

Guidance document

"Co-operation" measure

(version: May 2014)

Article 35 of Regulation (EU) No 1305/2013

This guidance document is based on the text of Regulation (EU) 1305/2013 and, when relevant, on Regulation (EU) 1303/2013. Modifications to this guidance document may be needed after the adoption of related delegated and implementing acts.

This guidance is non-binding in nature and complements the related legal acts.

INTRODUCTION TO THE VERSION OF MAY 2014

The predecessor to this document was composed and circulated in September 2013. Since then, not only have several key regulations been adopted and published, but also a number of substantial questions have been asked about the *Co-operation* measure and how to implement it.

This new version of the guidance document makes minor updates where these are clearly needed, but also contains new material addressing important questions, above all (in section 6):

- what is the relationship between the *Co-operation* measure and the requirements of art. 71 of Regulation 1303/2013 on the "durability of operations", especially in the case of experimental projects; and
- how to ensure that correct maximum aid intensities are applied to the *Co-operation* measure, in line with art. 35 (6).

Wherever possible, the previous version has simply been supplemented rather than reorganised, to make reading easier for those already familiar with that version.

What is now section 8 may appear at first glance to have been heavily modified. However, in fact many of the principles in the original version have been retained – but re-expressed and reorganised to reflect the introduction of the descriptive term "sub-measure" for the *Co-operation* measure as for other measures, through the draft implementing act.

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0. INTRODUCTION

The *Co-operation* measure of the post-2013 rural development policy – set out in article 35 of the new Rural Development Regulation (RDR)¹ – incorporates provisions from the 2007-2013 programming period but goes far beyond them.

Existing provision in favour of the development of new products, processes and technologies in the agri-food and forest sectors is extended. In addition, there are new provisions to support other types of joint activity – economic, environmental and social in nature. The broadened measure serves in particular the objectives of the European Innovation Partnership for Agricultural Productivity and Sustainability (henceforward referred to simply as "the EIP"²).

For these reasons and others, a number of potential questions emerge about how to implement the *Co-operation* measure. This document therefore offers guidance on the spirit of the measure and on certain aspects of its detail. At times it refers in detail to particular phrases from art. 35, where this is considered necessary; however, some sections are more general in their approach.

The document is not exhaustive and will be complemented by subsequent additional explanation as necessary, and possibly updated.

1. RATIONALE OF THE MEASURE

Many of the rural areas of the EU suffer from disadvantages of fragmentation. Operators are often smaller on average than in urban areas; communication is often more difficult (especially between rural areas); and economies of scale are harder to achieve in activities aiming to deliver not only economic but also environmental and social benefits. Difficulties relate not only to horizontal but also sometimes to vertical integration / links between entities.

Public support can help to overcome these disadvantages by assisting operators in working together.

In the period 2007-2013, rural development policy already offers support for various kinds of joint activity, for example:

- co-operation in the development of new products, processes and technologies in the agri-food and forestry sectors (set out in art. 29 of Council Regulation (EC) No 1698/2005);
- farmers' participation in food quality schemes (art. 32 of the above-mentioned regulation);
- the setting-up and operation of producer groups (art. 35); and

¹ Regulation (EU) No 1305/2013.

² In fact EIPs have been launched in various fields of policy, but only the EIP mentioned above need concern the reader in this document.

- the LEADER approach (arts. 61-65).

However, experience strongly suggests that there are "gaps" in the current provision. Measure 124 has attracted limited interest, and the requirement always to involve a primary producer or processor has been problematic; food quality schemes and producer groups are useful but relatively specific forms of co-operation; and although the LEADER approach has been a strong performer, it has sometimes seemed that alternative tools might be more suitable for less comprehensive strategies / projects.

Therefore, the *Co-operation* measure will:

- offer new opportunities to bring a broad range of people / other entities together, thereby overcoming the disadvantages of fragmentation;
- provide additional "soft" support (covering organisational costs);
- support more specific, less comprehensive co-operation than LEADER...
- ...but broader co-operation than through certain other measures; and
- widen the provisions on scope and identity of participants in pilot / development projects.

2. FORMS OF CO-OPERATION

2.1. The basic rule: two entities or more

Art. 35 (1):

Support under this measure shall be granted in order to promote forms of co-operation involving at least two entities.....

This is the fundamental rule of the *Co-operation* measure: that at least two entities must be involved in a supported project.

It is also a reminder that the measure is not simply an "innovation measure" or a "short supply chains measure" or a "complementary environmental measure". It will make a valuable contribution in these areas and others; however, the essence of the measure is that it is about supporting entities to work together³.

The phrase "promote forms of co-operation" is also important. The *Co-operation* measure should be used to "make new things happen". It must not be used to support joint activities which are already taking place: this would be a poor use of public funds.

On the other hand, the measure could be used to support an existing group of co-operating entities in undertaking a new joint project.

³ There is one exception to this rule, discussed in section 4.3.

2.2. Broad general eligibility for support

Art. 35 (1) (a):

...co-operation approaches among different actors in the Union agriculture sector, forestry sector and food chain and other actors that contribute to achieving the objectives and priorities of rural development policy, including producer groups, co-operatives and inter-branch organisations...

This provision sets out the essence of when the *Co-operation* measure is relevant, even though certain forms of co-operation are mentioned specifically (see 2.3 and 2.4 below).

A very wide range of operators working together are potentially eligible for support – provided that their activity will contribute to the priorities of rural development policy.

By its structure, art. 35 (1) (a) leaves open whether, in any given case, all the co-operating entities are active in the Union agriculture sector / forestry sector / food chain, some of them, or none of them.

2.3. Clusters and networks

Art. 35 (1) (b):

...the creation of clusters and networks...

The article explicitly mentions clusters and networks as possible forms of co-operation because of their importance.

The new RDR contains a definition of the term "cluster" which is essentially based on current state aid rules:

"cluster" means a grouping of independent undertakings – start-ups, small, medium and large undertakings as well as advisory bodies and / or research organisations – designed to stimulate economic / innovative activity by promoting intensive interactions, the sharing of facilities and the exchange of knowledge and expertise, as well as contributing effectively to knowledge transfer, networking and information dissemination among the undertakings in the cluster.... (Art. 2 (q) RDR)

The term "network" is less precisely defined and much broader in scope. See section 4.2 for particular rules regarding support for clusters and networks.

