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**Subject: ERDF support to agricultural enterprises
in the 2014-2020 programming period in Poland**

Reference: DKS-III-831-3-3-IZ/15, Ares(2014)2423893

Dear Piotr,

Thank you for your letter of 23 January 2015, ref. Ares(2015)322472, concerning the issue of support from ERDF to enterprises from the agricultural sector.

Following a thorough analysis of your questions, I am now in position to advise you of what follows:

Article 9 of Regulation (EU) 1303/2013 (CPR) provides that in order to contribute to the Union strategy for smart, sustainable and inclusive growth [...] each ESI Fund shall support [...]: (3) enhancing the competitiveness of SMEs, of the agricultural sector (for the EAFRD) [...].

According to Article 15(1)(b)(i) CPR, the partnership agreement shall include arrangements to ensure effective implementation of the ESI Funds, including arrangements in line with the institutional framework of the Member States, that ensure coordination between the ESI Funds and other Union and national funding instruments and with the EIB.

In line with Article 96(6) CPR the operational programme shall also set out [...] (a) mechanisms to ensure coordination between the Funds, the EAFRD, the EMFF and other Union and national funding instruments, and with the EIB taking into account the relevant provisions laid down in the CSF.

According to section 3.2 of the Common Strategic Framework (Annex I to the CPR), Member States and managing authorities responsible for the implementation of the ESI

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Funds shall work closely together in the preparation, implementation, monitoring and evaluation of the Partnership Agreement and programmes to ensure (a) that areas of intervention are identified, where the ESI Funds can be combined in a complementary manner to achieve the thematic objectives set out in this Regulation; (b) in accordance with Article 4(6), the existence of arrangements for the effective coordination of the ESI Funds in order to increase the impact and effectiveness of the Funds including, where appropriate, through the use of multi-fund programmes for the Funds; (c) the involvement of managing authorities responsible for other ESI Funds and relevant ministries in the development of support schemes to ensure coordination and synergies and to avoid overlaps.

On the basis of the above, there should be an agreement on what will be financed by the EAFRD and by the ERDF in order to avoid overlaps and build synergies and this should be included both in the partnership agreement and the operational programmes.

The provisions concerning the support to SMEs under thematic objective 3 set out in the Partnership Agreement for Poland (PA) outline the framework for the above-mentioned agreement on the effective coordination between the ERDF and the EAFRD.

Describing the scope and main principles of intervention the PA states, among others, that in order [...] to improve competitiveness of enterprises, their use of innovation in their economic activity needs to increase significantly. Support under TO 3 is targeted mainly for implementation of product, process, marketing and organisational innovations, in particular the innovation developed under TO 1. Actions under TO 3 include development/expansion of enterprises, in particular investments in modern machinery and equipment and production equipment, in order to place new or improved products or services on the market [...] (p. 98).

The PA also states that [...] projects implemented under TO 3 aim at increasing the competitiveness of enterprises regardless of sector/industry [...] (p. 101), while [...] enterprises pursuing a smart specialisation strategy will be treated as a priority (p. 99).

Nevertheless, describing the link between the ERDF and sectoral policies, the PA points out unequivocally that [...] EAFRD and EMFF will support actions for enhancing the competitiveness of the sector of agriculture, fisheries and aquaculture [...] and that under the EAFRD [...] support will also be provided to the agri-food processing industry [...] (p. 102).

In this context, it is necessary to recall the provisions of the Polish Rural Development Programme 2014-2020 (RDP) which – extrapolating the provisions of the PA – put in place a precise mechanism ensuring coordination, synergies and avoidance of overlaps between the EAFRD and the other ESI Funds as far as support to SMEs in the agricultural sector is concerned. Under the measure 8.2.4.3.4 Processing and marketing of agricultural products, the sub-measure 4.2 Support to investments in processing, circulating and development of agricultural products, the RDP specifies that for the purposes of the EAFRD support, agricultural products are those listed in Annex I to the TFEU. More importantly, in section 8.2.4.3.4.1 the RDP unambiguously defines the term “processing [...] of agricultural products” as one,

the end-product of which is a product listed in Annex I to the TFEU. Using the definition outlined in Title III, Article 38(1) of TFEU, the RDP supports SMEs with regard to production, first-stage processing and trading/marketing of items listed in Annex I to the TFEU. It should be also pointed out that the RDP introduces quantitative limits of the EAFRD support available for individual beneficiary at PLN 3 million and for associations of producer organizations at PLN 15 million.

It follows that any arrangements for the effective coordination of the ERDF and the EAFRD must take into account the abovementioned provisions of the RDP in order to avoid overlaps, catalyse the synergies between both funds and increase their impact and effectiveness. In addition, such arrangements must reflect the innovation-oriented character of the ERDF funded SME support under TO 3, one of the key goals of which is to place new or improved products or services on the market. This shall apply in particular to regional operational programmes associated with RIS3 strategy which has identified selected elements of the agri-food sector/technology as those belonging to RIS3 priorities, i.e. the limited set of research and innovation priorities.

To conclude, on the basis of the above-mentioned arguments, the managing authorities responsible for the implementation of regional operational programmes are recommended to ensure that the agreement between the intervention of the ERDF and the EAFRD is based on the distinction between first-stage processing (i.e. the products of which are contained in Annex I to TFEU) and subsequent stages of processing (i.e. the products of which are not contained in Annex I to TFEU) of agricultural products. In this respect, investments related to subsequent-stage processing and trading not subject to Common Agricultural Policy or the EAFRD support should be eligible for support from the ERDF whereas investments with regard to production and first-stage processing of agricultural products should only be eligible for support from the EAFRD. In addition, any project involving production, first-stage processing and trading of agricultural products above the ceilings set out in the RDP (i.e. PLN 3 million and PLN 15 million) should not be supported by the ERDF.

I trust that this explanation will help you to devise a mechanism that achieves the optimal complementarity, coordination and synergy between the ERDF and the EAFRD.

Yours sincerely,



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