's rural development policy is all about meeting the challenges faced by rural areas, and unlocking their potential.

Theoretically, individual EU Member States could decide and operate completely independent rural development policies. However, this approach would work poorly in practice. Not all countries in the EU would be able to afford the policy which they needed. Moreover, many of the issues addressed through rural development policy do not divide up neatly at national or regional boundaries, but affect people further (for example pollution crosses borders all too easily; and more generally, environmental sustainability has become a European and international concern). Also, rural development policy has links to a number of other policies set at EU level. Therefore, the EU has a common rural development policy, which nonetheless places considerable control in the hands of individual Member States and regions due to the principle of shared management. The policy is funded partly from the central EU budget and partly from individual Member States' national or regional budgets.

The essential rules governing rural development policy for the period 2014 to 2020 as well as the policy measures available to Member States and regions, are set out in Council Regulation (EU) No 1305/2013 of 17 December 2013 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) and repealing Council Regulation (EC) No 1698/2005. On this basis Member States build their 2014-2020 Rural Development Programmes based upon at least four of the six common EU priorities.

1. fostering knowledge transfer and innovation in agriculture, forestry and rural areas;
2. enhancing the viability / competitiveness of all types of agriculture, and promoting innovative farm technologies and sustainable forest management;
3. promoting food chain organisation, animal welfare and risk management in agriculture;
4. restoring, preserving and enhancing ecosystems related to agriculture and forestry;
5. promoting resource efficiency and supporting the shift toward a low-carbon and climate-resilient economy in the agriculture, food and forestry sectors;
6. promoting social inclusion, poverty reduction and economic development in rural areas.

4.5.2 Rural development measures

- **Knowledge transfer and information actions** aims at the_diffusion of scientific knowledge and innovative practices, for persons engaged in the agricultural, food and forestry sectors as well as SMEs operation in rural areas. Operations supported may include training courses, workshops and coaching, but shall not include courses of instruction or training which form part of normal programmes or systems of agricultural and forestry education at secondary or higher levels. Other activities which can be supported under the measure are demonstration projects and farm/forest exchanges and visits.

- **Advisory services, farm management and farm relief services**: this measure support the use of advice by farmers, forest holders and SMEs in rural areas. Support is granted to help them to make use of advisory services for the improvement of the overall performance of their holdings. As a minimum the advisory service to farmers shall cover one of the elements mentioned in Article 15(4) of Regulation (EU) 1305/2013. Support for the use of advisory services shall be limited to a maximum of 1500 € per advice. Support under this measure can also be provided to cover cost arising for the setting up of farm and forest advisory services, farm management services and farm relief services. Support shall be digressive over a maximum period of five years from setting up. Furthermore the measure support the training of advisors in order to ensure the quality of the service provided.

- **Supporting farmers who participate in food quality schemes** covers agricultural products and foodstuffs for EU quality schemes, or for those recognized by the Member States which comply with precise criteria or voluntary agricultural product certification schemes recognised by Member States as meeting the Union best practice guidelines. Schemes, whose sole purpose is to provide a higher level of control of respect of obligatory standards under EU or national law, shall not be eligible for support. The support is granted as an annual incentive payment whose level shall be determined according to the level of the fixed costs arising from the first participation in supported schemes, for a maximum duration of five years. The support is limited to a maximum amount 3,000 € per holding.

- **Supporting groups of producers for information and promotion activities** in the internal market for products under food quality schemes is also eligible. Support concerns products covered by the support of the quality schemes mentioned above. It shall be limited to a maximum of 70% of the cost.

- **Investments in physical assets** is a support scheme to be carried out in order to improve the economic and environmental performance of agricultural holdings and rural enterprises, improve the efficiency of the agricultural products marketing and processing sector. The support contributes to the development of infrastructure needed for the development of agriculture and forestry and support non-productive investments necessary to achieve environmental aims. Investment support is one of main instruments of the EU's rural development policy and has been used by all Member States in the programming period 2007-2013. Investment measures have been highly relevant in meeting the needs of agriculture via improving competitiveness and contributing to the maintenance of sustainable agricultural structures, and have served multiple economic, social and environmental priorities at once.

- **Restoring of agricultural production potential:** in order to prevent the negative consequences of natural disasters, adverse climatic events and catastrophic events, investments in prevention and restoration may be supported. In case of investments for restoration the level of destruction shall be at least 30% of the relevant agricultural production potential.

- **Business start up support for young farmers**. Support is granted to persons who are less than 40 years of age and are setting up for the first time on an agricultural holding as head of the holding. They must possess adequate occupational skills and competence and submit a business plan for the development of their farming activities. The support shall be granted up to the maximum amount laid down in the Annex II of Regulation (EU) No 1305/2013. **Business start-up support for non-agricultural activities in rural areas**. Support is provided for the start of a new non-agricultural activity in rural area. The support shall be granted up to the maximum amount laid down in the Annex II of Regulation (EU) No 1305/2013 per person who submits a business plan for the development of their farming activities. **Business start-up for the development of small farms**. Support is provided to existing small farms (as defined by MS) for ensuring their sustainable development and growth and shall be granted to farmers who submit a business plan. The support shall be granted up to the maximum amount laid down in the Annex II of Regulation (EU) No 1305/2013.

- **Basic services for the economy and rural population**. The support covers the development of local basic services, including cultural and leisure activities, and investments in small-scale infrastructure. Specific derogations for the size exists for the investments in broadband and renewable energy. Conservation and upgrading of the rural heritage is also eligible here. The support covers the drawing-up of protection and management plans relating to Natura 2000 sites and other places of high natural value, environmental awareness actions and investments associated with maintenance, restoration and upgrading of the natural heritage and with the development of high natural value sites. It also covers support for studies and investments associated with maintenance, restoration and upgrading of the cultural heritage such as the cultural features of villages and the rural landscape.