2.4. EIP operational groups

Art. 35 (1) (c):

...the establishment and operation of operational groups of the EIP for agricultural productivity and sustainability....

2.4.1. General points

Paragraph 1 (c) emphasises that art. 35 of the new RDR will be a very important tool for making the EIP work.

Indeed, it is envisaged that potential beneficiaries of rural development policy (especially of art. 35) with an interest in innovation will naturally gravitate towards the EIP as a highly advantageous framework within which to pursue their work.

The RDR does not set out many prescriptions about the form of EIP operational groups, because what these groups "do" is much more important than what they "are". Indeed, the main point about the form of EIP operational groups is that, in the words of art. 62 (1):

"They shall be set up by interested actors such as farmers, researchers, advisors and businesses involved in the agriculture and food sector, who are relevant for achieving the objectives of the EIP."

For reference, it can be recalled here that other requirements listed in arts. 62 and 63 with regard to operational groups include the following:

- they must establish internal procedures to ensure transparency in their operation and decision-making, and avoid conflicts of interest;
- they must draw up a plan containing:
 - a description of their innovative project;
 - a description of the expected results;
- they must disseminate the results of their project, especially through the EIP.

Additional information on EIP operational groups may be found in the guidance document of [May] 2014⁴.

2.4.2. Supporting EIP groups "in the process of being formed"

Art. 35 offers support not only for carrying out projects which EIP operational groups have already developed, but also for setting up operational groups in the first place and developing their projects from initial ideas.

Indeed, in this respect art. 35 leaves a certain flexibility concerning what is supported (the setting-up process, project implementation, or both) and about at what stages a selection procedure for support needs to take place (though art. 60 (2) must always be borne in mind).

⁴ http://ec.europa.eu/agriculture/eip/pdf/draft-eip-guidelines_en.pdf

Where aid for setting up is provided, this should be made clear in the programme (see section 8 with regard to linking types of operation of sub-measures).

At least two entities would have to apply together for support for setting up an operational group under art. 35 (in practice, it should not be difficult to find one partner). They should make the application before incurring any expenditure, in order to avoid potential difficulties arising from art. 60 (2).

The entities could use an innovation support service (innovation broker – see also section 5.3) to help establish the group. The entities concerned would pay the broker for its work and receive reimbursement in line with art. 35 (5) (b).

If MS are concerned that too few individuals / entities will take the initiative in coming forward to set up operational groups, a managing authority could potentially pay innovation brokers directly to go out and look for potential operational groups and help them to form, but **not through art. 35**. In this case, the funding could be paid through:

- technical assistance;
- the *Advisory services* measure (art. 15 (1)(a)).

In the latter case, the "advice" in question would be the service of helping operational groups to set up and to develop their future projects further. Support would be subject to the normal conditions of art. 15. If this support was "combined" with support under art. 35 in respect of a given operation, the normal rules / principles covering such situations would apply (to be set out in a forthcoming implementing act and updated guidelines on programming).

Finally, the various networks described in arts. 52-54 could also help raise interest and organise the search for operational partners (see art. 54 (3) (b) (iii)).

3. TYPES OF CO-OPERATIVE ACTIVITY

3.1. Introduction: a closed or open list of types of eligible activity?

Art. 35 (2)

Co-operation under paragraph 1 shall relate, in particular, to the following...

Whereas paragraph 1 of art. 35 addresses types of group to be supported, paragraph 2 sets out types of activity⁵ suitable for support.

The words "in particular" must be understood correctly.

⁵ Section 8 of this document explains how these have now been grouped into "sub-measures".

On the one hand, they indicate that **the list of types of activity in paragraph 2 is not closed**. Member States (MS) / regions⁶ may programme support under art. 35 for other types of activity which contribute to the achievement of the priorities of rural development policy.

On the other hand, the words "in particular" mean that emphasis will be given to the types of activity described in under art. 35 (2). If an RDP proposes support falling within the categories of this paragraph, all that must be assessed is the "detail". By contrast, if an RDP proposes support falling outside these categories, a very sound justification must be provided.

Very importantly: it will not be acceptable to propose a "new" category which is similar to one of the categories of paragraph 2 as a means of avoiding specific conditions which apply to support granted under that category.

For example, under points 2 (d) and (e), support is available for the development (and related promotion) of supply chains which are short and markets which are local – two characteristics whose practical content will be spelt out in a delegated act (see section 3.4). These limitations are there for a reason. The development of short supply chains and local markets is seen as being particularly likely to deliver significant benefits if supported. By contrast, the development of "normal" supply chains and markets would in principle not merit specific support through art. 35⁷. It would not be acceptable to try to circumvent the limits imposed on support through points 2 (d) and (e) and related delegated acts by adding a "new" point to paragraph 2 in the programme addressing "normal" supply chains and markets which had no special characteristics.

The remainder of section 3 offers comments on the individual categories of activity mentioned in art. 35 (2).

3.2. Pilot projects and other experimental development

Art. 35 (2) (a) and (b):

(a) ...pilot projects;

(b) ...the development of new products, practices, processes and technologies in the agriculture, food and forestry sectors...

3.2.1. The essence of what these provisions cover

Points (a) and (b) of art. 35 (2) are presented together here because they overlap significantly. Given this overlap, they are governed by the same particular conditions of art. 35 (3) and (4) and there is no particular need to distinguish between them for purposes of programming unless a MS wishes to

⁶ From here on, whenever this document refers to "MS" with regard to matters of drawing up and managing rural development programmes, this reference may be taken as an abbreviated form of "MS / regions".

⁷ An exception would be the provision of biomass for various industries – see art. 35 (2) (h).

do so (see section 8 on the *Co-operation* measure and what appears in a RDP).

The wording of point (b) draws on that of art. 29 of Council Regulation (EC) No 1698/2005:

Cooperation for development of new products, processes and technologies in the agriculture and food sector and in the forestry sector

In art. 35 the word "practices" may refer, *inter alia*, to farming practices, e.g. crop rotation, soil management or hedge maintenance. Its presence makes clear that this article can support the development of techniques / methods which are essentially adaptations of existing technologies etc. to situations where they are not currently used. In other words, the intended meaning of the word "development" is broad. This is particularly important for the EIP.

