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Committee on Subsidies and Countervailing Measures

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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 notification, dated 12 July 2013, is being circulated at the request of the Delegation of the European Union.

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# 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 **2011** and **2012** and to subsidy programmes which are currently in force, and provides statistical information at least up to the end of **2012**.

### **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, prejudice its legal status under GATT 1994 or this Agreement, nor does it prejudice 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 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 decision C(2009) 868 of 16 February 2009 establishing the 2009 annual work programme for grants in the field of trans-European networks (TEN) - area of energy infrastructures (TEN-E)

Commission decision C(2010) 48 of 18 February 2010 establishing the 2010 annual work programme for grants in the field of trans-European networks (TEN) - area of energy infrastructures (TEN-E)

Commission decision C(2010) 9395 of 22 December 2010 establishing the 2011 annual work programme for grants in the field of trans-European networks (TEN) - area of energy infrastructures (TEN-E);

Commission Implementing Decision C(2011) 8321 of 23 November 2011 establishing the 2012 annual work programme for grants in the field of trans-European networks (TEN) - area of energy infrastructures (TEN-E);

Commission Implementing Decision C(2012) 7510 of 29 October 2012 establishing the 2013 annual work programme for grants in the field of trans-European networks (TEN) - area of energy infrastructures (TEN-E);

2. Period covered by the notification.

2009, 2010, 2011, 2012, 2013.

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.

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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:

2009 – EUR 26,048,000  
2010 – EUR 20,760,000  
2011 – EUR 24.150.000  
2012 – EUR 21.129.600  
2013 – EUR 22.200.000

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

Duration of eligible action.

## 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 2008 Health Check reform was completed.

The Health Check in general was a continuation of the reform process of the CAP, following the direction of previous reforms of the last 20 years. During that time a major policy shift has taken place from price support mechanisms to income support conditioned on the respect of certain criteria.

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. In addition farmers can receive (depending on the choice of a Member State) aid under some coupled support schemes linked to the area under crops or to production.

The decoupling process continued in the following years with reforms in the sugar, fruit and vegetable, cotton and wine sectors, and finally the Health Check reform in 2008. Following the Health Check, a large majority of direct support is now decoupled while cross-compliance – conformity with standards concerning environment, food safety, animal and plant health and animal welfare – remains a prerequisite to receive support. 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 is further modernised and simplified. Moreover, the Rural Development policy has been further strengthened in order to allow farmers to face new challenges, such as climate change, renewable energies, water management and biodiversity.

The current main CAP Regulations in force: **Council Regulation (EC) 1234/2007 of 22 October 2007 establishing a common organisation of agricultural markets and on specific provisions for certain agricultural products, as amended in particular by Council Regulation (EC) 72/2009; Council Regulation (EC) 73/2009 (repealing and replacing the previous Direct Aids Regulation (EC) 1782/2003) and Council Regulation (EC) No 1698/2005 of 20**

September 2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) as amended in particular by Council Regulation (EC) 74/2009.

#### 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 2011 and 2012. 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 C (C.1 Export subsidies, C.2 Interventions in agricultural markets and C.3 Direct aids). Support covered by the EAFRD (second pillar of the CAP) is treated in the same manner in sections D and E of this notification. Sections F and G cover support for pre-accession measures in the field of Rural Development, in so far as the payments occurred in the Member States of EU27.

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

	2010	2011	2012
<b>European Agricultural Guarantee Fund (EAGF)</b>	<b>43,989.58</b>	<b>43,710.57</b>	<b>44,395.07</b>
Export subsidies	385.09	179.43	146.67
Other intervention in markets	3,928.76	3,353.11	3,368.37
Direct aids	39,675.73	40,178.03	40,880.03
<i>Of which non-trade distorting direct aids</i>	<i>33,828.71</i>	<i>36,830.99</i>	<i>37,666.10</i>
<b>European Agricultural Fund for Rural Development (EAFRD)</b>	<b>11,476.66</b>	<b>12,218.37</b>	<b>13,250.00</b>
Rural development 2007-2013	11,116.20	11,794.00	13,116.60
Rural development completion of previous periods	360.50	424.37	133.40
<b>Pre-accession (Ipard)</b>	<b>14.40</b>	<b>101.77</b>	<b>6.51</b>

#### 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](http://ec.europa.eu/agriculture/index_en.htm) (English)

[http://ec.europa.eu/agriculture/index\\_fr.htm](http://ec.europa.eu/agriculture/index_fr.htm) (French)

[http://ec.europa.eu/agriculture/index\\_es.htm](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/en/index.htm> (English)

<http://eur-lex.europa.eu/fr/index.htm> (French)

<http://eur-lex.europa.eu/es/index.htm> (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 aids and interventions in markets ("First Pillar").

2. Period covered by the notification

1 January 2011 - 31 December 2012.

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)**

	2010	2011	2012
Intervention in markets	3,928.8	3,353.1	3,368.4
Export subsidies	385.1	179.4	146.7
Direct aids	39,675.7	40,178.0	40,880.0
<b>Total EAGF</b>	<b>43,989.6</b>	<b>43,710.6</b>	<b>44,395.1</b>
<i>Of which non-trade distorting direct aids</i>	<i>33,828.7</i>	<i>36,831.0</i>	<i>37,666.1</i>

8. Duration of the programme

The current financial perspective runs until 2013.

9. Trade effects

In 2012, 85% of the support provided had no or at most minimally trade distorting effects.

**4.3 Measures Financed Through The EAGF ("First Pillar" Of The Cap)**

**4.3.1 Export refunds**

For certain of the sectors governed by a common market organisation, the Common Agricultural Policy provides for the possibility of granting export refunds. The purpose of export refunds is to cover the difference between EU prices and international trade prices in order to enable exports to be effected at international trade prices. The refund is the same for the whole of the EU; a differential may be applied according to destination or time (months of delivery). The amount of the refund is fixed periodically by the Commission. The periodicity of the fixing is different for each sector because of the special characteristics of each sector. In order to facilitate export operations, in the case of the majority of products a system has been introduced whereby refunds can be fixed in advance. The refund is paid to the exporter. The total amounts of export refunds financed by the EAGF in 2010, 2011, and 2012 are as follows:

**Export subsidies (EAGF payments) EUR million**

Products	2010	2011	2012
Cereals	-0.4	0.1	0.2
Sugar	9.8	1.5	0.0
Rice	0.0	0.0	0.0
Olive oil	0.0	0.0	0.0
Fruit and vegetables	0.4	0.0	0.1
Wine	0.7	0.3	0.1
Dairy products	186.4	5.4	0.2
Bovine meat	25.3	55.8	37.2
Pigmeat	18.8	19.1	18.6
Eggs and poultry	92.6	84.5	81.1
Refunds on non-Annex I	51.3	12.7	9.1
<b>Total expenditure</b>	<b>385.1</b>	<b>179.4</b>	<b>146.7</b>

**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 single 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 C.2 deals with spending for the Interventions in agricultural markets per sector; section C.3 will address Direct Payments in a similar way. Most of the support schemes represented in the section C.2 of this notification have their legal basis in **Council Regulation (EC) 1234/2007 of 22 October 2007 establishing a common organisation of agricultural markets and on specific provisions for certain agricultural products, as amended by the Health Check Regulation (EC) 72/2009 of 19 January 2009.**

**Interventions in agricultural markets (EAGF budget – payments) EUR million**

Products	2010	2011	2012
Cereals	135.4	-156.3	41.7
Rice	0.0	0.0	0.0
Food programs	465.5	515.0	515.1
Sugar	0.2	0.7	-0.2
Sugar restructuring (*)	330.3	187.9	109.7
Olive oil	53.2	44.1	55.3
Textile plants	28.8	30.3	25.2
Fruits and vegetables	836.3	1,127.8	1,071.1
Wine	1,308.6	1,104.0	1,072.0
Promotion	47.4	47.7	48.0
Other plant products	356.5	367.5	328.9
Dairy products	342.6	-0.3	66.8
Beef and veal	-0.8	-0.1	0.1
Sheep and goat	0.0	0.0	0.0
Pigmeat	0.5	56.3	5.8
Eggs and poultry	0.0	0.0	0.0
Other measures & animal products	24.3	28.4	28.9
<b>Total expenditure</b>	<b>3,928.8</b>	<b>3,353.1</b>	<b>3,368.4</b>

(\*) *Sugar restructuring aids and other aids are not funded by the EAGF budget, but by the temporary restructuring amounts in the sugar sector, as set out in article 11 of Council Regulation*



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*320/2006, which are paid by operators in each Member State who hold sugar, inulin syrup and isoglucose production quotas for the marketing years 2006/07 to 2008/09.*

#### **4.3.2.1 Cereals**

The legal basis for expenditure is Council Regulation (EC) 1234/2007 of 22 October 2007 establishing a common organisation of agricultural markets and on specific provisions for certain agricultural products (Single CMO Regulation), amended by the Health Check Regulation 72/2009 of 19 January 2009.

##### Public intervention

Public intervention is available for 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 tendering procedures above 3 million tonnes). Buying into public intervention for durum wheat, barley, maize, sorghum shall be carried out within the limits set at 0 tonnes. The Commission may decide to modify the ceilings for these cereals 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.