- **Forestry** support contributes to the achievement of some of the most crucial environmental, societal and economic targets of the rural development policy. Forests has important role in management of natural resources, forests provide key ecosystem services, such as sequestering carbon, protecting soil and water, preserving biodiversity, supplying energy and raw material for a low carbon economy, while allowing recreational activities. Therefore the support aims at establishing forests and agroforestry systems, prevention and restoration of damaged forests. Moreover the support covers investments improving the resilience and environmental value of forests and investments in forestry technologies and in processing, mobilising and marketing of forest products. A separate support scheme is dedicated to operations of forest-environmental and climate services and forest conservation.

- **Supporting setting up of producer groups and organisations**. Support is granted in order to facilitate the setting up and administrative operation of producer groups and organisation for the purposes of firstly adapting the production and output of producers who are members of such groups to market requirements. Secondly it is granted for the purpose of jointly placing goods on the market, including preparation for sale, centralisation of sales and supply to bulk buyers and thirdly for establishing common rules on production information, with particular regard to harvesting and availability. The support can be granted as a flat-rate aid in annual instalments for the first five years following the date on which the producer group or organisation was recognised. It shall be degressive and calculated on the basis of the group's or organisation's annual marketed production, up to the ceilings of 100,000 € per year.

- **Agri-environment-climate payments**. Member States / regions must make the support under this measure available throughout their territories, in accordance with their specific national, regional or local specific needs and priorities. The exact types of operation / intervention to be available in a given part of that territory will depend on the particular environmental / climate needs identified by Member States/regions in the SWOT analysis. Agri-environment-climate payments aim to preserve and promote the necessary changes to agricultural practices that make a positive contribution to the environment and climate. The support under this measure can be granted to farmers, groups of farmers or groups of farmers and other land managers and in justified cases also to other land managers or their groups who undertake voluntary agri-environment-climate commitments on agricultural land. Agri-environment-climate payments cover only those commitments going beyond the relevant mandatory standards established pursuant to Chapter I of Title VI of Regulation (EU) No 1306/2013, the relevant criteria and minimum activities as established pursuant to points (c)(ii) and (c)(iii) of Article 4(1) of Regulation (EU) No 1307/2013, and relevant minimum requirements for fertiliser and plant protection product use as well as other relevant mandatory requirements established by national law and identified in the programme. The commitments are undertaken as a general rule for a period of five to seven years. If justified by achieving or maintaining environmental benefits, a longer period can be determined. After termination of the initial period commitments, their annual extension is possible. The payments are granted annually and cover all or part of the additional costs and income foregone resulting from the commitments made. Where necessary, they may cover also transaction cost. When calculating the payments, Member States must deduct the amount necessary in order to exclude double funding of the greening practices in Pillar I. Where appropriate, the beneficiaries may be selected on the basis of calls for tender, applying criteria of economic and environmental efficiency. Support is limited to the maximum amounts 450-900 € per hectare and 200 € per Livestock Unit in the case of support for local breeds in danger of being lost to farming. Support may also be provided for the conservation and the sustainable use and development of genetic resources in agriculture.

- **Organic farming** measure in the current programming period 2014-2020 is established as a separate support scheme (it was part of the agri-environment measure earlier). This was decided to provide more visibility to the scheme. The support under this measure is dedicated for the conversion to or / and maintenance of organic farming practices with a view to encourage farmers to participate in such schemes, thus answering society's demand for the use of environmentally friendly farm practices.

- **Natura 2000 payments and payments linked to Directive 2000/60/EC.** The support under this measure is to be granted to beneficiaries of this measure who suffer from particular disadvantages due to specific mandatory requirements that go beyond certain baseline level in the areas concerned resulting from the implementation of Birds and Habitats Directives and Water Framework Directive (WFD) when compared to the situation of farmers and foresters in other areas not concerned by these disadvantages. The compensation under this measure is to help address the specific disadvantages and to contribute to the effective management of Natura 2000 sites and river basin areas and to ensure the protection of those sites and associated water bodies. Support is limited to the maximum amount of 500€/ha in the initial period not exceeding five years after which the maximum amount is 200€/ha. For Water Framework Directive payment the minimum amount is 50€/ha.

- **Payments to areas facing natural or other specific constraints** compensate farmers annually per hectare for all or part of the additional costs and income foregone related to the constraints for agricultural production in the area concerned. Payments encourage continued use of agricultural land, contribute to maintaining the countryside and to maintain and promote sustainable farming systems. In the 2014-2020 programming period, areas other than mountain areas facing significant natural constraints are to be delimited on the basis of bio-physical criteria. The minimum amount of payment is 25 EUR/ha/year, the maximum amount varies: on mountain areas up to EUR 450 and on other constraint areas the maximum payment may be up to EUR 250/ha, with a possibility to give higher support in duly justified cases.

- **Animal welfare payments**. Animal welfare commitments shall provide upgraded standards of production methods and support farmers to prepare for possible higher standards in the future. Support under the measure "Animal welfare" can be paid for specific commitments and practises which go beyond the existing standards and which have a direct effect in improving animal welfare. Besides the "Animal welfare" measure as laid down in Article 33 of Regulation (EU) No 1305/2013, animal welfare may be supported under several other measures of Rural Development. The payments cover all or part of the additional costs and income foregone resulting from the commitment made. Where necessary, they may cover also transaction costs. Support is limited to the maximum amount of 500€/LU.