The term used in point (a) – "pilot projects" – is widely understood as referring to a "test project". A pilot project can of course form part of a larger process of "development".

Note that the wording of point (a) is not limited to any particular sector; therefore "experimental" projects operating outside the agri-food and forestry sectors but matching the priorities of rural development policy could be considered for support – though in this case particular attention might have to be paid to the issue of state aid clearance (see section 9). N.B. Projects under the EIP must correspond to the more specific aims spelt out in art. 62.

3.2.2. "Development" versus "research"

Art. 35 should not be used to support stand-alone research. On the other hand, it could be used to fund research activities linked to and accompanying practical projects, in particular those carried out by EIP operational groups (e.g. analysing the success and failure of projects, adapting solutions to specific climatic and structural contexts etc.). Researchers could indeed play a valuable role within operational groups, co-operating with other members and helping actively to achieve the aims of the groups' projects.

In addition, development activities supported by art. 35 may well be connected to research which is itself being supported via other instruments such as Horizon 2020 or other research funding sources.

Once again, in the case of projects which fall outside Annex I to the EU Treaty, in drawing up RDPs a certain understanding of the categories of research and development activity set out in state aid rules might be necessary, depending on the content finally agreed for state aid rules for the period 2014-2020⁸ (see section 9).

⁸ In the current period, in order for state aid to be granted for "R & D projects" through the *Community framework for state aid for research and development* (2006/C 323/01), each task of the project must be allocated to one of the categories "fundamental research", "industrial research" and "experimental development". Different maximum aid intensities etc. apply to each category.

3.2.3. *Demonstration projects*

Art. 35 may potentially support the "demonstration" of new technologies etc. where the demonstration activity is the final part of the process of testing / validating a technology, process etc. The exact character of the co-operation project would of course have to be taken into account.

By contrast, the measure *Knowledge transfer and information actions* (art. 15) should be used to support "demonstration activities" which simply raise awareness of technologies, techniques which are already operational and available - not demonstration activities forming the end phase of a project which tests / validates.

3.3. **Miscellaneous co-operation between small operators; tourism**

Art. 35 (2) (c):

co-operation among small operators in organising joint work processes and sharing facilities and resources....

The first part of this particularly broad point in art. 35 (2) essentially covers forms of commercial co-operation which take place between small operators and do not fit comfortably into other points of paragraph 2.

The intention is to help "small" operators in rural areas to find economies of scale together which they lack when acting alone. The focus on small operators is especially important given that the scope of this theme of paragraph 2 is very broad. Without a size-related limitation, funding would be used less efficiently⁹.

The term "small" will be given operational content through a delegated act. The proposed text of the act in question limits support to micro-enterprises¹⁰ in order to focus funding appropriately

...and for the development and/or marketing of tourism services related to rural tourism...

This part of art. 35 (2) (c) makes it explicit that support can be granted to certain types of project related to rural tourism. The limitation of support to "small" operators still applies.

⁹ No size-related limitations are considered necessary with regard to the other themes of art. 35 (2) as these are more specific and / or more obviously targeted at public benefit (e.g. in the case of joint activity related to the environment / climate change).

¹⁰ According to Commission Recommendation 2003/361/EC of 6 May 2003, a micro-enterprise is an enterprise which employs fewer than 10 persons and whose annual turnover or balance sheet is lower than €10 million. Note that the proposed delegated act would also allow funding for a natural person not engaged in economic activity at the moment of applying for support.

3.4. Short supply chains and local markets

Art.35 (2) (d) and (e):

...horizontal and vertical co-operation among supply chain actors for the establishment and development of short supply chains and local markets...

...promotion activities in a local context relating to the development of short supply chains and local markets...

These two points belong closely together, as promotion will often be an essential component of the "development" of a short supply chain or local market.

Support must be limited to supply chains which are "short" and markets which are "local"; art. 35 is not intended to support the development of quite "standard" supply chains and markets. Short supply chains and local markets can offer particular benefits but are currently not reaching their potential in many areas; this is what justifies support in their case.

3.4.1. What is a "short" supply chain?

In line with art. 35 (10), a delegated act will specify certain characteristics of short supply chains which will make them eligible for support.

The proposed content of the delegated act is that – in all RDPs – support can be offered only in the case of supply chains involving **no more than one intermediary between farmer and consumer**.

An "intermediary" in this context is an entity which buys the product from the farmer for the purpose of selling it on.

A retailer would therefore be an intermediary. A processor would also be an intermediary if it bought the product from the farmer and thereby took control of it – but not if the farmer retained control of the product during processing and decided the sale price afterwards (in this case the processor would simply be the provider of a service to the farmer).

Needless to say, MS may set additional conditions in their RDPs to focus support for short supply chains more precisely.

3.4.2. What is a "local" market?

A delegated act will also specify characteristics of local markets which will make them eligible for support.

In many cases, local markets will be based solely on short supply chains. In this case, the decision to grant support need refer only to the fact that the conditions related to short supply chains are met (see above). There would be no need to meet additional conditions related specifically to "local markets".

However, in cases where a local market might **not** be based solely on short supply chains, in order to qualify for support, either:

- (a) the activities of processing and sales to the final consumer would have to take place within a radius of [x] km from the farm on which the product originates (the value x would be set and approved in the RDP); or
- (b) the RDP would have to present a convincing alternative approach to defining what is considered a "local" market.

Note that the alternative approach could not be based on administrative boundaries, as this would not be in line with the rules of the single market.

It could, for example, be based on limitations of physical geography.

3.4.3. *Under what circumstances may promotion be supported?*

Essentially, art. 35 may support the promotion of a supply chain or market if that supply chain / market fulfils the conditions set out in the previous subsection.

The promotion in question would relate to the short supply chain or local market in question in its "entirety", not a restricted number of individual products issuing from it. In other words, any supported promotional material or activity would make potential customers aware that the short supply chain or local market in question existed and would communicate the benefits of purchasing via this route (subject to any requirements imposed by state aid rules, where these applied).