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

#### **4.3.2.2 Rice**

The legal basis for expenditure is Council Regulation 1234/2007 of 22 October 2007 establishing a common organisation of agricultural markets and on specific provisions for certain agricultural products (Single CMO Regulation), amended by the Health Check Regulation 72/2009 of 19 January 2009.

##### Public intervention

Public intervention is applicable in respect of paddy rice from 1 April to 31 July. Buying into public intervention can be carried out within a defined ceiling which is set at 0.

However, the Commission may decide to continue intervention beyond that quantity, during the open period, if the market situation so requires. The reference price is set at EUR 150/t for the standard quality and the maximum buying-in price shall be determined by means of tendering procedures. If the rice offered to intervention differs from the standard quality, the price is adjusted accordingly. Rice will only be accepted in intervention if it complies with certain minimum quality specifications.

#### **4.3.2.3 Sugar**

The legal basis for expenditure is Council Regulation 1234/2007 establishing a common organisation of agricultural markets and on specific provisions for certain agricultural products (Single CMO Regulation), amended by the Health Check Regulation 72/2009 of 19 January 2009.

##### Private storage

There is a private storage system as a safety net in case the market price falls below the reference 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.

##### Quota system

The quotas for the production of sugar, isoglucose and inulin syrup at national or regional level are from the 2010/11 marketing year onwards fixed as follows:

(tonnes, Commission Regulation (EC) 513/2010 )

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	432,220.05		
Italy	508,379.0	32,492.5	
Latvia	0		
Lithuania	90,252.0		
Hungary	105,420.0	220,265,8.0	
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	13,336,741.2	690,440.8	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) 318/2006 which was allocated to the undertaking for the marketing year 2007/2008.

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; or
- exported within the quantitative limit fixed by the Commission respecting the commitments resulting from international agreements.

Other quantities are subject to a surplus levy:

- surplus sugar, surplus isoglucose and surplus inulin syrup produced during any marketing year, except for quantities carried forward to the quota production of the following marketing year and stored;
- industrial sugar, industrial isoglucose and industrial inulin syrup for which no proof has been supplied, by a date to be determined by the Commission, that it has been processed into one certain products referred;
- sugar and isoglucose withdrawn from the market and for which specific obligations are not met.

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.

#### 4.3.2.4 Olive oil

The legal basis for expenditure is Council Regulation 1234/2007 (Single CMO regulation), amended by the Health Check Regulation 72/2009 of 19 January 2009.

The European Commission pursues the implementation of a *strategy for the quality of olive oil* adopted in 2001. 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 may use up to 10% of their national envelope for quality measures under activity programmes carried out by operator organizations.

##### 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 in the event of a serious disturbance on the market in certain regions of the Community, inter alia, when the average price recorded on the market during a representative period is less than certain thresholds established in the Regulation.

#### 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. Regulation (EC) 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 Regulation (EC) 1698/2005 (Rural Development).

#### 4.3.2.6 Fruit and vegetables

A new regulation on the fruit and vegetables sector is in place as from 1 January 2008, Council Regulation 1182/2007 of 26 September 2007, which has been integrated into the Single CMO Regulation 1234/2007, amended by the Health Check Regulation 72/2009 of 19 January 2009.

The aim of the reforms is to improve the competitiveness and market orientation of the fruit and vegetable sector, reduce income fluctuations resulting from crises, promote consumption – so contributing to improved public health – and enhance environmental safeguards. The new measures cover:

- Encouraging growers to join Producer Organisation (POs). POs have a set of tools for crisis management.
- Requiring a minimum level of environmental spending for POs;
- Increasing EU funding for promotion and organic production for POs;
- Abolishing export subsidies for fruit and vegetables;
- Integrating the fruit and vegetable sector into the Single Payment Scheme.

#### Producer Organisations (POs)

POs gained greater flexibility and their rules are simplified. There is additional support (60% EU co-financing instead of 50%) in some cases like mergers of POs and there is national financial assistance to POs in areas where marketed production covered by POs is less than 20%.

#### Crisis management

Crisis management is organised through Producer Organisations (50% financed by the EU budget). Tools include green harvesting/non-harvesting, promotion and communication tools in times of crisis, training, harvest insurance, help in securing bank loans and financing of the administrative costs of setting up mutual funds. Withdrawals for free distribution to charitable organisations, schools etc. will be 100% paid by the EU. EU aid to POs will remain limited to 4.1% of the total value of marketed produce, but this may rise to 4.6% provided that the excess is used only for crisis prevention and management.

#### Inclusion of fruit and vegetables in the Single Payment Scheme

See Section 3.1 of this notification.

#### Environmental measures

The inclusion of fruit and vegetables in the Single Payment Scheme means that cross compliance (i.e. mandatory environmental standards, see also the section on direct payments in this notification) is compulsory for those farmers receiving direct payments. In addition, POs 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 the Operational Programme. Among environmental actions, there is a 60% EU co-financing rate for organic production.

#### Encouraging greater consumption

POs can include promotion of fruit and vegetable consumption in their operational programmes. Free distribution of fruit and vegetables to schools, hospitals and charitable bodies, can be 100% financed by the EU up to a limit of 5% of the quantity marketed by a PO.

#### School Fruit Scheme

An EU School Fruit Scheme (SFS) is operational as from school year 2009-2010. It aims to encourage healthy eating habits in young people, thus contributing to fight against obesity and overweight. The SFS makes available €90 million of EU funds per year to provide fruit and vegetables to school children and this money is matched by national and private funds (co-financing). 8 million children from 24 Member States out of 27 benefited from the Scheme in the last two school years (2010/11 and 2011/12).

#### **4.3.2.7 Wine**

Council Regulation (EU) 479/2008 (*OJ L 148 of 06/06/2008*) thoroughly reorganises the way the EU wine market is managed in order to ensure that EU wine production matches demand, to eliminate wasteful public intervention in EU wine markets and to make European wine more competitive. Most of the new rules apply from 1 August 2008 (Regulation (EU) 555/2008). Some of the new rules (mainly wine-making practices and labelling) apply from 1 August 2009. The following elements constitute the support in the reformed wine sector.

### National financial envelopes

Redirecting the funds for distillation allows the attribution of EU funds to Member States and the use of those funds by Member States through national support programmes to finance specific support measures to assist the wine sector. Member States are responsible for the support programmes and ensure that they are internally consistent. For the first time by 30 June 2008, Member States submitted to the Commission draft five-year support programmes containing measures in accordance with a EU menu of measures. The support measures are drawn up at the geographical level which the Member States deem most appropriate. Support programmes shall contain one or more of the following measures:

- Single Payment Scheme:  
See Section 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.
- 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;
  - improvements to vineyard management techniques.

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 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 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:
  - f. 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;
  - g. 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, winery infrastructure and marketing of wine which improve the overall performance of the enterprise and concern one or more of the following:
    - production or marketing;
    - development of new products, processes and technologies
- Support under paragraph at its maximum rate is limited to micro, small and medium-sized enterprises.
- 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.

#### **4.3.2.8 Promotion of agricultural products**

Legal basis is Council Regulation (EC) 3/2008 of 17 December 2007 on information provision and promotion measures for agricultural products on the internal market and in third countries (OJ L 003, 05.01.2008).

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 EU co-finances these measures with an annual budget of approximately € 50 million and by an amount normally not exceeding 50% (60% for measures on the internal market for the promotion of fruit and vegetables intended specifically for children in schools and for measures concerning information on responsible drinking patterns and harm linked to hazardous alcohol consumption) of the total cost of approved programme, the remainder being paid by the professional/inter-branch organisations that proposed them and by the Member States concerned. Interested professional organisations must send their proposals to the competent Authorities of the Member States following the publication of a call for proposals. These then submit to the Commission the list of programmes they have selected for final decision.

#### 4.3.2.9 Other plant products

##### Hops

Legal basis: Art. 102a of Council Regulation (EC) 1234/2007 introduced by art. 4 27) of Council Regulation 72/2009 (Health Check).

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.

##### POSEI – excluding direct aids

**Legal basis: Regulation (EU) No 228/2013 of the European Parliament and of the Council of 13 March 2013 laying down specific measures for agriculture in the outermost regions of the Union (OJ L 78, 20/03/2013).**

**Specific measures on agriculture to remedy the difficulties caused by the remoteness, insularity, distant location, small surface area, terrain, difficult climate and dependence on a limited number of products of the regions of the Union referred to in Article 349 of the Treaty, the "outermost regions".**

#### 4.3.2.10 Milk and dairy product

**Legal basis: Council Regulation (EC) 1234/2007 of 22 October 2007 establishing a common organisation of agricultural markets and on specific provisions for certain agricultural products (Single CMO Regulation),** amended by the Health Check Regulation 72/2009 of 19 January 2009.

##### Public intervention

Public intervention is available for butter produced directly and exclusively from pasteurised cream in an approved undertaking of the EU 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 milk in an approved undertaking in the EU by the spray process, with a minimum protein-content of 34.0% by weight of the fat free dry matter. The reference prices are EUR 246.39 per 100 kg for butter and EUR 169.80 per 100 kg for skimmed milk powder.