- The **Co-operation measure**, as laid down in art 35 of Regulation (EU) No 1305/2013, can support the setting-up, running and direct costs of a wide range of cooperation projects. It can support Operational Groups under the European Innovation Partnership Agricultural Productivity and Sustainability, experimental work to develop new products, processes and technologies in the agri-food and forest sectors, co-operation among small operators in organising joint work processes and sharing facilities and resources, co-operation among supply chain actors for the establishment and development of short supply chains and local markets, joint action undertaken with a view to mitigating or adapting to climate change as well as environmental projects and practices, horizontal and vertical co-operation among supply chain actors in the sustainable provision of biomass, Public-private partnerships / non-LEADER local development strategies, drawing-up of forest management plans, diversification of farming activities into activities concerning health care, social integration, community-supported agriculture and education about the environment and food. The Co-operation measure should be used to make new things happen. It must not be used to support joint activities which are already taking place but it can support existing entities embarking on new projects. Annex II to Regulation (EU) 1305/2013 does not specify support rates for the "Co-operation" measure. Therefore, the maximum permitted support rate for a given operation depends on whether the operation falls within the scope of Art. 42 TFEU (i.e. whether it requires state aid clearance), and on whether the maximum support rate of a different rural development measure applies (pursuant to Art. 35(6) of Regulation (EU) 1305/2013).

- The **risk management** measure has been newly introduced under the second pillar of the CAP (Rural Development) for the period 2014-2020. This measure consists of three sub-measures: contribution to farmers for (1) insurance premiums, support to (2) mutual funds and to (3) an income stabilisation tool (IST). The insurance and mutual funds sub-measures support affiliated farmers in managing their production risks as regards losses to their animal husbandry or crop caused by crisis events including adverse climatic events, animal and plant diseases, pest infestations, and environmental incidents. The IST provides support to mutual funds which compensate affiliated farmers with up to 70% of their income losses. To trigger the compensation, the losses have to exceed 30% of the average annual production or income of the individual farmer, with reference to the last three years (arithmetic average) or to the last five years excluding the highest and the lowest entry (Olympic average). For all three sub-measures, the maximum EAFRD support rate is 65%. The insurance sub-measure provides financial contributions to the insurance premium paid by the farmer, while the mutual funds sub-measure and the IST (both managed by mutual funds) support the administrative cost of setting up of mutual funds, provide financial contributions to the compensatory amounts paid in case of crisis and contribute to the interest on commercial loans taken out by the mutual fund for the purpose of paying the compensatory amounts to farmers. No contribution is made to the initial capital stock of the mutual funds.

- Finally, **LEADER** is an integrated territorial development tool on sub-regional ("local") level. It directly contributes to the balanced territorial development of rural areas, which is one of the overall objectives of the rural development policy. The implementation of LEADER local development strategies (LDS) can reinforce territorial coherence and contribute to the long term sustainable development of an area. It can also be an appropriate tool to address rural-urban relationships. The support granted under the LEADER cover preparatory support with a view to preparing and implementing a community-led local development strategy; implementation of the community-led local development strategy; the local action group's co-operation activities; running costs linked to the management of the implementation of the community-led local development strategy and animation of the community-led local development

4.6 IPARD

1. Title of the programme

IPARD, the Rural Development programme under the Instrument for Pre-accession Assistance

2. Period covered by the notification

1 January 2015-31 December 2016

3. Policy objective and/or purpose of the programme

The objective of IPARD is to provide assistance for the progressive alignment of agricultural sector in pre-accession countries with Union standards, while pursuing balanced territorial development of rural areas and increasing food-safety of those countries as well as their ability to cope with competitive pressure; the investment support is to be channelled through management and control systems which are compliant with good governance standards of a modern public administration.

4. Background and authority for the programme

Legal basis **2014**: Regulation (EU) No 231/2014 of the European Parliament and of the Council of 11 March 2014 establishing an Instrument for Pre-accession Assistance (IPA II).

5. Form of assistance granted - Grants from EU budget

IPARD operational programmes co-financed by the EU budget and the IPARD beneficiary countries.

6. To whom and how the assistance is provided

The aid is co-financed by the European Commission together with the IPARD beneficiary countries and implemented through multi-annual operational programmes approved by the Commission. By means of indirect management, the budget implementation tasks for each measure of every programme, covering selection, approval, controls and financial execution of the individual projects, are entrusted to the IPARD beneficiary countries. Aid to final recipients is paid in the form of grants.

7. Total expenditure under the programme

Expenditure for pre-accession (million EUR)

Financial instrument	2014	2015	2016
Ipard	158.7	201.9	339.2

8. Duration of the programme

2014-2020 for IPARD II

9. Trade effects

No, or at most minimal, trade distorting effects.

4.7 Measures Financed By IPARD

IPARD is intended to cover the EU assistance by means of operational programmes to the pre-accession countries in progressive alignment with the standards and policies of the European Union, including where appropriate the *acquis communautaire*, with a view to membership.

As part of agriculture and rural development policy area, IPARD programmes shall support countries in their preparation for the implementation and management of the Common Agricultural Policy. In particular, it shall contribute to the sustainability of the agricultural sector and rural development and to the public administration reform in the pre-accession countries allowing setting up of the management and control structures suitable for managing post-accession EU-funded rural development programmes. During 2013, the countries eligible for IPARD were Turkey, Croatia and the Former Yugoslav Republic of Macedonia.

In 2014, with a change in policy approach, all pre-accession countries became eligible, subject to the presence of appropriate management and control capacities. IPARD II programmes have been adopted for Albania, the Former Yugoslav Republic of Macedonia, Montenegro, Serbia and Turkey. No entrustment for budget implementation tasks has been granted in 2016 under IPARD II; therefore, no expenditure was made in 2016.

5 EUROPEAN FISHERIES FUND (EFF)

EU Funds

1. Title of the measure

The European Fisheries Fund (EFF) and the European Maritime and Fisheries Fund (EMFF)

2. Period covered by the notification

2016 is the most recently completed calendar year. To be noted: 2015 was the final year of spending for the programmes funded by the EFF. The final reports and final payment applications reflecting implementation and spending for the entire programming period have been submitted by 31 March 2017.