Furthermore, the promotion would be part of a project clearly "developing" the supply chain or market.

3.5. **Climate change and the environment**

Art. 35 (2) (f) and (g):

...joint action undertaken with a view to mitigating or adapting to climate change...

...joint approaches to environmental projects and ongoing environmental practices, including efficient water management, the use of renewable energy and the preservation of agricultural landscapes...

Once again, points (f) and (g) belong together: in practice they cannot easily be separated and there is no need to do so.

These provisions offer support for joint projects in favour of the environment / climate particularly where those projects are relatively complex (especially involving multiple activities and participants, and perhaps investments).

By contrast, in cases where beneficiaries of funding under the measures *Agri-environment-climate* (art. 28), *Organic farming* (art. 29) or *Forest-environmental and climate services and forest conservation* (art. 34) simply wish to organise their joint use of the measure in question and doing so is a relatively simple task, it is recommended that the costs of this organisation be covered by the provisions for reimbursing "transaction costs" under these measures¹¹.

On the other hand, joint projects which involved activities funded by these measures as well as other activities might well benefit from use of art. 35 to cover the costs of organisation / co-ordination, but in this case the area-related payments must be made through art. 28, 29 or 34 – not directly through art. 35¹² – as they are subject to particular rules¹³ which do not cover art. 35.

3.6. Provision of biomass

Art. 35 (2) (h):

...horizontal and vertical co-operation among supply chain actors in the sustainable provision of biomass for use in food and energy production and industrial processes...

The key word in this point is "provision" (as opposed to "production"). The intention behind point 2 (h) of art. 35 is not to influence farmers' production decisions, but rather to help them to work together to organise the supply of biomass resulting from the production decisions which they take anyway.

Biomass used in "food production" would not include biomass which becomes part of the food itself, but rather any other biomass used to aid the production process in some way.

3.7. Public-private partnerships / non-LEADER local development strategies

Art. 35 (2) (i):

...implementation, in particular by groups of public and private partners other than those defined in point (b) of Article 32 (2) of Regulation (EU) No 1303/2013, of local development strategies other than those defined in Article 2 (19) of Regulation (EU) No 1303/2013 addressing one or more of the Union priorities for rural development...

This point covers the implementation of strategies which address some of the needs of a particular area but may be less comprehensive than the strategies of the LEADER approach.

¹¹ See arts. 28 (6), 29 (4) and 34 (3).

¹² This is an exception to the flexibility set out in art. 35 (6).

¹³ E.g. related to the Integrated Administration and Control System (IACS).

The point is intended to address especially the need to support public-private partnerships, whether these are acting to address only one need of the area in question, or several.

An example of a project which could be supported under these provisions would be the development and implementation of a renewable energy strategy for a village, which includes the use of agricultural biomass.

3.8. Forest management plans

Art. 35 (2) (j):

...drawing-up of forest management plans or equivalent instruments...

This point offers support for beneficiaries to work together to draw up forest management plans etc. – which are a valuable tool for developing sustainable forest production.

This support should be particularly useful to managers of small forest holdings who have no interest in drawing up a management plan for their holding alone.

(N.B. As other provisions of the RDR make clear, support is also available under other measures to individual beneficiaries to draw up forest management plans - see art. 45 (2) (e) for the general reference.)

3.9. Diversification of farming activities into social functions

Art. 35 (2) (k):

...diversification of farming activities into activities concerning health care, social integration, community-supported agriculture and education about the environment and food...

This point offers support for a range of activities which sometimes come under the approximate heading of "social agriculture".

The focus is on using farming to deliver various benefits to society through joint action, and thus also to offer new income opportunities to farm households. In this respect, art. 35 (2) (k) is more specific than the related provisions of art. 21 (*Basic services and village renewal in rural areas*).

In many or even most cases, however, the joint activity will also involve participants who are not farmers.

4. SOME PARTICULAR RULES ON ELIGIBLE BENEFICIARIES

4.1. A broad overall approach

As section 2 highlights, the rules on the potential beneficiaries of art. 35 are extremely broad. This is necessary in view of the wide range of types of project that

can be supported. The key issue is what potential beneficiaries of support undertake to do and how this will contribute to the priorities of rural development policy.

However, art. 35 (3) explicitly mentions rules regarding the eligibility of beneficiaries in two particular cases, as set out below.

4.2. Particular rule: types of cluster and network eligible for support

Art. 35 (3):

Support under point (b) of paragraph 1 shall be granted only to newly formed clusters and networks and those commencing an activity that is new to them.

As art. 35 (1) (b) makes a particular mention of clusters and networks, art. 35 (3) emphasises specifically that funding cannot be offered to support already-established activities carried out by clusters and networks. (In fact this point applies to all activities supported by the *Co-operation* measure, as stated in section 2.1.)

Note that, according to art. 35 (1) (b), it would be possible to fund only the creation of a cluster or network (i.e. choose not to fund its subsequent activity through rural development policy) if a MS chose to offer support on this basis. However, in this case the judgment about whether support is merited would still have to be based on what the cluster or network would do. Support would be appropriate only if the cluster or network would **demonstrably be carrying out one or more projects which would address the priorities of rural development policy** – in particular (though not exclusively), projects falling within the categories set out in art. 35 (2).

For example, support should not be granted to set up or operate networks / groups which "discuss" particular issues with no specific outcome in mind. Discussion can of course lead to benefits, but the link is not sufficiently strong in itself to merit support; in order to receive support, discussion must be accompanied by specific planned action with specific planned outcomes.

Note that the above-mentioned phrase could include work by an EIP operational group in, say, collecting and analysing various findings with a view to arriving at clear conclusions which will be of direct use to farmers etc. The work could in this sense be "abstract" as long as it and the objectives are specific.

4.3. Particular rule: individual actors for pilot / development projects

Art. 35 (3):

Support for operations under points (a) and (b) of paragraph 2 may be granted also to individual actors where this possibility is provided for in the rural development programme.

Art. 35 (4):

The results of pilot projects under point (a) of paragraph 2 and operations under point (b) of paragraph 2 carried out by individual actors as provided for in paragraph 3 shall be disseminated.