For butter, public intervention is open during the period 1 March to 31 August. Where the quantities offered for intervention during the period laid down in paragraph 1 exceed 30 000 tonnes, the Commission may suspend buying-in by public intervention. In that case buying-in may be carried out on the basis of a tendering procedure according to specifications to be determined by the Commission.

For skimmed milk powder public intervention shall be open during the period 1 March to 31 August. However, the Commission may suspend public intervention as soon as the quantities offered for intervention in that period exceed 109,000 tonnes. In that case buying-in may be carried out on the basis of a tendering procedure according to specifications to be determined by the Commission.

Without prejudice to the fixing of the intervention price by means of tendering, the intervention price for butter is 90% of the reference price and for skimmed milk powder it is equal to the reference price.

#### Private storage

Aid for private storage is granted for the following products:

- Unsalted butter produced from cream or milk in an approved undertaking of the EU of a minimum butterfat content, by weight, of 82%, a maximum milk solids-non-fat content, by weight, of 2% and a maximum water content, by weight, of 16%,
- Salted butter produced from cream or milk in an approved undertaking of the EU of a minimum butterfat content, by weight, of 80%, a maximum milk solids-non-fat content, by weight, of 2%, a maximum water content, by weight, of 16% and a maximum salt content, by weight, of 2%.

The amount of aid for butter is fixed by the Commission in the light of storage costs and the likely trends in prices for fresh butter and butter from stocks. Where, at the time of removal from storage, an adverse change unforeseeable at the time of entry into storage has occurred on the market, the aid may be increased.

#### Exceptional support measures

The Commission may adopt exceptional support measures for milk and milk products for the affected market to take account of restrictions on intra-EU and third-country trade which may result from the application of measures for combating the spread of diseases in animals.

#### Production limitation

The national quotas for the production of milk and other milk products marketed during seven consecutive periods of twelve months commencing on 1 April 2008. Producers may have either one or two individual quotas, one for deliveries and the other for direct sales distinguishing between deliveries and direct sales. Any overrun of the national quotas is determined nationally in each Member State, making a distinction between deliveries and direct sales.

The national quotas set out in the table below are fixed without prejudice to possible review in the light of the general market situation and particular conditions existing in certain Member States.

Member State	Quota size in tonnes (2012/2013)
Belgium	3,566,450.406
Bulgaria	1,039,126.352
Czech Republic	2,906,084.017
Denmark	4,799,910.369
Germany	30,018,741.337
Estonia	686,065.395
Ireland	5,727,150.729
Greece	870,905.700
Spain	6,492,629.153
France	26,110,129.977
Italy	11,288,542.866
Cyprus	154,117.616
Latvia	773,398.711
Lithuania	1,809,543.546
Luxembourg	289,855.752
Hungary	2,112,281.704
Malta	51,688.841



Member State	Quota size in tonnes (2012/2013)
Netherlands	11,931,180.847
Austria	2,963,097.513
Poland	9,956,234.709
Portugal	2,068,222.323
Romania	3,244,748.988
Slovenia	612,052.851
Slovakia	1,104,709.130
Finland	2,593,113.089
Sweden	3,558,445.206
United Kingdom	15,739,311.451

A surplus levy is payable on milk and other milk products marketed in excess of the national quota. The levy is set, per 100 kilograms of milk, at EUR 27.83. Member States shall be liable to the EU for the surplus levy resulting from overruns of the national quota, determined nationally and separately for deliveries and direct sales, and between 16 October and 30 November following the twelve-month period concerned, shall pay 99% of the amount due to the EAGF. If the surplus levy has not been paid before the due date and after consultation of the Committee of the Agricultural Funds, the Commission shall deduct a sum equivalent to the unpaid surplus levy from the monthly payments. The surplus levy shall be entirely allocated among the producers who have contributed to each of the overruns of the national quotas. Producers are liable vis-à-vis the Member State for payment of their contribution to the surplus levy due, for the mere fact of having overrun their available quotas.

#### Aid for skimmed milk and skimmed milk powder for use as feeding stuffs

When surpluses of milk products build up or are likely to create a serious imbalance in the market, the Commission may decide to grant aid for skimmed milk and skimmed-milk powder intended for use as feeding stuffs, according to conditions and product standards to be determined by the Commission. The aid may be fixed in advance or by means of tendering procedure. Buttermilk and buttermilk powder shall be regarded as skimmed milk and skimmed-milk powder. Aid amounts shall be fixed by the Commission taking into account the following factors:

- the reference price for skimmed-milk powder,
- the development of the market situation as regards skimmed milk and skimmed-milk powder.

#### Aid for skimmed milk processed into casein and caseinates

When surpluses of milk products build up or are likely to occur, creating or likely to create a serious imbalance in the market, the Commission may decide that aid is granted for skimmed milk processed into casein and caseinates, according to conditions and product standards of such milk and the casein or caseinates produced from it to be determined by the Commission. The aid may be fixed in advance or by means of tendering procedure. Aid shall be fixed by the Commission taking into account the following elements:

- the reference price for skimmed-milk powder,
- the development of the market situation for skimmed milk powder.

The aid may vary, according to whether the skimmed milk is processed into casein or caseinates and according to the quality of those products.

#### Aid for the supply of milk products to pupils

Under conditions to be determined by the Commission, EU aid shall be granted for supplying to pupils in educational establishments certain processed milk products to be determined by the Commission. Member States may, in addition to EU aid, grant national aid for supplying the products referred to in paragraph 1 to pupils in educational establishments. Member States may

finance their national aid by means of a levy on the dairy sector or by any other contribution from the dairy sector. The EU aid shall be EUR 18.15/100 kg for all milk. The amounts of aid for other eligible milk products shall be determined taking into account the milk components of the product concerned. The aid shall be granted on a maximum quantity of 0.25 litre of milk equivalent per pupil and per day.

#### 4.3.2.11 Beef and veal

**Legal basis: Council Regulation (EC) 1234/2007 of 22 October 2007 establishing a common organisation of agricultural markets and on specific provisions for certain agricultural products (Single CMO Regulation),** amended by the Health Check Regulation 72/2009 of 19 January 2009.

##### Public intervention

As regards the beef and veal sector, the reference price 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 adult bovine animals. The Commission will 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 EUR 1,560/tonne. The Commission closes public intervention if, over a representative period, this condition is no longer met. 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 be higher than the average market price recorded in a Member State or a region of a Member State increased by an amount to be determined by the Commission on the basis of objective criteria.

##### Private storage

When the average EU market price recorded on the basis of the EU scale for the classification of carcasses of adult bovine animals is, and is likely to remain, at less than 103% of the reference price, the Commission may decide to grant aid for private storage.

##### Exceptional market support measures

The Commission may adopt exceptional support measures for the affected market in order to take account of restrictions on intra-EU and third-country trade which may result from the application of measures for combating the spread of diseases in animals. The measures are taken at the request of the Member State(s) concerned. They may be taken only if the Member State(s) concerned has (have) taken health and veterinary measures quickly to stamp out the disease, and only to the extent and for the duration strictly necessary to support the market concerned. The EU provides part-financing equivalent to 50% of the expenditure borne by Member States. However the EU provides part-financing equivalent to 60% of such expenditure when combating foot-and-mouth disease. Member States shall ensure that, where producers contribute to the expenditure borne by Member States, this does not result in distortion of competition between them.

#### 4.3.2.12 Sheepmeat and goatmeat

**Legal basis: Council Regulation (EC) 1234/2007 of 22 October 2007 establishing a common organisation of agricultural markets and on specific provisions for certain agricultural products (Single CMO Regulation),** amended by the Health Check Regulation 72/2009 of 19 January 2009.

##### Private storage

The Commission may decide to grant aid for private storage when there is a particularly difficult market situation for sheepmeat and goatmeat in one or more of the following quotation areas:

- h. Great Britain;

- i. Northern Ireland;
- j. any Member State other than the United Kingdom, taken separately.

#### Exceptional market support measures

The Commission may adopt exceptional support measures for the affected market in order to take account of restrictions on intra-EU and third-country trade which may result from the application of measures for combating the spread of diseases in animals. The measures are taken at the request of the Member State(s) concerned. They may be taken only if the Member State(s) concerned has (have) taken health and veterinary measures quickly to stamp out the disease, and only to the extent and for the duration strictly necessary to support the market concerned. The EU provides part-financing equivalent to 50% of the expenditure borne by Member States. However the EU provides part-financing equivalent to 60% of such expenditure when combating foot-and-mouth disease. Member States shall ensure that, where producers contribute to the expenditure borne by Member States, this does not result in distortion of competition between them.

#### **4.3.2.13 Pigmeat**

**Legal basis: Council Regulation (EC) No 1234/2007 of 22 October 2007 establishing a common organisation of agricultural markets and on specific provisions for certain agricultural products (Single CMO Regulation),** amended by the Health Check Regulation 72/2009 of 19 January 2009.

#### Private storage

When the average EU market price for pig carcasses as established by reference to the prices recorded in each Member State on the representative markets of the EU and weighted by means of coefficients reflecting the relative size of the pig herd in each Member State is, and is likely to remain, at less than 103% of the reference price, the Commission may decide to grant aid for private storage.