Since 1 January 2014, the EU has a reformed Common Fisheries Policy (CFP)[4] which aims to ensure that fishing and aquaculture are environmentally, economically and socially sustainable and that they provide a source of healthy food for EU citizens. Among its objectives, the CFP aims to foster a dynamic fishing industry and ensure a fair standard of living for fishing communities. The new CFP has four main policy areas: Fisheries management, International policy, Market and trade policy, and the EMFF 2014-2020.

Delays in adopting the EMFF regulation had a knock-on effect on adoption of the Operational Programmes. However all 27 programmes were adopted by the end of 2015 and are currently proceeding with implementation.

3. Policy objectives and/or purpose

The EMFF promotes sustainable fisheries and aquaculture and fosters the implementation of measures that are subject to new rules to ensure better compliance of Member States and operators with the objectives, rules and targets of the reformed Common Fisheries Policy (CFP).

The EMFF includes funding opportunities for the protection of the environment through measures in support of fisheries resources management, including the transition to maximum sustainable yield (MSY), the introduction of the landing obligation and the adoption of long term management plans. The EMFF also encourages producer organisations to implement the new CFP through new management tools (i.e. production and marketing plans). Under the EMFF, the market intervention mechanism has significantly reduced in scope and will be phased-out after 2018.

In addition, in order to increase the number of stocks for which scientific advice is available, the budget for data collection and scientific advice has been substantially increased. Last but not least, the budget for fisheries control has also been considerably enlarged to ensure better compliance with CFP rules[5].

The EMFF also supports the Integrated Maritime Policy (IMP), facilitating coordination across borders and sectors to bring cost-effective synergies and money savings in managing maritime-related activities. Funding focuses mainly on initiatives developed in various sectors across the board like maritime spatial planning, integrated maritime surveillance and marine knowledge.

The EMFF's key objectives are thus:

- To help fishermen to adapt to new sustainable fishing practices, to diversify their sources of income and to make the sector generally more competitive. The European Maritime and Fisheries Fund facilitates the Common Fisheries Policy and its objectives of a socially and economically sustainable future for the sector.

[4] Regulation (EU) No 1380/2013 of 11 December 2013 (OJ L 354 of 28.12.2013)

[5] Out of a total amount of € 5.75 billion for the period 2014 – 2020 of the EMFF, € 1.1 billion are dedicated to control and data-collection measures.

- The EMFF also invests in the competitiveness of the fisheries, aquaculture and processing sectors. It focusses mainly on supporting innovation in the development or introduction of new or substantially improved products, pieces of equipment, processes, techniques, management and organisation systems. Marketing and production plans and the development of new markets, together with diversification and complementary sources of income, are privileged as ways to increase income.

- The EMFF also plays a significant role in employment. It supports the creation of jobs in fishing, inland fishing and aquaculture and to maintain jobs by supporting blue and green growth, complementary activities to fishing, inland fishing and aquaculture.

- Finally, the EMFF is building on the positive results from supporting the sustainable development of fisheries areas under the EFF. The EMFF sustains the implementation of local development strategies in fisheries and aquaculture areas intended to add value, create jobs and attract young people. It also promotes innovation at all stages of the fisheries and aquaculture supply chain and/or supports diversification inside commercial fishing. Such strategies are important not only for social but also for territorial cohesion.

4. Background and authority

As regards the EMFF, the Treaty of the Functioning of the European Union, and in particular Articles 42, 43(2), 91(1), 100(2), 173(3), 175, 188, 192(1), 194(2), 195(2) and 349 thereof are relevant. In accordance with the principles of shared management, Member States and the Commission are responsible for the management and control of programmes. Member States should have the primary responsibility, through their management and control systems, for the implementation and control of the operations in programmes.

5. The form of public support

Both the EFF (in the 2007-2013 period) and the EMFF (in the 2014-2020 period) were and are used to co-finance projects, along with national funding. Each Member State is allocated a share of the total Fund budget based on the size of its fishing industry. Each Member State then draws up an operational programme, setting out how it intends to spend the money. Once the Commission approves this programme, it is up to the national authorities to decide which projects will be funded. The national authorities and the Commission are jointly responsible for the implementation of the programme.

Under the EFF, 98.5% of the support was provided in the form of grants; a 1.5% is delivered by financial instruments (FIs), normally using guarantees and loans which are repayable in nature. Six Member States have used FIs in the period 2007-2013 (Bulgaria, Romania, Greece, Latvia, Estonia and The Netherlands). For the EMFF, at least nine Member States are expected to use FIs. Spain is in the process of establishing a fund of funds which will be managed by the EIB with €57m in total available.

6. To whom and how the public support is provided

Under the EMFF, beneficiaries are selected on the basis of selection criteria set by the Managing Authority. Beneficiaries can include fishermen, fishermen organisations, firms in the fisheries, aquaculture, and fish processing sectors, SMEs, producer organisations, professional organisations, fisheries local actions groups (FLAGs) and cooperatives.

Under EMFF rules, access to funds is conditional upon the compliance by Member States and operators with the objectives, rules and targets of the CFP, in particular the control obligations, the rules against illegal, unregulated and unreported fishing and the data collection. This principle existed under the EFF but has been given more importance under the EMFF.

Member States have to publish, on a single website or portal, a list of operations supported under the EMFF along with the totals of financial support. These lists must be updated at least every six months. This is particularly important in the prevention of funding of beneficiaries involved in illegal fishing activities.

7. Total budget of the programme

The EMFF is the financial support tool of the CFP and the Integrated Maritime Policy (IMP). Its total financial envelop is €6.4 billion (€5.75 billion in shared management and €0.65 billion in direct management). As of May 2017, €330m has been paid (this includes pre-financing payments).