By allowing support for pilot / development projects carried out by individual actors, art. 35 (3) makes the only exception to a fundamental principle of art. 35 as a whole – namely, that the *Co-operation* measure always supports joint activity.

This exception takes into account the importance of supporting innovation / experimentation – which can sometimes be carried out effectively through co-operative efforts, but not always.

However, lone beneficiaries must disseminate the results of their project.

This provision should ensure that the knowledge obtained through pilot projects / development projects under paragraph 2 (a) / (b) is always spread as widely as possible – in line with the spirit of the *Co-operation* measure – even when the beneficiary is a single entity.¹⁴

Note that, according to art. 63 (3), the results of all projects carried out within the framework of the EIP must be disseminated as the spread of knowledge lies at the heart of the EIP.

Where the dissemination requirement applies, what is communicated should be substantial material of potential use to others. This approach is in line with that taken within the framework of state aid rules concerning research and development and innovation.

The obligation to disseminate results does not absolutely preclude an application for intellectual property rights (IPR) arising from the supported project. However, the intended emphasis of the *Co-operation* measure (and especially the EIP) is on the creation of knowledge freely available to all.

The results of a project should be disseminated as soon as possible after the project's completion. In any case, the final support payment will not be paid until the beneficiary has met all its obligations according to the normal system of checks¹⁵ – including "full" dissemination of results (where the dissemination requirement applies at all).

5. TYPES OF ELIGIBLE COST

5.1. Overall approach

The *Co-operation* measure can cover five types of cost as set out in art. 35 (5), which for the sake of understanding the nature of art. 35 could be informally grouped into two categories, as shown below (the distinction is not water-tight but is nonetheless helpful).

¹⁴ Of course, if they wish, as in the case of all rural development measures MS could set conditions more demanding than those in the RDR – including an obligation to disseminate results in all cases, with a view to obtaining the best possible value from public funding.

¹⁵ In line with arts. 59 and 63 of Regulation (EU) No 1306/2013.

N.B. As there have been questions on this point, it is worth clarifying here that labour /or personnecosts for coordintiallymay fit undboth categories, depending on the nature of the work involved.

Costs arising from co-ordination / organisation	Costs arising from project activities themselves
Studies / plans Animation Running costs of the co-operation	Direct costs of specific projects linked to detailed plan etc. Promotion activities (category of direct costs)

There are various ways of using the *Co-operation* measure in respect of the various costs which arise from co-operative action.

- One option is to use the *Co-operation* measure to cover only the co-ordination / organisation costs of the project (set out in the left-hand column of the table above), while using other rural development measures and / or other sources of funding to cover the costs which arise more directly from the activities of the project.
- But for the sake of convenience, another option under certain circumstances would be to cover all costs through the *Co-operation* measure, including those which "fit" under other measures – see art. 35 (6). This can be done in the case of "specific projects" drawn up in a relatively detailed plan. The aim of this provision is to reduce the possible administrative burden of using several measures together¹⁶.
 - **However, in this case, the maximum aid intensities / amounts of other measures would still have to be respected with regard to the "direct costs" arising from the project activities.** (See section 6 for an approach to ensuring this.)
- Finally, again in the case of specific projects drawn up with a detailed plan, art. 35 could be used to cover directly types of cost which could not in any case be covered by any other measure.
 - This is particularly relevant to certain types of cost that in the period 2007-2013 would be covered by art. 29

¹⁶ In some cases, of course, MS might actually find it more convenient to split the costs between the relevant measures.

of Regulation 1698/2005, which has now been absorbed into the body of art. 35 of the new RDR.

There follow below brief individual explanations of each type of cost.

5.2. Studies

Art. 35 (5) (a):

Studies of the area concerned, feasibility studies and the drawing-up of a business plan or forest management plan or equivalent or a local development strategy other than the one referred to in Article 33 of Regulation (EU) No 1303/2013...

Because of the particular challenges involved in organising joint projects, this provision should be interpreted fairly broadly.

The maximum aid intensity with regard to this cost category is 100 % (unless state aid rules apply, and impose a lower limit).

5.3. "Animation"

Art. 35 (5) (b):

...animation of the area concerned in order to make feasible a collective territorial project or a project to be carried out by an operational Group of the EIP for Agricultural Productivity and Sustainability as referred to in Article 55. In the case of clusters, animation may also concern the organisation of training, networking between members and the recruitment of new members....

In this context, the term "collective territorial project" refers to a project which should deliver benefits for a specific area with a reasonably clear identity.

The term "animation" essentially covers recruitment of participants in a project and networking between them required to define project adequately and get it off the ground.

In the case of an EIP project, it might often be appropriate to use an "innovation broker" to take on such tasks; the related costs could be covered cover under the heading of animation.

(N.B. Clusters are highlighted in this provision but it is not intended that they be treated in a fundamentally different way than other forms of co-operation.)

The maximum aid intensity with regard to this cost category is 100 % (unless state aid rules apply, and impose a lower limit).

5.4. Running costs of the co-operation

Art. 35 (c):

...running costs of the co-operation...

The running costs in question are not all running costs of the project, but rather the running costs arising from the "act" of co-operation.

A good example would be the salary of a "co-ordinator".

The maximum aid intensity with regard to this cost category is 100 % (unless state aid rules apply, and impose a lower limit).

5.5. Direct costs of specific planned projects

Art. 35 (5) (d):

...direct costs of specific projects linked to the implementation of a business plan, an environmental plan, a forest management plan or equivalent, a local development strategy other than the one referred to in Article 33 of Regulation (EU) No 1303/2013 or other actions targeted towards innovation, including testing...

"Direct costs" in this context are costs which arise directly from the activities of the project rather than from preparatory studies, animation or ongoing co-ordination. This provision covers investment costs but is not limited to them.

With regard to the phrase "action targeted towards innovation": any project carried out within the framework of the EIP would be classed as such, as would any project explicitly linked to art. 35 (2) (a) / (b) in the programme.

- Concerning the maximum aid intensity concerning this category of costs, see section 6.

5.6. Promotion

Art. 35 (5) (e):

...promotion activities.

This provision overlaps with the category "direct costs" outlined above. It refers to direct costs arising from promotion activities related to short supply chains and local markets, as referred to in art. 35 (2) (e).