#### Exceptional market support measures

The Commission may adopt exceptional support measures for the affected market in order to take account of restrictions on intra-EU and third-country trade which may result from the application of measures for combating the spread of diseases in animals. The measures are taken at the request of the Member State(s) concerned. They may be taken only if the Member State(s) concerned has (have) taken health and veterinary measures quickly to stamp out the disease, and only to the extent and for the duration strictly necessary to support the market concerned. The EU provides part-financing equivalent to 50% of the expenditure borne by Member States. However the EU provides part-financing equivalent to 60% of such expenditure when combating foot-and-mouth disease. Member States shall ensure that, where producers contribute to the expenditure borne by Member States, this does not result in distortion of competition between them.

#### **4.3.2.14 Eggs and poultrymeat**

**Legal basis: Council Regulation (EC) 1234/2007 of 22 October 2007 establishing a common organisation of agricultural markets and on specific provisions for certain agricultural products (Single CMO Regulation),** amended by the Health Check Regulation 72/2009 of 19 January 2009.

#### Exceptional market support measures

The Commission may adopt exceptional support measures for the affected market in order to take account of restrictions on intra-EU and third-country trade which may result from the application of measures for combating the spread of diseases in animals. The measures are taken at the request of the Member State(s) concerned. They may be taken only if the Member State(s) concerned has (have) taken health and veterinary measures quickly to stamp out the disease, and only to the extent and for the duration strictly necessary to support the market concerned. The EU provides part-financing equivalent to 50% of the expenditure borne by Member States. Member States shall

ensure that, where producers contribute to the expenditure borne by Member States, this does not result in distortion of competition between them.

#### 4.3.2.15 Bee-keeping

Legal basis: **Council Regulation (EC) 1234/2007 of 22 October 2007 establishing a common organisation of agricultural markets and on specific provisions for certain agricultural products (Single CMO Regulation)**, amended by the Health Check Regulation 72/2009 of 19 January 2009.

##### 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 the following:

- technical assistance to beekeepers and groupings of beekeepers;
- control of varroasis;
- rationalisation of transhumance;
- 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.

Measures financed from the EAFRD in accordance with Council Regulation (EC) 1698/2005 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 aids

The support schemes represented in this section C.3 of this notification find their legal basis in Council Regulation (EC) 73/2009 of 19 January 2009 establishing common rules for direct support schemes for farmers under the common agricultural policy and establishing certain support schemes for farmers (OJ L30, 31.1.2009), as well as Council Regulation 1782/2003 of 29 September 2003 (OJ L270, 21.10.2003) and Council Regulation 1234/2007 of 22 October 2007 (OJ L299, 16.11.2007).

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

**Direct Aids (EAGF financial year - payment appropriations), EUR million**

	2010		2011		2012	
	Coupled	Decoupled	Coupled	Decoupled	Coupled	Decoupled
SPS (Single Payment Scheme) (1)	-	29,367.8	-	31,364.8	-	31,373.7
SAPS (Single Area Payment Scheme)	-	4,460.9	-	5,084.3	-	5,915.7
Specific support	-	-	748.0	381.9	785.5	376.8
Arable crops	1,679.4	-	54.2	-	46.2	-
Sugar	51.6	-	45.2	-	23.0	-
Rice	168.9	-	154.3	-	152.8	-
Olive oil	97.3	-	2.4	-	1.3	-
Cotton	221.7	-	247.3	-	245.8	-
Silkworms	0.4	-	0.4	-	0.4	-
Fruit and vegetables	506.1	-	374.6	-	254.3	-
Tobacco	295.8	-	0.3	-	0.1	-
Seeds	25.1	-	23.2	-	22.4	-
Hops	2.5	-	0.0	-	0.0	-
Bovine meat	1,615.5	-	1,112.8	-	1,114.3	-
Sheepmeat and goatmeat	321.7	-	30.1	-	29.2	-
POSEI	425.7	-	433.4	-	429.0	-
Specific types of farming & quality production	434.1	-	123.3	-	113.9	-
Other products / measures (2)	1.0	-	-2.4	-	-4.2	-
<b>Total</b>	<b>5,847.0</b>	<b>33,828.7</b>	<b>3,347.0</b>	<b>36,831.0</b>	<b>3,213.9</b>	<b>37,666.1</b>
<b>Total direct aids</b>	<b>39,675.7</b>		<b>40,178.0</b>		<b>40,880.0</b>	

(1) Additional amounts of aid, Separate Sugar Payment and Separate Fruit and Vegetables payment are included.

(2) Dried fodder, grain legumes, recoveries and other measures.

#### 4.3.3.1 Single Payment Scheme (SPS)

The introduction of the SPS decided in the CAP reform of 2003 removed links between production and support. The main aims of SPS are to allow farmers freedom to produce to market demand, to promote environmentally and economically sustainable farming and to simplify CAP application for farmers and administrators. All farmers who hold the payments entitlements may apply for direct payments under the SPS. The single payment is an annual income support payment to farmers that is independent of what and whether a farmer produces. However, farmers who do not comply with certain requirements in the areas of public, animal and plant health, environment and animal welfare are subject to reductions of or exclusion from direct support (cross-compliance). Moreover, in order to receive the payments, the farmer has to maintain the agricultural land in good agricultural and environmental conditions.

The reform process continued in the following years. The latest sectorial reforms concern the fruit and vegetables and the wine sector, which were reformed respectively in 2007 and 2008: the land covered by fruit and vegetables and vineyards became eligible for activation of payment entitlements under the SPS.

The Health Check further extended the decoupling of direct support to farmers by including most of the remaining coupled payments into the SPS. According to Annex XI of Council Regulation (EC) 73/2009, the payments included in the SPS from 2010 are the arable crops area payments, the

specific quality premium for durum wheat, the aid for olive groves and the hops area aid. The payments included from 2012 are the seed aid, the protein crop premium, the crop specific payment for rice, the area payment for nuts, the production aid for potato starch growers, the aid for processing flax and hemp and dried fodder, the potato starch premium, the transitional fruit and vegetables payments, the beef and veal payments except the suckler cow premium.

**National ceilings** (Annex VIII of Regulation (EC) 73/2009 as amended by Commission Implementing Regulation (EU) No 287/2013)

*1000 EUR, the amounts include but are not limited to SPS envelopes*

Member State	2009	2010	2011	2012	2013
Belgium	614,179	611,817	611,817	614,855	614,855
Denmark	1,030,478	1,031,321	1,031,321	1,049,002	1,049,002
Germany	5,770,254	5,771,981	5,771,994	5,852,938	5,852,938
Greece	2,380,713	2,228,588	2,231,798	2,233,227	2,233,227
Spain	4,858,043	5,119,045	5,125,032	5,304,642	5,304,642
France	8,407,555	8,423,196	8,425,326	8,527,494	8,527,494
Ireland	1,342,268	1,340,521	1,340,521	1,340,869	1,340,869
Italy	4,143,175	4,210,875	4,234,364	4,379,985	4,379,985
Luxembourg	37,518	37,569	37,679	37,671	37,671
Netherlands	853,090	853,169	853,169	897,751	897,751
Austria	745,561	747,344	747,425	751,788	751,788
Portugal	608,751	589,811	589,991	606,551	606,551
Finland	566,801	565,520	565,823	570,548	570,548
Sweden	763,082	765,229	765,229	770,906	770,906
United Kingdom	3,985,895	3,976,425	3,976,482	3,988,042	3,988,042

#### 4.3.3.2 Single Area Payment Scheme (SAPS)

The new Member States may use, for a transition period, a simple regime for granting direct payments to farmers, the Single Area Payment Scheme (SAPS). This regime facilitates and reduces the cost of the preparatory work to be made before and during the first years of accession with only payments per ha of agricultural land. The SAPS is a direct support scheme with no, or at most minimal, trade-distorting effects which replaces all direct payments – with some exceptions – with a single area payment.

SAPS is a direct support scheme not requiring production based on two elements fixed at national level. Firstly a national financial envelope, to be established by the Commission which is the sum of all the direct payments the Member State concerned would receive under former direct payment regimes taking into account the applicable phasing-in rate of the calendar year in question. Secondly a national agricultural area, to be established as that part of the agricultural area that was in 'good agricultural condition' in June 2003 for the NMS acceded the EU in 2004 and to be adjusted according to objective criteria to be approved by the Commission (e.g. reduction to take into account that the concerned Member State could decide not granting direct payments to farms smaller than one ha). The SAPS amount per ha results from dividing the national financial envelope by the national agricultural area of the concerned Member State. All new Member States apart from Malta and Slovenia have decided to use SAPS.

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').