EMFF allocation by Member State 2014-2020 (Euros)

AT	6,965,000.00
BE	41,746,051.00
BG	88,066,622.00
CY	39,715,209.00
CZ	31,108,015.00
DK	208,355,420.00
DE	219,596,276.00
EE	100,970,418.00
ES	1,161,620,889.00
FI	74,393,168.00
FR	587,980,173.00
GR	388,777,914.00
HR	252,643,138.00
HU	39,096,293.00
IE	147,601,979.00
IT	537,262,559.00
LT	63,432,222.00
LV	139,833,742.00
MT	22,627,422.00
NL	101,523,244.00
PL	531,219,456.00
PT	392,485,464.00
RO	168,421,371.00
SE	120,156,004.00
SI	24,809,114.00
SK	15,785,000.00
UK	243,139,437.00
EU27 (*)	**5,749,331,600.00**

* Luxembourg is not a recipient of EMFF funds.

A distinction has to be made between funds which are committed to be spent in selected projects and funds that are actually spent in these projects and claimed by the relevant Member State to the Commission for payment. As stated above, Member States have to spend the amounts committed within three years. Otherwise the funding is lost to the Member State and by the Commission. Funding lost this way is said to be "de-committed".

The closure documents for the EFF 2007-2013 programming period have been submitted. EUR 4.3 bn was available for the period, of which € 3.65bn was used, i.e. 84.9% of the initial funding was used.

8. Duration of the programme

The EFF programming period was from: 2007-2013 (31 December 2015 by virtue of the n+2 rule)

The EMFF programming period is from 2014 to 2020 (31 December 2023 by virtue of the new n+3 rule).

9. Trade effects

Given that the EMFF's main objective is to support environmentally sustainable, resource efficient, competitive fisheries which are more selective, produce less discards, and do less damage to marine ecosystems, the structural support granted under EU funds has no distortionary effects on trade.

In addition, as indicated in the EU's 2013 notification, the EU has a shortfall in fisheries and aquaculture products and it is a major importer of these products from the rest of the world; hence, the structural support granted under EU funds has very limited influence on this situation.

Finally, under EU State aid legislation, aid for export-related activities, namely aid directly linked to the quantities exported, to the establishment and operation of a distribution network, or to other costs linked to the export activity and aid contingent upon the use of domestic over imported goods is incompatible with the internal market, and hence it is not permitted.

Details on the amounts of State aid for the fishery and aquaculture sector granted by Member States beyond co-financing EFF measures should be requested from Member States.

6 PROGRAMMES IN THE FIELD OF RESEARCH

6.1 Framework programmes

1. Title of the subsidy programme

- the Seventh Framework Programme of the European Community for research, technological development and demonstration activities (2007-2013),

- the Framework Programme of the European Atomic Energy Community (EURATOM) for nuclear research and training activities (2012-2013),

- the Horizon 2020 EU Framework Programme for Research and Innovation (2014 to 2020), and

- the Research and Training Programme of the European Atomic Energy Community (2014-2018) complementing the Horizon 2020 Framework Programme for Research and Innovation.

The arrangements for implementing these framework programmes are essentially the same and are therefore described together in the following paragraphs.

2. Period covered

Calendar years of 2015 and 2016

3. Policy objective

Financial participation in EU research and technological development (RTD) activities during the period 2015 and 2016 is provided through the above-mentioned framework programmes.

The seventh framework programme of the European Union is aimed at strengthening the scientific and technological bases of Community industry, encouraging the development of its competitiveness and contributing to the implementation of the other European Union policies under the Treaty. These objectives and the activities to be undertaken are stated in the Treaty and further implemented through the Decision adopting this framework programme (Decision No. 1982/2006/EC of 18 December 2006[6]).

The framework programmes of the European Atomic Energy Community have two main parts: nuclear fission and controlled thermonuclear fusion (excluded). The objectives and activities to be undertaken are set out in the decisions adopting these framework programmes (2006/970/Euratom of 18 December 2002[7] of 2012/93/Euratom of 19 December 2011[8]) and 2013/1314 of 16 December 2013.[9]

[6] OJ L 412, 30.12.2006, p. 1.
[7] OJ L 400, 30.12.2006, p. 1.
[8] OJ L 47, 18.2.2012, p. 25.
[9] OJ L 347, 20.12.2013, p. 948.

The activities under these framework programmes relate to fundamental research, industrial research or pre-competitive development. Financing of product development is excluded.

Horizon 2020 focuses on three priorities, namely generating excellent science in order to strengthen the Union's world-class excellence in science, fostering industrial leadership to support business, including micro, small and medium-sized enterprises (SMEs) and innovation, and tackling societal challenges, in order to respond directly to the challenges identified in the Europe 2020 strategy by supporting activities covering the entire spectrum from research to market.

These objectives and activities are implemented through the Decision establishing a specific programme implementing Horizon 2020 of 3 December 2013.[10]

The implementation of Horizon 2020 and the Euratom Programme is aimed to respond to the evolving opportunities and needs of science and technology, industry, policies and society.

4. Background and authority for the subsidy

The legal bases of these programmes are, respectively, Article 166 of the EC Treaty and Article 7 of the Treaty establishing the European Atomic Energy Community.

The legal framework of the framework programmes consists of a number of main legal and implementing acts:

A Decision or Regulation by the Council on the "Framework Programme":

- EC: Decision No. 1982/2006/EC of the European Parliament and of the Council of 18 December 2006, OJ L 412, 30.12.2006, p. 1;

- Euratom: Council Decision 2006/970/Euratom of 18 December 2006, OJ L 400, 30.12.2006, p. 60 and Council Decision 2012/93/Euratom of 19 December 2011, OJ L 47, 18 February 2012, p. 25;

- EU: Regulation (EU) No 1291/2013 of the European Parliament and of the Council of 11 December 2013 establishing Horizon 2020 - the Framework Programme for Research and Innovation (2014-2020), OJ L347, 20 December 2013, page 105;

- Euratom: Council Regulation (EURATOM) No 1314/2013 of 16 December 2013 on the Research and Training Programme of the European Atomic Energy Community (2014-2018) complementing the Horizon 2020 Framework Programme for Research and Innovation, OJ L 347, 20.12.2013, p. 948.