6. CONCERNING THE MAXIMUM AID INTENSITY CONCERNING THIS CATEGORY OF COSTS, SEE SECTION 6. DURABILITY OF OPERATIONS, MAXIMUM AID INTENSITIES

6.1. Introduction

Important questions have been asked about these two themes – of which the second has already been mentioned in passing in the previous section of this note.

For the purposes of this note, the two topics are closely related and are therefore considered together here.

6.2. Durability of operations

Article 71 of Regulation (EU) No 1303/2013 (also known as the "Common Provisions Regulation", or "CPR") stipulates that financial support provided by one of the European Structural and Investment (ESI) Funds for an operation comprising a "productive investment" must be repaid if, within five years of the final payment to the beneficiary, the operation is subject to either of the following:

- a cessation or relocation of a productive activity outside the programme area;
- a substantial change affecting its nature, objectives or implementation conditions which would result in undermining its original objectives.

The term "productive investment" is not defined in the regulation. Its interpretation may not be problematic with regard to certain "traditional" investments – e.g. a farmer's permanent acquisition of a new item of machinery. By contrast, there is potential doubt about how to apply Art. 71 to defined projects of a defined duration which are essentially "experimental" – inter alia, projects carried out in the framework of the EIP. Such projects are designed to investigate / test possibilities; their results are therefore uncertain; and their intended output is knowledge which will be made available to all.

In the absence of a legal definition, it is ultimately up to Member States to apply the term "productive investment" appropriately, and they must establish for themselves a clear method of doing so.

Nevertheless, it is useful to minimise potential doubt as far as possible regarding certain types of case, and on this basis the following comment may be made.

If a supported project meets both of the following conditions, this could be considered a strong argument for deciding that the investment concerned is not "productive":

- costs related to equipment, buildings, land etc. are eligible for aid only if they arise from the use / depreciation of these items solely over the duration of the project and in direct relation to it;
- the detailed results of the project are disseminated.

However, these conditions are not necessarily exhaustive: Member States may need to set other criteria for deciding whether a given investment is "productive" or not, given the wide variety of cases which could arise.

(Furthermore, to examine the issue for moment from the other side: it seems almost certain that an investment which involved the permanent acquisition of equipment etc. would have to be considered a "productive investment".)

Finally, it is also always important to set clear objectives and eligibility conditions for support for any project. In the case of many R & D & I projects, it would be appropriate to specify that the objective is new knowledge – i.e. conclusions about whether a possible practice, technique etc. works or not, and if so, how.

6.3. Maximum aid intensities

Sections 5.1 and 5.5 above allude to the provisions of art. 35 (6) – the possibility to pay support as a "global amount" through art. 35 in certain cases within an RDP. However, in this case there is a need to ensure that in this cant maximum aid intensities / amounts of other measures are applied to the direct costs of the project (art. 35 (5) (d) and (e)), where the project is of a type covered by another rural development measure.

This concept is not completely new, as it was implicit in the LEADER approach in the period 2007-2013 whenever the use of LEADER was not limited to implementing other rural development measures. Some managing authorities may therefore have experience of the issue.

Nevertheless, some MS have asked for a method of deciding when maximum aid intensities / amounts of other measures apply in the case of the *Co-operation* measure, and when they do not.

Such a method could be based on the following observations / principles:

- Some measures do not have associated aid limits and therefore cause no difficulty¹⁷.
- Area-based / livestock-unit-based payments¹⁸ must never in any case be made directly through art. 35, as they are governed by particular rules which do not apply to art. 35.
- Measures which offer flat-rate payments or support for running costs are few in number and distinctive in content, and should therefore cause no serious difficulty for MS.
- The main potential difficulty in applying art. 35 (6) arises principally in connection with measures supporting investments.
 - These offer provision for a wide range of situations, and therefore on the one hand their maximum aid intensities will often have to be applied. On the other hand they do not cover everything which might be appropriately supported as a "direct cost of a specific project" through art. 35, and therefore their aid limits will not necessarily be applicable in every case.

¹⁷ In the case of operations covered by Annex I to the Treaty, there would be no limit. In the case of other operations, the limit would be that imposed by the state aid rules used to clear the support.

¹⁸ I.e. payments provided for in arts. 28-34.

- Under the various investment measures of rural development policy, support is justified by a reasonable confidence that the investment will directly deliver a benefit (economic, environmental or social) – moreover, a benefit which is expected to last for a substantial undefined period (see also section 6.2, above).
- What the investment measures do not cover is the use of equipment, land etc. solely for a defined experimental project which lasts for a defined period and whose intended result is new knowledge.

With these points in mind, the following approach can be recommended:

Support for investments covered by Annex I to the Treaty

1. The **default approach**¹⁹ is that the relevant maximum aid intensity of another rural development measure must be applied – one of the limits of Art. 17²⁰ unless another measure is clearly more relevant.

2. The default approach could be deviated from, and it could potentially be considered that no aid limit of another measure is relevant (i.e. the maximum aid rate would be 100%), if all of the following conditions are met:

- the investment is made in the context of a defined project of defined duration;
- support does not cover the full acquisition of assets, but rather only their use / depreciation over the lifetime of the specific project (calculated according to normal good accounting practice) and scaled down according to the extent of use for the project; and
- the investment is not made in an improvement to immovable property.

(N.B. If these conditions were met, the support rate of 100 % would be applied to the costs of the use / depreciation of assets as set out above – not to the assets' full value.)

Support for investments not covered by Annex I to the Treaty (i.e. state aid rules apply): forestry²¹

¹⁹ This is the approach that a MS should take if it is not confident about applying an alternative approach correctly.

²⁰ Note that, in some cases, the limit suggested by the appropriate sub-measure of Art. 17 could be 100 % (e.g. in the case of environmental investments of the type covered by art. 17 (1) (d)). Note also that some of the aid intensity "bonuses" available under Art. 17 might apply (e.g. in the case of EIP operations).

1. The **default approach** in the case of **forestry** is that the support in question is naturally covered by the measure set out in art. 21 of the RDR (especially the sub-measure set out in art. 26). In that case, the maximum aid rate to be applied is either the one stated in the RDR or the maximum imposed by the state aid rules used to clear the support – whichever is lower.