**National ceilings for the new Member States** (Annex VIII of Regulation (EC) 73/2009 as amended by Commission Implementing Regulation (EU) No 287/2013)

(1000 EUR, the amounts include but are not limited to SAPS envelopes)

Member State	2009	2010	2011	2012	2013
Bulgaria	287,399	336,041	416,372	499,327	580,087
Czech Republic	559,622	654,241	739,941	832,144	909,313
Estonia	60,500	71,603	81,703	92,042	101,165
Cyprus	31,670	38,928	43,749	49,146	53,499
Latvia	90,016	105,368	119,268	133,978	146,479
Lithuania	230,560	271,029	307,729	346,958	380,109
Hungary	807,366	947,114	1,073,824	1,205,037	1,318,975
Malta*	3,752	4,231	4,726	5,137	5,503
Poland	1,877,107	2,192,294	2,477,294	2,788,247	3,044,518
Romania	623,399	729,863	907,473	1,086,608	1,264,472
Slovenia*	87,942	103,394	117,423	131,575	144,274
Slovakia	240,014	280,364	316,964	355,242	388,176

\* Slovenia and Malta apply SPS

#### 4.3.3.3 Specific support

Member States may grant **specific support** to agricultural activities that encourage the protection or enhancement of the environment or entail additional agri-environment benefits, for improving the quality and marketing of agricultural products, for practising enhanced animal welfare standards, to address specific disadvantages affecting farmers in the dairy, beef, goat and sheep meat and rice sectors in economically vulnerable or environmentally sensitive areas or for vulnerable types of farming, to support risk management measures such as insurance schemes for adverse climatic events and animal or plant diseases or pest infestation and mutual funds for animal or plant diseases or environmental incident. For these specific payments Member States may use up to 10% of the funds available (under national ceilings) in the SPS.

#### 4.3.3.4 Suckler cow premium

Member States may opt for keeping up to 100% of the 'suckler cow premium' coupled. The payments are livestock payments made on a fixed number of head. Farmers keeping suckler cows on their holdings may qualify, on application, for a premium for maintaining suckler cows. It is granted in the form of an annual premium per calendar year and per farmer within the limits of individual ceilings.

The suckler cow premium shall be granted to any farmer:

- not supplying milk or milk products from his farm for 12 months from the day on which the application is lodged. The supply of milk or milk products directly from the holding to the consumer shall not, however, prevent grant of the premium,
- supplying milk or milk products the total individual quota of which, as referred to in Article 67 of Regulation (EC) 1234/2007, does not exceed 120,000 kg. However, Member States may decide on the basis of objective criteria, which they determine, to change or waive this quantitative limit, provided that the farmer keeps, for at least six consecutive months from the day on which the application is lodged a number of suckler cows at least equal to 60% and of heifers at most equal to 40% of the number for which the premium was requested.

Per eligible animal, the amount of the premium is set at EUR 200.

#### 4.3.3.5 Additional suckler cow premium

Member States may grant an additional national suckler cow premium, up to a maximum of EUR 50 per animal, provided that no discrimination is caused between stock farmers in the Member State concerned.

#### 4.3.3.6 Sheep and goat premium

Member States may retain 50% of the sheep and goat premium (i.e. 50% of the sheep/goat component of the national ceiling) as coupled payments. The level of the sheep premium has been fixed for several years in advance at EUR 21 per ewe (EUR 16.8 for ewes kept for milk production, and for female goats), plus a EUR 7 supplementary premium payable in Less Favoured Areas (LFA) only. These payment rates should be multiplied with the same percentage rates that will remain as coupled payment. To qualify for the supplementary premium a farmer must have at least 50% of his agricultural area in the LFA. The supplementary premium may also apply to farmers practising transhumance.

#### 4.3.3.7 Aid for silkworms

An aid is granted for silkworms and for silkworm eggs within the EU. It is granted to silkworm rearers for each box of silkworm eggs used, on condition that the boxes contain a minimum quantity of eggs and that the worms have been successfully reared. The aid per box of silkworm eggs used is EUR 133.26.

#### 4.3.3.8 Additional amount for sugar beet and cane producers

This support concerns payments in accordance with Section 7, Chapter I of Title IV of Regulation (EC) 73/2009 in Member States which have granted the restructuring aid provided for in Article 3 of Regulation (EC) No 320/2006 for at least 50% of the sugar quota. The aid shall be granted for a maximum of five consecutive years as from the marketing year in which the threshold of 50% has been reached but no later than for the marketing year 2013/2014. The aid is granted in respect of the quantity of quota sugar obtained from sugar beet or cane delivered under contracts concluded in accordance with Article 50 of Regulation (EC) 1234/2007. The aid is expressed per tonne of white sugar of standard quality. The amount of the aid shall be equal to half of the amount obtained by dividing the amount of the ceiling referred to in Annex XV of Regulation (EC) 73/2009 for the Member State concerned for the corresponding year by the total of the sugar and inulin syrup quota fixed on 20 February 2006 in Annex III to Regulation (EC) 318/2006.

#### 4.3.3.9 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.

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 671.33
Greece	250,000 ha	3.2 tonne/ha	EUR 251.75
Spain	48,000 ha	3.5 tonne/ha	EUR 400.00
Portugal	360 ha	2.2 tonne/ha	EUR 252.73

\*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.

#### 4.3.3.10 Separate sugar payment

Certain New Member States applying the Single Area Payment Scheme may grant within the application of this scheme a decoupled Separate Sugar Payment. The payment is granted within the limits of the ceilings set out in Annex XV of Regulation (EC) 73/2009.



#### 4.3.3.11 Separate fruit and vegetable payment

Countries applying the Single Area Payment Scheme can introduce a decoupled payment to producers who historically produced fruit and vegetables. The Separate Fruit and Vegetables Payment is granted within limits of the component of the national ceiling referred to in Article 40 of Regulation (EC) 73/2009 corresponding to fruit and vegetables.

#### 4.3.3.12 Separate soft fruit payment

Article 129 of Regulation (EC) 73/2009 provides that new Member States applying SAPS may decide to grant from 2012 a separate soft fruit payment. It shall be granted on the basis of objective and non-discriminatory criteria such as the payment received under the transitional soft fruit payment and in respect of a representative period to be fixed by a Member State but not later than 2008. In 2012, in addition to separate soft fruit payment Member States may grant national aid, but the total amount of the EU aid and national aid shall not exceed the ceilings set in Article 129 of regulation (EC) 73/2009.

#### 4.3.3.13 POSEI

The legal basis for this expenditure is Regulation (EU) 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 appropriate specific supply measures to guarantee supply and to compensate for the additional costs arising from their remoteness, insularity and distant location are applied.

### 4.4 European Agricultural Fund For Rural Development (EAFRD)

#### 1. Title of the programme

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

#### 2. Period covered by the notification

1 January 2011 - 31 December 2012.

#### 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

Council Regulation 74/2009 amending Regulation 1698/2005, as well as Regulations 1290/2005 and 378/2007.

#### 5. Form of assistance granted – Grants from EU budget

Rural development programmes co-financed by Member States and the EU budget.

#### 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. 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	2010	2011	2012
EAFRD 2007-2013	11,116.2	11,794.0	13,116.6
EAGGF Guarantee Section completion of programs 2000-2006	-7.1	-6.6	-2.8
EAGGF Guidance Section completion of earlier programs	168.3	431.0	136.2
Transitional instrument for New Member States Completion of 2004-2006 programs	199.3	0.0	0.0
Other	0.0	0.0	0.0
<b>Total</b>	<b>11,476.7</b>	<b>12,218.4</b>	<b>13,250.0</b>

## 8. Duration of the programme

2007-2013.

## 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. More than 91% of the territory of the EU is "rural", and this area is home to more than 56% of the EU's population. Many of these 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 and the Göteborg Strategy for sustainable development 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. 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 2007 to 2013, as well as the policy measures available to Member States and regions, are set out in Council Regulation 1698/2005 amended by Regulation 74/2009. Under this Regulation, rural development policy for 2007 to 2013 is focused on three themes (known as "thematic axes"). These are:

- improving the competitiveness of the agricultural and forestry sector;
- improving the environment and the countryside;
- improving the quality of life in rural areas and encouraging diversification of the rural economy.

To help ensure a balanced approach to policy, Member States and regions are obliged to spread their rural development funding between all three of these thematic axes. A further requirement is that some of the funding must support projects based on experience with the Leader Community Initiatives. The "Leader approach" to rural development involves highly individual projects designed and executed by local partnerships to address specific local problems. As before 2007, every Member State (or region, in cases where powers are delegated to regional level) must set out a rural development programme, which specifies what funding will be spent on which measures in the period 2007 to 2013. A new feature for 2007 to 2013 is a greater emphasis on coherent strategy for rural development across the EU as a whole. This is being achieved through the use of National Strategy Plans which must be based on EU Strategic Guidelines. This approach should help to:

- identify the areas where the use of EU support for rural development adds the most value at EU level;
- make the link with the main EU priorities (for example, those set out under the Lisbon and Göteborg agendas);
- ensure consistency with other EU policies, in particular those for economic cohesion and the environment;
- assist the implementation of the new market-oriented CAP and the necessary restructuring it will entail in the old and new Member States.

#### 4.5.2 Rural development measures

Council Regulations 1698/2005 of 20 September 2005 (OJ L277 of 21.10.2005) as amended by Regulation 74/2009 of 19 January 2009 (OJ L30 of 31.1.2009) constitutes the legal basis for the Rural Development measures summarised in section E.2 of this notification.