Each framework programme is further implemented by Decisions by the Council adopting "Specific Programmes":

- EC: Specific Programmes "Cooperation", "Ideas", "People", "Capacities" and "Direct Actions by the Joint Research Centre" - Council Decisions 2006/971-975/EC of 19 December 2007, OJ L 400, 30.12.2006, p. 86, 243, 272, 299 and 368 respectively;

- Euratom: Specific Programmes "Euratom" and "Direct Actions by the Joint Research Centre" - Council Decisions 2006/976 and 977/Euratom of 19 December 2006, OJ L 400, 30.12.2006, p. 404 and 434 and Council Decisions 2012/94 and 2012/95/Euratom of 19 December 2011, p. 33 and 40;

- EU: Council Decision of 3 December 2013 establishing the specific programme implementing Horizon 2020 - the Framework Programme for Research and Innovation (2014-2020) and repealing Decisions 2006/971/EC, 2006/972/EC, 2006/973/EC, 2006/974/EC and 2006/975/EC, OJ L 347, 20.12.2013, p. 965.

[10] OJ L 347, 20.12.2013, p. 965.

Rules governing the implementation of the activities are contained in the "Rules for Participation", a regulation adopted by the European Parliament and the Council (EC) and by the Council alone (Euratom):

- EC: Regulation (EC) No. 1906/2006 of the European Parliament and of the Council of 18 December 2006, OJ L 391, 30.12.2006, p. 1

- Euratom: Council Regulation (Euratom) No. 1908/2006 of 19 December 2006, OJ L 400, 30.12.2006, p. 1

- EU: Regulation (EU) No 1290/2013 of the European Parliament and of the Council of 11 December 2013 laying down rules for participation and dissemination in "Horizon 2020-the Framework Programme for research and Innovation (2014-2020) and repealing Regulation (EC) No 1906/2006, OJ L 347, 20.12.2013, p. 81.

Work programmes are adopted specifying the research topics and other conditions for the award of grants are adopted, in general, every two years.

Grant agreements are concluded with the participants in the projects. The various model grant agreements, as well as the other documents are available at:

http://ec.europa.eu/research/participants/portal/desktop/en/home.html

5. Form of the subsidy

Support to RTD activities is provided in the form of grants within the meaning of Article 25.3 of the WTO Agreement on Subsidies and Countervailing Measures.

6. To whom and how the subsidy is provided

Research projects are carried out primarily by participants established within the European Union. Legal entities established in a country that has signed an association agreement (associated country) may participate in a project and receive EU funding from the Framework Programme on the same terms as those established in Member States. Legal entities established in other countries may receive funding under certain conditions.

In general, research projects must include the participation of at least three independent legal entities each established in a different Member State or associated country.

The grant is awarded mainly on the basis of the scientific excellence to projects submitted by consortia of universities, research organisations and undertakings following, as a general rule, an invitation for proposals and an evaluation procedure with independent experts and selection procedure. The undertakings apply in function of their interest in carrying out a research project on a specific research topic in collaboration with other partners.

The amount of the grant is typically calculated as a percentage of eligible costs of the project, depending on the nature of the activity concerned. Eligible costs are defined in the Rules for Participation.

7. Amount of subsidy

2015-2016	**Total amounts granted (in millions of EUR)**
Seventh framework programme of the European Community for research, technological development and demonstration activities	77
Horizon 2020 EU Framework programme for Research and Innovation	18,083
Seventh framework programme of the European Atomic Energy Community (EURATOM) (excluding Fusion grants)	0
Programme of the European Atomic Energy Community (EURATOM) complementing Horizon 2020 (excluding Fusion grants)	90
Total	**18,250**

8. Duration of the subsidy and/or any other time limits attached to it, including date of inception/commencement.

A project typically lasts for 3-4 years and the EU funding is awarded for this period. Subject to delivery of required documents at pre-determined deadlines, payments are released in instalments.

9. Trade effects of the subsidy

The Framework Programmes have no direct impact on trade. As a general rule, further work and considerable additional financial efforts of the participants are always necessary for the results of an RTD project to lead to a commercially exploitable process or product.

Furthermore, access to the results must be shared among partners and a more widely dissemination of results is encouraged and supported, which serves the public interest. One of the main benefits lies in establishing links among research community partners, within Europe but also with non-EU countries.

The economic impact of industrially oriented programmes can be assessed only several years after the completion of the projects because further substantive investment is required after the end of the research projects to develop any commercial applications.

6.2 Research on Coal and Steel

The Treaty establishing the European Coal and Steel Community (ECSC) expired on 23 July 2002. The remaining assets at the expiry of the ECSC were transferred to the European Community and a common Research Fund for Coal and Steel (RFCS) was created, dedicated to research in the coal and steel sectors. The activities carried out under this Fund are exclusively financed by the yearly returns generated by these assets.

The Research Programme of the Research Fund for Coal and Steel was established by the Council Decisions 2003/76/EC, 2003/77/EC, 2003/78/EC of 1 February 2003, and 2008/376/EC of 29 April 2008 published in the Official Journal of 5 February 2003 (see OJ L 29/22, OJ L 29/25, OJ L 29/28). This last Decision has been amended by the Council Decision 2008/376/EC of 29 April 2008, published in the OJ L130/7 dated 20.5.2008.