2. This default approach can be deviated from – i.e. it can be assumed that no part of art. 21 covers the support in question - if the three conditions set out in point 2 of the previous section of this box are met. In that case, the maximum aid rate is the one imposed by the state aid rules used to clear the support.

Support for investments not covered by Annex I to the Treaty (i.e. state aid rules apply): not forestry

In cases outside the forestry sector and not covered by Annex I to the Treaty, the relevant limit on aid is the one imposed by the state aid rules used to clear the support.

Clearance under the *de minimis* rules could be particularly useful in such cases.

7. SELECTION CRITERIA

As in the case of other rural development measures, so in the case of art. 35, a given rural development programme must set out the principles of the approach to be taken for setting selection criteria for awarding support (in line with art. 8 (1) (m) (iv)).

No attempt will be made in this guidance document to set out possible principles regarding the full range of types of activity which art. 35 can support, as this range is so wide.

However, one particular point is worth making here. Where support is offered for EIP projects, some programmes may do so in relatively broad terms, on the basis that it is not known in advance what types of projects deserving support may be presented. Where such a broad approach is taken – and eligibility conditions set in

²¹ The case of forestry must be considered separately from other cases in which state aid rules apply. This is because, whereas the RDR states no maximum aid rates for most measures governed by state aid rules, it does state maximum rates for some forestry sub-measures. This opens the door to potential confusion about how to apply art. 35 (6) if a managing authority chooses to obtain state aid clearance for forestry-related support through the De Minimis regulation - which effectively allows an aid intensity of 100 % as long as the ceiling of €200 000 is respected – whereas the rural development measure concerned sets out a lower maximum aid intensity.

the programme are also broad – it becomes even more important to apply the right qualitative selection criteria.

Further information on the use of selection criteria may be found in the guidance documents on the EIP and on "Eligibility Conditions and Selection Criteria for the Programming Period 2014-2020".

8. PROGRAMMING, MONITORING AND THE "SUB-MEASURES" OF ART. 35

8.1. Introduction

Since the previous version of this guidance document was written, a mention of "sub-measures" has appeared in the rural development implementing act (see Annex I, Part 5 of the act and Annex I to this guidance document for the list) as a potentially useful descriptive term.

The list of sub-measures related to the *Co-operation* measure groups together items from art. 35 (2) which are clearly closely related to each other, i.e.:

- 2 (a) and (b): pilot projects / technological development (sub-measure 16.2);
- 2 (d) and (e): development of short supply chains & local markets / promotion thereof (sub-measure 16.4);
- 2 (f) and (g): joint action over the environment / climate change (sub-measure 16.5).

The existence of the "other" sub-measure (16.0) reflects the fact that – as identified in section 3.1 of this guidance document – the co-operation types listed in art. 35 (2) (a) to (k) As not form a closed list.

Moreover, a sub-measure is a convenient tool for presenting content of a rural development programme; it does not have formal legal status. MS are free to link a given type of operation set out in their programme to more than one sub-measure if they wish (and if this makes sense).

Therefore, the introduction of the term "sub-measure" through the implementing act should not have heavy practical implications for the programming process. Nevertheless, a few updated explanations are needed.

(It should be clearly understood that the comments which follow do not relate to **financial management** in the strict sense – for which the information required is simply how much money is being spent on art. 35 as a whole, by focus area, through a given RDP - since there is only one budget line for this measure, as for any other.)

8.2. To which sub-measures would various types of operation naturally be linked?

8.2.1. EIP operational groups / projects

A very flexible approach is proposed with regard to presenting support for the EIP.

There now exists a sub-measure (16.1) entitled "Support for the establishment and operation of operational groups of the EIP for agricultural productivity and sustainability".

If a type of operation offers support for the EIP, linking it to this sub-measure is of course an obvious way of "tagging" it as EIP-relevant for the sake of providing the monitoring information set out in Annex III to this guidance document.

Nevertheless, EIP projects will usually also match the descriptions of other sub-measures, and MS have the freedom to link a given type of operation to more than one sub-measure if they wish.

Therefore, the following approach is recommended:

- Types of operation supporting the EIP (the process of setting up operational groups, or the execution of actual projects, or both²²) should always be linked to sub-measure 16.1.
- They may also be linked to other sub-measures where appropriate and helpful.
- Sub-measure 16.1 should be "reserved for the EIP". (In other words, types of operation setting out support for non-EIP operations should be linked only to sub-measures 16.2 to 16.0, never 16.1.)

setting up of opgroups incrrying out projects may rather match sub-measures 16.2 to 16.9 or 16.0ncarrying out

8.2.2. (Non-EIP) clusters and networks

Just as Art. 35 (1) (c) explicitly allows support for setting up EIP operational groups (as well as for their actual projects), so Art. 35 (1) (b) explicitly mentions the setting-up of clusters and networks outside the EIP framework.

In line with section 8.2.1 above, support for non-EIP clusters and networks should be clearly distinguished from support for the EIP, and therefore linked to the relevant sub-measures from the range 16.2 to 16.0 (16.2 will usually be the most relevant for clusters).

This point applies even if a MS chooses to support only the setting-up process, not the actual projects carried out. (Note, furthermore, that even in

²² It would be good practice to indicate clearly in the programme what is being supported (setting-up / projects / both).

such cases, a proposed cluster or network should have a particular project in mind – see point 4.2 of this document.)

8.2.3. *Other projects / cases*

In cases other than those set out in sections 8.2.1 and 8.2.3, it should be relatively easy to decide to which sub-measure(s) a given type of operation should be linked in a programme.

In general, the exact choice of sub-measures for presentation is less important for the *Co-operation* measure than for many other rural development measures. This is because the points of art. 35 (2) to which the sub-measures of the *Co-operation* measure relate are less sharply distinct from each other both thematically and in terms of legal content (e.g. aid rates, eligibility conditions etc.)

On the other hand, where particular conditions do apply to a given category of support, these must always be respected and this should be made clear from the way the programme is presented.