##### 4.5.2.1 Axis 1: Improving competitiveness for farming and forestry

- Vocational training and information actions, including diffusion of scientific knowledge and innovative practices, for persons engaged in the agricultural, food and forestry sectors. Support does 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.
- Setting up of 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.
- Early retirement of farmers and farm workers. Support is granted to farmers who decide to stop their agricultural activity for the purpose of transferring the holdings to other farmers and to farm workers who decide to stop all farm work definitively upon the transfer of the holding. The transferor shall not be less than 55 years old but not yet of normal retirement age at the time of transfer or not more than 10 years younger than the normal retirement age. He or she must stop all commercial farming activity definitively and have practiced farming for the 10 years preceding transfer. The total duration of early retirement support shall not exceed 15 years for the transferor and for the farm worker. It shall not go beyond the 70th birthday of the transferor and the normal retirement age of the farm worker. The support shall be granted up to the maximum amount.
- Use of advisory services by farmers and forest holders. Support is granted to help farmers and forest holders to meet costs arising from the use of advisory services for the improvement of the overall performance of their holding. As a minimum the advisory service to farmers shall cover the statutory management requirements and the good agricultural and environmental conditions provided for in Articles 5 and 6 of and in Annexes II and III to Regulation (EC) 73/2009 and the occupational safety standards based on EU legislation.

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- Setting up of farm management, farm relief and farm advisory services, as well as of forestry advisory services. Support for the use of advisory services shall be limited to 80% of the cost or a maximum of 1500 €. Support for setting up of management, relief and advisory services is granted in order to cover costs arising from the setting up of farm management, farm relief and farm advisory services as well as forestry advisory services and shall be digressive over a maximum period of five years from setting up.
  - Modernisation of agricultural holdings. Support for modernisation of agricultural holdings is granted for tangible and/or intangible investments which improve the overall performance of the agricultural holding and respect the EU standards applicable to the investment concerned. Where investments are made in order to comply with EU standards, support may be granted only to those which are made in order to comply with newly introduced EU standards. In that case, a period of grace, not exceeding 36 months from the date on which the standard becomes mandatory for the agricultural holding, may be provided to meet that standard. In the case of young farmers receiving setting up support, the modernization support may be granted for investments to comply with existing EU standards, when identified in a business plan. The period of grace within which the standard needs to be met, may not exceed 36 months from the date of setting up. Support is limited to 40-75% depending on the area where the farm is located.
  - Adding value to agricultural and forestry products. Support is granted for tangible and/or intangible investments which improve the overall performance of the enterprise and which concern the processing and/or marketing of products covered by Annex I to the Treaty, except fishery products, and of forestry products and/or the development of new products, processes and technologies linked to products covered by Annex I to the Treaty, except fishery products, and to forestry products and which respect the EU standards applicable to the investment concerned. Support is limited to the maximum rate of 40-75% depending on the area where the farm is located.
  - Cooperation for development of new products, processes and technologies in the agriculture and food sector and in the forestry sector. Support is granted to promote the cooperation between primary producers in agriculture and forestry, the processing industry and/or third parties. It shall contribute to cover costs incurred for the cooperation.
  - Improving and developing infrastructure related to the development and adaptation of agriculture and forestry Support may cover notably operations related to access to farm and forest land, land consolidation and improvement, energy supply and water management.
  - Helping farmers to adapt to demanding standards based on EU legislation. Support contributes partly to costs incurred and income foregone caused to farmers who have to apply standards in the fields of the environmental protection, public health, animal and plant health, animal welfare and occupational safety. These standards must be newly introduced in national legislation implementing EU law and impose new obligations or restrictions to farming practice which have a significant impact on typical farm operating costs and concern a significant number of farmers. The support is granted as a flat-rate, temporary and digressive aid on an annual basis, for a maximum duration of five years from the date the standard becomes mandatory in accordance with EU legislation. Support shall be limited to a maximum of 10,000 € per holding.
  - Supporting farmers who participate in food quality schemes. Support covers agricultural products only intended for human consumption and is only for EU food quality schemes, or for those recognized by the Member States which comply with precise criteria. 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 participation in supported schemes, for a maximum duration of five years. The support is limited to a maximum amount 3,000 € per holding.
  - Supporting producer groups for information and promotion activities for products under food quality schemes. 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.

- Transitional measures for Bulgaria, the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Romania, Slovenia and Slovakia concerning:
  - supporting semi-subsistence agricultural holdings undergoing restructuring. Support provided to agricultural holdings which produce primarily for their own consumption and also market a proportion of their output (semi-subsistence agricultural holdings) shall be granted to farmers who submit a business plan. The support is paid up to a maximum of 1,500 € per holding per year for a maximum of five years.
  - supporting setting up of producer groups. Support is granted in order to facilitate the setting up and administrative operation of producer groups 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 was recognised. It shall be calculated on the basis of the group's annual marketed production, up to the ceilings of 100,000 € in the first year. The support shall be granted to producer groups which are officially recognised by the Member State's competent authority by 31 December 2013.

#### 4.5.2.2 Axis 2: environment and countryside

- Natural handicap payments to farmers in mountain areas and other than mountain areas. Payments compensate for farmers' additional costs and income forgone related to the handicap for agricultural production in the area concerned. Payments are granted to farmers who undertake to pursue their farming activity in areas designated for at least five years from the first payment. Payments are fixed between minimum 25 € and maximum 250 € per hectare.
- Natura 2000 payments and payments linked to Directive 2000/60/EC. Support is granted annually and per hectare of UAA to farmers in order to compensate for costs incurred and income foregone resulting from disadvantages in the areas concerned related to the implementation of Directives 79/409/EEC, 92/43/EEC and 2000/60/EC. Support is limited to the maximum amount of 500 € per hectare.
- Agri-environment payments. Member States must make the support available throughout their territories, in accordance with their specific needs. Agri-environment payments are granted to farmers who make on a voluntary basis agri-environmental commitments. Where duly justified to achieve environmental objectives, agri-environment payments may be granted to other land managers. Agri-environment payments cover only those commitments going beyond the relevant mandatory standards established pursuant to Articles 5 and 6 of and in Annexes II and III to Regulation (EC) 73/2009 as well as minimum requirements for fertiliser and plant protection product use and other relevant mandatory requirements established by national legislation and identified in the programme. The commitments are undertaken as a general rule for a period between five and seven years. The payments are granted annually and cover additional costs and income foregone resulting from the commitments made. Where necessary, they may cover also transaction cost. 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 between 200 € per Livestock Unit and 450-900 € per hectare. Support may be provided for the conservation of genetic resources in agriculture for operations not covered by the provisions under paragraphs 1 to 4.
- First afforestation of agricultural land. Support covers only one or more of (a) establishment costs; (b) an annual premium per hectare afforested to contribute to covering maintenance costs for a maximum of five years and (c) an annual premium per hectare to contribute to covering loss of income resulting from afforestation for a maximum of 15 years for farmers or associations thereof who worked the land before its afforestation or

for any other natural person or private law body. Support for the afforestation of agricultural land owned by public authorities covers only the cost of establishment. Support to farmers or other natural persons and private law bodies is limited to a maximum of 700 € per hectare.

- Animal welfare payments granted to farmers who make on a voluntary basis animal welfare commitments. They cover only those commitments going beyond the relevant mandatory standards established pursuant to Article 5 of and Annex II to Regulation (EC) No 73/2009 and other relevant mandatory requirements established by national legislation and identified in the programme. The commitments are undertaken as a general rule for a period between five and seven years. Where necessary and justified, a longer period shall be determined according to the procedure referred to in Article 90(2) for particular types of commitments. The payments cover additional costs and income foregone resulting from the commitment made. Where necessary, they may cover also transaction cost.
- Support for non-productive investments. Support provided is granted for (a) investments linked to the achievement of commitments undertaken pursuant to the measure provided for agri-environmental payments or objectives and (b) on-farm investments which enhance the public amenity value of a Natura 2000 area or other high nature value areas to be defined in the programme.

#### 4.5.2.3 Axis 3: Improving quality of life in rural areas and diversification of the rural economy

- Support for the creation and development of micro-enterprises with a view to promoting entrepreneurship and developing the economic fabric.
- Basic services for the economy and rural population. The support covers the setting up of basic services, including cultural and leisure activities, concerning a village or group of villages, and related small-scale infrastructure.
- Conservation and upgrading of the rural heritage. 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.
- Training and information measure for economic actors operating in the fields covered by axis 3. Support does not include courses of instruction or training which form part of normal education programmes or systems at secondary or higher levels.

#### 4.5.2.4 Leader axis

The support granted under the Leader axis shall be for:

- Implementing local development strategies with a view to achieving the objectives of one or more of the three other axes.
- Implementing cooperation projects.
- The support is granted to inter-territorial or transnational cooperation projects. "Inter-territorial cooperation" means cooperation within a Member State. "Transnational cooperation" means cooperation between territories in several Member States and with territories in third countries. Only expenditure relating to the territories within the EU shall be eligible for support.
- Running local action groups, acquiring skills and animating through studies, training and promotional events.

#### 4.6 IPARD

1. Title of the programme

IPARD, the Rural Development component of the Instrument for Pre-accession Assistance.