The programme is closely co-ordinated with other activities, carried out either in the Member States or existing EU research programmes, such as the Framework Programme of the European Community for research, technological development and demonstration activities. In order to increase the impact of this programme, the European Commission will encourage and promote co-ordination, complementarities and synergy between the different research programmes and support the exchange of information between projects financed under this programme and those financed under the Research Framework Programme.

The programme related documents and the information package are available on CORDIS at: http://ec.europa.eu/research/industrial_technologies/rfcs_en.html.

For coal and steel, the Union contributes financially in the following ways: through research, pilot and demonstration (RTD) projects, accompanying measures and support and preparatory actions.

(1) Research, Pilot and Demonstration:

Research projects are intended to cover investigative or experimental work with the aim of acquiring further knowledge. The financial contribution of the Union is up to 60% of the allowable costs.

Pilot projects address the construction, operation and development of an installation or a significant part of an installation on an appropriate scale. These installations should have a sufficient scale for use. They should allow the investigation of potential for putting theoretical or laboratory results either into practice or to increase the reliability of the technical and economic data needed to progress to the demonstration stage, and in certain cases to the industrial and/or commercial stage. The financial contribution of the Union is up to 50% of the allowable costs.

Demonstration project: aim at constructing and/or operating an industrial-scale installation or a significant part of an industrial-scale installation. Such projects aim to bring together all the technical and economic data in order to proceed with the industrial and/or commercial exploitation of the technology at minimum risk. The financial contribution of the Union is up to 50% of the allowable costs.

(1) Accompanying measures are designed to complement and/or co-ordinate research activities related to this programme.

(2) Support measures: this includes the dissemination of research results and the promotion of the use of knowledge gained.

It is worth noting that the results of all RFCS funded research projects are made public and can be acquired against a small fee by any organisation or individual, as provided for under Article 4 of annex III of the model contract. This allows for a wide and non-discriminatory dissemination of the research results.

Total EC support allocated to coal and steel projects in the period 2015 and 2016 are:

Year	**2015**	**2016**
Support in million of €	**46**	**42**

7 THE EUROPEAN UNION'S STRUCTURAL ACTIONS

The Union's structural actions (comprising the Structural Funds and the Cohesion Fund) are intended to strengthen the economic and social cohesion of the Union, in particular by reducing disparities between the levels of development of the various regions and the backwardness of the least-favoured regions.

The years 2015 and 2016 concern two legislative packages: 2007-2013 and 2014-2020

For both legislative periods the legislative package is composed of the following elements:

- A general regulation which defines common rules, applicable to the European Regional Development Fund (ERDF), European Social Fund (ESF) and the Cohesion Fund (CF). Based on the principle of 'shared management' between the Union, the Member States and the regions, this regulation offers a new programming process as well as new norms for financially managing, controlling and evaluating the projects.

- A regulation for each of the sources of financing (ERDF, ESF, CF and the Instrument for Pre-Accession Assistance (IPA)).

- A new regulation creating the possibility to create a cross-border authority to carry out cooperation programmes.

Outturn of payment appropriations in 2015 and 2016 per Fund (in EUR million):

Fund	Total appropriations 2015	Outturn in 2015	Total appropriations 2016	Outturn in 2016
ERDF	27,907	27,899	22,709	20,818
CF	11,742	11,739	7,375	7,359
ESF	9,253	9,242	9,290	7,792

These structural actions are required to comply with the Union's rules on the provision of state aid (Articles 107-108 of the TFEU).

The structural actions are notified in the spirit of transparency. The aid involved is largely devoted to the least-developed areas of the EU, and the majority of aid goes to finance infrastructure or to assist individuals directly, without necessarily benefiting commercial enterprises. Consequently, as stated at the beginning of this document, the notification of a particular fund does not prejudge the status of the aid involved.

7.1 European Regional Development Fund

1. Title of the programme

European Regional Development Fund (ERDF)

2. Period covered by the notification

2015, 2016

3. Programming period

The period covered by the notification refers to programming periods: 2007-2013 and 2014-2020. (Please note that programmes under the programming period 2007-2013 are now being closed).

4. Legal basis

Articles 174 and 176 of the TFEU.

For the programming period 2007-2013, the legal basis is:

- Regulation (EC) No 1083/2003 of 11 July 2006 laying down provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1260/1999;

- Regulation (EC) No 1080/2006 Regulation (EC) of the European Parliament and of the Council of 5 July 2006 on the European Regional Development Fund and repealing Regulation (EC) No 1783/1999;

- Regulation (EC) No 1828/2006 of 8 December 2006 setting out rules for the implementation of Council Regulation (EC) No 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and of Regulation (EC) No 1080/2006 of the European Parliament and of the Council on the European Regional Development Fund.

For the programming period 2014-2020, the legal basis is:

- Regulation (EC) 1303/2013 of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006;

- Regulation (EC) No 1301/2013 of 5 July 2006 on the European Regional Development Fund and repealing Regulation (EC) No 1080/2006;

- Commission Delegated Regulation (EU) No 480/2014 of 3 March 2014 supplementing Regulation (EU) No 1303/2013 of the European Parliament and of the Council laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund.

5. Form of assistance granted - Grants or other forms of support from the Union budget for ERDF resources are mainly used to co-finance:

- productive investment leading to the creation or maintenance of jobs;
- investment in infrastructure;
- development of endogenous potential by measures which support regional and local development.

6. Objectives

Regional policy targets all regions and cities in the European Union in order to support job creation, business competitiveness, economic growth, sustainable development, and improve citizens' quality of life.

In 2007-2013 the objectives are the following:

- The Convergence objective, which shall be aimed at speeding up the convergence of the least-developed Member States and regions by improving conditions for growth and employment through the increase and improvement of the quality of investment in physical and human capital, the development of innovation and of the knowledge society, adaptability to economic and social changes, the protection and improvement of the environment, and administrative efficiency. This objective is financed by the ERDF, the ESF and the CF.