- *For example*, within the *Co-operation* measure support for operations carried out by single actors may only be offered in connection with art. 35 (2) (a) and (b), whose content corresponds to sub-measure 16.2. Therefore, it would make sense to present such a type of operation as linked to sub-measure 16.2. Any operation supported thereby would have to be credible as a pilot project or project for the development of new products etc. (and the results would have to be disseminated, in line with art. 35 (4)).

8.3. **Level of detail required in descriptions of types of operation**

As in the case of other measures, the programme must provide descriptions of the types of operation programmed under art. 35.

Clearly, more detail will be required in these descriptions than a simple reproduction of text from art. 35 itself in the basic act. However, descriptions of related support will in practice sometimes be less detailed than for certain other measures (e.g. *Agri-environment-climate*).

In particular, where state aid rules apply, it is important to provide sufficient detail to make state aid clearance possible.

MS may also find it appropriate to set out to which focus areas a given type of operation is related. However, this is not mandatory (the information is required only at measure level).

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9. THE *CO-OPERATION* MEASURE AND STATE AID RULES

9.1. General considerations

In many cases, the *Co-operation* measure will be used to support operations which are not covered by Annex I to the EU Treaty. This may be because they are clearly not "agricultural" in nature; it could also be because they are in some sense related to agriculture but their outputs do not fall within the aforementioned Annex (e.g. in the case of support for the development of a new system for using agricultural biomass in the manufacture of adhesives).

In such cases, support may be paid through rural development policy only if state aid clearance is obtained.

It is particularly important to recognise this with regard to the *Co-operation* measure as its scope is so broad.

At the time of writing, the Commission is attempting to limit the likely difficulties of obtaining state aid clearance for rural development support under the *Co-operation* measure, as for other rural development measures.

These attempts include input into the discussion of the future "General Block Exemption" regulation on state aid, which will set out categories of aid for which full state aid clearance will not be required – and also proposals to partly replicate the provisions of the *Co-operation* measure in the forthcoming new "Guidelines for State Aid in the Agriculture and Forestry Sector and in Rural Areas, 2014-2020".

However, at this stage it cannot be ruled out that in some cases, when programming support under art. 35, MS need to refer to several sets of state aid rules in order to obtain clearance for the measure as a whole.

Above all, it must be understood that, where state aid rules apply, the relevant rules in a given case may impose eligibility conditions and maximum aid intensities / amounts which are more limiting than those in art. 35 of the RDR. (This guidance document contains reminders of this fact in certain sections; but the point is valid even where there is no such reminder.)

9.2. What breadth / level of state aid clearance should be sought when the *Co-operation* measure is launched in a given programme?

As stated in section 8 of this note, some RDPs may well outline a version of the *Co-operation* measure in relatively broad terms – especially with regard to EIP-type projects, as it may not be clear in advance what types of such project will be most deserving of support.

Given that some of this support may be subject to state aid rules, the question arises of what breadth / level of state aid clearance should be obtained when the *Co-operation* measure first appears in the RDP.

The best general points which can be made in reply are as follows:

- Clearance through the "*De Minimis*" regulation could prove very convenient regarding smaller projects.

- Otherwise, relatively broad clearance should be sought early on, in awareness of the possibilities offered by the full range of state aid rules²³.

Any further advice to be given would depend on the particular content of a given individual RDP.

Annexes:

List of sub-measures related to Art. 35 (as set out in draft implementing act)

Extract from indicator plan in RDP

Extract from monitoring table

²³ Managing authorities should already have a certain experience of handling state aid rules, but in any case two useful sources of "inspiration" are the current and draft future versions of the General Block Exemption Regulation, as these contain "miniature" and simplified versions of many of the relevant full sets of state aid rules.

Annex I: Sub-measures of *Co-operation* measure (source: draft implementing act)

Article 35 of Regulation (EU) No 1305/2013	cooperation	16	support for the establishment and operation of operational groups of the EIP for agricultural productivity and sustainability	16.1
			support for pilot projects and for the development of new products, practices, processes and technologies	16.2
			co-operation among small operators in organising joint work processes and sharing facilities and resources, and for developing and marketing tourism	16.3
			support for horizontal and vertical co-operation among supply chain actors for the establishment and development of short supply chains and local markets and for promotion activities in a local context relating to the development of short supply chains and local markets	16.4
			support for joint action undertaken with a view to mitigating or adapting to climate change and for joint approaches to environmental projects and ongoing environmental practices	16.5
			support for cooperation among supply chain actors for sustainable provision of biomass for use in food and energy production and industrial processes	16.6
			support for non-CLLD strategies	16.7
			support for drawing up of forest management plans or equivalent instruments	16.8
			support for diversification of farming activities into activities concerning health care, social integration, community-supported agriculture and education about the environment and food	16.9
others	16.0			

Annex III: Extract from monitoring table (source: Working document – "Rural Development Monitoring (2014-2020) – Report Tables")

		output realised (2014-Year N cumul)													Total	
		P2		P3		P4	P5					P6				
		2a	2b	3a	3b	a b c	5a	5b	5c	5d	5e	6a	6b	6c		
16 (35)	EIP	No. of EIP cooperation operations supported (irrespective of sub-measure)incl operations matchin.1,														
		No. of EIP groups supported														
		No. partners in EIP groups	NGOs													
			Reasearch institutes													
			Farm holders													
			SMEs													
			Advisors													
	others (other public bodies...)															
	Total public expenditure for EIP (€)															
	...of which public expenditure realised through FI															
Non EIP	No. of cooperation operations supported (EIP excluded)	pilot projects, development of new products, practices, processes and technologies (16.2)														
		for cooperation in establishing, developing and promoting short supply chains and local markets, local promotion of short supply chains and local markets (16.4)														
		for joint action to mitigate or adapt to climate change or for collective approaches to environmental projects/practices (16.5)														
		for cooperation among supply chain actors for sustainable provision of biomass (16.6)														
		for non-CLLD local development strategies (16.7)														
		for the drawing-up of forest management plans (16.8)														
		(other) co-operation among small operators in organising joint work processes and sharing facilities and resources, and for developing / marketing tourism (16.3)														
		diversification of farming activities into activities concerning health care, social integration, community-supported agriculture and education about the environment and food (16.9)														
		others														
No. of agricultural holdings involved in co-operation on short supply chains /																