2. Period covered by the notification

1 January 2011 - 31 December 2012.

3. Policy objective and/or purpose of the programme

The objective of IPARD is to provide assistance for the implementation of the *acquis* concerning the Common Agricultural Policy and to contribute to the sustainable adaptation of the agricultural sector and rural areas in the candidate countries.

4. Background and authority for the programme

Legal basis: Council Regulation (EC) No 1085/2006 of 17 July 2006 establishing an Instrument for Pre-Accession Assistance (IPA), (OJ L 210, 31.7.2006)

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 decentralised management the implementation of the programmes in terms of selection, approval, controls and financial execution of the individual projects, is delegated to the IPARD beneficiary countries. Aid to final beneficiaries is normally paid in the form of grants.

7. Total expenditure under the programme

**Expenditure for pre-accession (million EUR)**

Financial instrument	2010	2011	2012
Ipard	14.4	101.8	6.5

8. Duration of the programme

2007-2013

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 candidate and potential candidate countries in progressive alignment with the standards and policies of the European Union, including where appropriate the *acquis communautaire*, with a view to membership.

The rural development component IPARD 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 preparation of the candidate countries for the implementation of EU structures and post-accession EU-funded rural development programmes. During the period concerned the countries eligible for IPARD were Turkey, Croatia and the Former Yugoslav Republic of Macedonia.

## 5 EUROPEAN FISHERIES FUND (EFF)

### 1. Title of the measure

European Fisheries Fund

### 2. Period covered by the notification

2011-2012

### 3. Policy objectives and/or programme objectives

The EFF, the successor of the Financial Instrument for Fisheries Guidance (FIFG), exists to grant financial support to the EU's fisheries sector during the period 2007-2013 to help it adapt to changes required in the sector. The objectives of the EFF are to:

- support the Common Fisheries Policy with a view to guaranteeing the sustainable exploitation of aquatic resources and the economic, environmental and social sustainability of the fisheries sector;
- promote the sustainable development of inland fishing;
- promote a sustainable balance between resources and the fishing capacity of the EU's fishing fleet;
- strengthen the competitiveness of the operating structures and the development of economically viable enterprises in the fisheries sector;
- foster the protection and enhancement of the environment and natural resources where related to the fisheries sector;
- encourage sustainable development and improvement of the quality of life in areas with an active fishing industry;
- promote equality between men and women in the development of the fisheries sector and fisheries areas.

To achieve these objectives the EFF targets the following priority areas (axis):

- Axis 1 Adjustment of the fleet: aid for permanent and/or temporary ceasing of fishing activities, on-board safety and working improvements, more selective gear, small-scale coastal fisheries, socio-economic measures including early retirement and retraining.
- Axis 2 Aquaculture, processing and marketing, inland fishing: diversification into new aquaculture species, environmentally-friendly aquaculture, implementation of animal health measures, processing and marketing of fisheries and aquaculture products, support for inland fishing vessels of less than 12 metres not using towed gear.
- Axis 3 Measures of common interest: protection and development of aquatic fauna and flora, improve services offered by fishing ports, shelters and landing sites, promotion of partnerships between scientists and professionals in the fishing sector, development of new marketing and promotional campaigns, pilot projects, reassignment of fishing vessels for uses outside the fisheries sector.
- Axis 4 Sustainable development of fisheries areas: restructuring and diversification of economic activities, promotion of sea food, provision of small infrastructure (e.g. for tourism), restoration of production damaged by disasters, promotion inter-regional and trans-national cooperation, capacity building to prepare local development strategies, protection of natural and architectural heritage.



- Axis 5 Technical assistance: studies, reports, information activities and other actions relating to the implementation of the above measures.

**EFF PROGRAMMED AMOUNTS (TOTALS FOR THE PERIOD 2007-2013), BROKEN DOWN BY PRIORITY AXIS AND BY EU MEMBER STATE**

Member State		Priority axis 1		Priority axis 2		Priority axis 3		Priority axis 4		Priority axis 5		Total
		Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	
BE	Belgium	7.561.648	28,79	5.000.000	19,04	9.488.352	36,13	2.900.000	11,04	1.311.648	4,99	26.261.648
BG	Bulgaria	8.000.970	10,00	36.004.371	45,00	20.002.426	25,00	12.001.456	15,00	4.000.485	5,00	80.009.708
CZ	Czech Republic	-	-	11.926.937	44,00	13.824.404	51,00	-	-	1.355.334	5,00	27.106.675
DK	Denmark	40.365.342	30,20	37.649.524	28,16	36.515.266	27,32	12.461.279	9,32	6.683.758	5,00	133.675.169
DE	Germany	8.145.000	5,23	57.560.225	36,93	68.687.844	44,07	19.438.000	12,47	2.034.348	1,31	155.865.417
EE	Estonia	15.264.531	18,05	24.583.929	29,07	21.209.664	25,08	19.281.513	22,80	4.228.402	5,00	84.568.039
IE	Ireland	34.766.000	82,25	-	-	6.000.000	14,20	1.500.603	3,55	-	-	42.266.603
EL	Greece	77.272.459	37,18	59.689.538	28,72	32.320.240	15,55	33.300.000	16,02	5.250.000	2,53	207.832.237
ES	Spain	442.907.459	39,13	322.048.247	28,45	298.755.661	26,39	49.212.448	4,35	18.967.097	1,68	1.131.890.912
FR	France	59.621.494	27,60	63.029.212	29,17	85.049.416	39,37	5.699.644	2,64	2.653.318	1,23	216.053.084
IT	Italy	161.250.284	38,00	106.085.713	25,00	106.085.713	25,00	16.973.714	4,00	33.947.430	8,00	424.342.854
CY	Cyprus	2.200.000	11,15	3.250.000	16,48	12.924.418	65,52	1.000.000	5,07	350.000	1,77	19.724.418
LV	Latvia	20.860.942	16,69	46.128.750	36,90	24.153.000	19,32	28.911.476	23,13	4.961.395	3,97	125.015.563
LT	Lithuania	13.667.647	24,98	22.431.005	41,00	9.249.241	16,90	6.693.770	12,23	2.671.745	4,88	54.713.408
HU	Hungary	-	-	24.163.925	69,34	8.944.392	25,66	-	-	1.742.543	5,00	34.850.860
MT	Malta	2.175.000	25,98	1.760.250	21,02	4.095.079	48,91	-	-	342.000	4,08	8.372.329
NL	Netherlands	16.913.233	34,82	7.379.398	15,19	16.903.461	34,80	4.987.125	10,27	2.395.200	4,93	48.578.417
AT	Austria	-	-	5.164.318	98,19	50.000	0,95	-	-	45.000	0,86	5.259.318
PL	Poland	168.841.292	23,00	146.818.515	20,00	146.818.515	20,00	234.909.624	32,00	36.704.628	5,00	734.092.574
PT	Portugal	62.865.134	25,50	74.187.067	30,10	83.407.876	33,84	17.403.406	7,06	8.621.766	3,50	246.485.249

Member State		Priority axis 1		Priority axis 2		Priority axis 3		Priority axis 4		Priority axis 5		Total
		Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	
RO	Romania	9.975.000	4,32	105.000.000	45,51	30.000.000	13,00	75.000.000	32,51	10.739.207	4,65	<b>230.714.207</b>
SI	Slovenia	2.164.029	10,00	7.141.293	33,00	7.574.097	35,00	2.164.029	10,00	2.596.835	12,00	<b>21.640.283</b>
SK	Slovak Republic	-	-	10.467.810	76,47	2.536.292	18,53	-	-	684.426	5,00	<b>13.688.528</b>
FI	Finland	3.445.000	8,73	16.990.000	43,07	14.783.827	37,48	3.606.000	9,14	624.000	1,58	<b>39.448.827</b>
SE	Sweden	13.666.201	25,00	10.932.961	20,00	19.132.681	35,00	8.199.720	15,00	2.733.240	5,00	<b>54.664.803</b>
UK	United Kingdom	39.634.805	28,76	33.589.711	24,37	49.620.896	36,00	11.598.450	8,42	3.384.027	2,46	<b>137.827.889</b>
<b>Total</b>		<b>1.211.563.470</b>	<b>28,14</b>	<b>1.238.982.699</b>	<b>28,78</b>	<b>1.128.132.761</b>	<b>26,21</b>	<b>567.242.257</b>	<b>13,18</b>	<b>159.027.832</b>	<b>3,69</b>	<b>4.304.949.019</b>

For ease of reference, please refer to the legend below:

Priority axis 1: measures for the adaptation of the fishing fleet

Priority axis 2: aquaculture, inland fishing, processing and marketing of fishery and aquaculture products

Priority axis 3: measures of common interest

Priority axis 4: sustainable development of fisheries areas

Priority axis 5: technical assistance

#### 4. Legal authority

Treaty establishing the European Community, in particular Articles 158, 159 and 161 thereof and Treaty on the Functioning of the European Union, in particular Articles 174, 175 and 177 thereof. Council Regulation (EC) No 1198/2006 of 27 July 2006 on the European Fisheries Fund, Commission Regulation (EC) No 498/2007 of 26 March 2007 laying down detailed rules for the implementation of Council Regulation (EC) No 1198/2006 on the European Fisheries Fund;

#### 5. Type of aid

Aid for the restructuring of fishing fleets, aquaculture, processing and marketing circuits, port facilities, selective fishing methods, financing of local strategies in support of the sustainable development of fisheries areas, and socio-economic measures.