- The Regional competitiveness and employment objective, which shall, outside the least-developed regions, be aimed at strengthening regions' competitiveness and attractiveness as well as employment by anticipating economic and social changes, including those linked to the opening of trade, through the increase and improvement of the quality of investment in human capital, innovation and the promotion of the knowledge society, entrepreneurship, the protection and improvement of the environment, and the improvement of accessibility, adaptability of workers and businesses as well as the development of inclusive job markets. This objective is financed by the ERDF and the ESF.

- The European territorial cooperation objective, which shall be aimed at strengthening cross-border cooperation through joint local and regional initiatives, strengthening transnational cooperation by means of actions conducive to integrated territorial development linked to the Union priorities, and strengthening interregional cooperation and exchange of experience at the appropriate territorial level. This objective is financed by the ERDF.

For the period 2014-2020 the ERDF focuses its investments on several key priority areas. This is known as 'thematic concentration':

- Innovation and research;
- The digital agenda;
- Support for small and medium-sized enterprises (SMEs);
- The low-carbon economy.

The ERDF resources allocated to these priorities will depend on the category of region.

In more developed regions, at least 80% of funds must focus on at least two of these priorities.
In transition regions, this focus is for 60% of the funds.
It is 50% in less developed regions.

Furthermore, some ERDF resources must be channelled specifically towards low-carbon economy projects:

More developed regions: 20%;
Transition regions: 15%; and
Less developed regions: 12%.

7. Eligibility

The rules on eligibility are determined at the national level, except when there are general rules laid down in the applicable EU legislation.

The eligibility in the period 2007-2013 is as follows:

- The convergence objective: The areas eligible for the convergence objective combine the regions eligible on a regional criteria basis (GDP is less than 75% of the Union average) and Member States who are eligible for the Cohesion Fund on a national criteria basis (GNI less than 90% of the European average). Transitional support is granted for regions corresponding to level 2 of the common classification of territorial units for statistics (hereinafter NUTS level 2) within the meaning of Regulation (EC) No. 1059/2003, which were covered by Objective 1 in the previous period but whose GDP exceeds 75% of the EU-15 GDP average (called "phasing-in").

- Regional competitiveness and employment objective: The European Union regions which are not eligible for the convergence objective or for the transitional support of the regional competitiveness and employment "phasing in" objective are all eligible for the regional competitiveness and employment objective.

- European territorial cooperation objective: The areas eligible are divided in three:

    - For cross-border cooperation: NUTS level 3 regions are eligible, along all the land-based internal borders and some external borders, along maritime borders separated by a maximum distance of 150 km.

    - For transnational cooperation: all the regions are eligible but, in consultation with the Member States, the Commission has identified 13 cooperation areas (Northern Periphery, Baltic Sea, North West Europe, North Sea, Atlantic Coast, South West Europe, Alpine Space, East-Central Europe, Mediterranean, South-East Europe, Acores-Madeira-Canarias, Indian Ocean Area, Caribbean Area).

    - For interregional cooperation: all the European regions are eligible.

In the period 2014-2020, resources for the Investment for growth and jobs goal are allocated among the following three categories of regions:

(a) less developed regions, whose GDP per capita is less than 75% of the average GDP of the EU-27;

(b) transition regions, whose GDP per capita is between 75% and 90% of the average GDP of the EU-27;

(c) more developed regions, whose GDP per capita is above 90% of the average GDP of the EU-27.

8. Principles of intervention

The principles of intervention are: complementarity, coherence, coordination, conformity and additionally, proportionality, equality between men and women and non-discrimination, sustainable development and using the Funds to focus on the Lisbon strategy priorities.

9. Budget

For the period 2007-2013, the European Council agreed in December 2005 on the budget for the period 2007-2013 and allocated € 347 billion on Structural and Cohesion Funds of which 81.5% is planned to be spent in the "Convergence" regions. Based on simplified procedures, nearly all of the 436 programmes covering all EU regions and Member States were adopted before the end of 2007.

In the period 2007-2013, cohesion policy benefited from 35.7% of the total EU budget or € 347.41 billion (at current prices). 81.54% of this budget was for the Convergence objective, 15.95% for the Regional Competitiveness and Employment and 2.52% for the European Territorial Cooperation.

For the period 2014-2020, economic, social and territorial cohesion will benefit from 1/3 of the EU budget amounting to close to EUR 367 billion (at current prices)[11].

10. Financial allocations in commitment appropriations per year in 2014-2020

Please note that this data covers Heading 1b of the EU budget (economic, social and territorial cohesion):

2014-2020 (EUR million, current prices)	
	TOTAL
2014	36,263
2015	60,378
2016	50,798
2017	52,447
2018	54,031
2019	55,669
2020	57,274
Sum:	366,860

11. Cohesion policy and state aid

Cohesion Policy provides an integrated, strategic, medium term planning and financial framework to address the reduction of regional disparities by promoting development. It does this through geographic and financial targeting (concentration), governance processes and evaluation mechanisms. Within the context of providing financial assistance to economic operators, cohesion policy financing must respect the State aid rules where relevant.

In line with EU cohesion policy, the State aid Guidelines focus regional aid on the most deprived regions of the enlarged Union, while allowing for the need to improve competitiveness and to provide for a smooth transition. The use of the Structural Funds by national authorities is subject to EU state aid rules.

12. Trade effects

Because the Funds are designed to alleviate disparities between regions within the Union, and because the aid is paid out on a horizontal basis, within eligible regions, it is considered that the trade effects are minimal.

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[11] Source: "Analysis of the budgetary implementation of the European Structural and Investment Funds in 2016", May 2017. DG Budget, European Commission.