#### 6. To whom and how the subsidy is provided

Co-financing principle and principle of regionally diversified action.

Ship-owners, enterprises, producer organizations, public and private bodies, professional organizations, cooperatives, fishermen.

Aid is normally in the form of grants.

#### 7. Total budget of the programme

Total budget for 2007 – 2013: 4.3 billion EUR

2011: 651 MEUR,            2012: 672 MEUR.

#### 8. Duration of the programme

2007 - 2013.

#### 9. Trade effects

The EU has a shortfall in fishery and aquaculture products and is a major importer of these products from non-EU countries. The structural aid has only a very small influence on this situation.

### **5.1 Common Organisation of Markets in Fishery and Aquaculture Products**

#### 1. Title of the measure

Common Organisation of the Market in Fishery and Aquaculture Products.

#### 2. Period covered by the notification

2011 - 2012.

#### 3. Policy objectives and/or programme objectives

The objectives of this instrument are the following:

- To promote sustainable fishing and optimum use of fish products.
- To stabilize the market.
- To ensure a regular supply of high-quality products.
- To guarantee reasonable consumer prices.
- To support fishermen's incomes.

4. Legal authority

Treaty establishing the European Community, in particular Articles 32, 33 and 34 thereof and Treaty on the Functioning of the European Union, in particular Articles 38, 39, 40 and 43 thereof. Regulations (EC) No. 104/2000 and (EC) No. 791/2007 (outermost regions).

5. Intervention mechanisms

Financial compensation, carry-over aid, autonomous withdrawal and carry-over, private storage aid, compensatory payment for tuna supplied to industry. Compensation for the additional costs, resulting from the remoteness, insularity and other specific handicaps, incurred in the marketing of certain fishery products from certain outermost regions of the EU.

6. To whom and how the subsidy is provided

Mechanisms implemented by producers' organizations. In outermost regions measures are implemented by the EU and the Member States concerned.

Beneficiaries: fishermen belonging to such organizations. In outermost regions beneficiaries can also include ship-owners and/or fish-processors.

Aid is normally in the form of grants.

7. Total budget of the programme

2011: 30 MEUR 2012: 30 MEUR

8. Duration of the programme

Fishing years.

9. Effects on trade

None in so far as the Common Organization of Markets aims at regularizing prices and not at artificially raising their level. The amounts paid under the programme represent less than 0.002% of the value of landed fish in the EU.

## **6 FRAMEWORK PROGRAMMES IN THE FIELD OF RESEARCH**

1. Title of the subsidy programme

- the Seventh Framework Programme of the European Community for research, technological development and demonstration activities (2007-2013), and
- the Seventh Framework Programme of the European Atomic Energy Community (EURATOM) for research and training activities (2007-2011) and the Framework Programme of the European Atomic Energy Community (EURATOM) for nuclear research and training activities (2012-2013).

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 2011 and 2012.

3. Policy objective

Financial participation in EU research and technological development (RTD) activities during the period 2011 and 2012 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<sup>1</sup>).

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 2006<sup>2</sup> and 2012/93/Euratom of 19 December 2011<sup>3</sup>).

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

#### 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 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.

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.

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

Each year, annual work programmes are adopted specifying the research topics and other conditions for the award of grants.

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<sup>1</sup> OJ L 412, 30.12.2006, p. 1.

<sup>2</sup> OJ L 400, 30.12.2006, p.1.

<sup>3</sup> OJ L 47, 18.2.2012, p. 25.

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/page/home>.

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 countries targeted by the international cooperation activities of the Framework Programme, currently 169 countries, may participate and receive funding under in a large number of projects. Legal entities established in other third countries may participate in projects. Funding for legal entities the latter may be provided if it foreseen in a work programme or provision is made for it in an agreement or if it is essential for carrying out the project.

Research projects must include the participation of at least three independent legal entities established in three different Member States or associated countries.

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 (typically 50% or 75%) of eligible costs of the project. Eligible costs are defined in the Rules for Participation.

7. Amount of subsidy

2011-2012	Total amounts granted (in millions of EUR)
Seventh framework programme of the European Community for research, technological development and demonstration activities	14,016
Seventh framework programme of the European Atomic Energy Community (EURATOM) (excluding Fusion grants)	90
<b>Total</b>	<b>14,106</b>

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.

### 6.1 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://www.cordis.lu/coal-steel-rtd/home.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 2011 and 2012 are:

Year	2011	2012
Support in Million of €	61	58

## 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 legislative provisions have been adopted for the period 2007-13. The current 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 management shared 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. The cohesion policy is reorganised around three new priority objectives: convergence, regional competitiveness and employment, and European territorial cooperation.
- 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 the cooperation programmes.

The budgetary commitments in 2011 and 2012 amounted to:

Fund	Budget available	2011 Execution	Budget available	2012 Execution
ERDF	28 646 377 370	28 644 607 507	29 433 561 603	29 433 561 603
CF	11 022 336 363	11 020 238 878	8 671 820 905	8 671 805 422
ESF	11 077 729 386	10 077 729 386	11 276 766 422	11 276 766 422

The technical assistance for Commission activities (for all ERDF, CF & IPA) is excluded from the calculations.

These structural actions are required to conform strictly to 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 great majority of it 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

2011, 2012.

### 3. Programming period

The period covered by the notification refers to programming periods: 2007-2013 (Please note that the previous programming period 2000-2006 is now in the process of closure of the interventions).

In the programming period 2007-2013, the Union intervention in the field of the Cohesion Policy is being realised through the Structural Funds (SF), which are the European Regional Development Fund (ERDF), the European Social Fund (ESF), and the Cohesion Fund (CF).

### 4. Legal basis

Articles 174 and 176 of the TFEU

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

- Council Regulation 1083/2006 (EC) No 1083/2006 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;
- Council 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;
- Commission 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.

### 5. Form of assistance granted – Grants 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

The previous Structural Funds for the period 2000-06 give way to a new architecture which simplifies the system in the period 2007-2013. The objectives of the new period 2007-2013 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 increasing 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 increasing 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.

## 7. Eligibility

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.

## 8. Principles of intervention

The principles of intervention for the period 2007-2013 are the same as for the period 2000-06: complementarity, coherence, coordination, conformity and additionality. Furthermore, the following principles are introduced: proportionality, equality between men and women and non-discrimination, sustainable development and using the Funds to focus on the Lisbon strategy priorities.

**The principle of complementarity**: Union actions financed by Structural Funds shall complement or contribute to corresponding national operations.

**The principle of additionality**: for those regions covered by the convergence objective the Commission and the Member States verify the level of public expenditure. The Structural Funds must not substitute a State's infrastructural spending. For the new programming period, there moreover exists a financial corrective mechanism in the event of this principle not being respected, which was not the case in 2000-06.

The Funds must now target the European Union priorities in terms of the promotion of competitiveness and employment creation. The Commission and the Member States see to it that at least 60% of the spending of all the Member States on the convergence objective and at least 75% of the expenditure on the regional competitiveness and employment objective are assigned to these priorities.

**The principle of proportionality:** newly introduced, this consists of modulating some obligations attributed to the Member States depending on the total amount of expenditure on an operational programme.

**The principle of partnership** is widened, which is to say that any appropriate organisation representing civil society, environmental partners, non-governmental organisations and organisations responsible for promoting equality between men and women can participate in negotiations concerning the use of Structural Funds. It not only participates in management but is involved at every programming stage (setting up, follow-up and evaluation).

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% are 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 will benefit from 35.7% of the total EU budget or € 347.41 billion (at current prices). 81.54% of this budget will be for the Convergence objective, 15.95% for the Regional Competitiveness and Employment and 2.52% for the European Territorial Cooperation.

10. Financial allocations per year (euro, current prices) – please note that these data covers all 3 Funds, not only ERDF

Total 2007 – 44.924.212.787,00  
 Total 2008 – 47.020.255.342,00  
 Total 2009 – 48.168.079.007,00  
 Total 2010 – 49.145.918.743,00  
 Total 2011 – 50.711.443.704,00  
 Total 2012 – 52.478.932.653,00

The allocation for Bulgaria (Member States which acceded on 1 January 2007) (included in the global data) is as follows:

Total 2007 – 490.765.684,00  
 Total 2008 – 713.179.062,00  
 Total 2009 – 966.963.353,00  
 Total 2010 – 1.018.513.870,00  
 Total 2011 – 1.089.783.826,00  
 Total 2012 – 1.161.455.080,00

The allocation for Romania (Member States which acceded on 1 January 2007) (included in the global data) is as follows:

Total 2007 – 1.275.078.763,00  
 Total 2008 – 1.854.301.662,00  
 Total 2009 – 2.513.352.998,00  
 Total 2010 – 3.027.219.265,00  
 Total 2011 – 3.263.730.029,00  
 Total 2012 – 3.511.772.361,00

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 new State aid Guidelines re-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 Fund is 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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