

DG AGRI DOCUMENT

Guidelines for implementation of the national support programmes in the wine sector according to Regulations (EC) No 1234/2007 and (EC) No 555/2008

Promotion of wine on third-country markets

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1. INTRODUCTION

The purpose of this document is to establish guidelines for the preparation and implementation of the national support programmes in the wine sector for the programming period 2014-2018 in the context of Regulations (EC) No 1234/2007 and (EC) No 555/2008. The document may help the Member States (MS) to prepare and implement the programmes.

The guidelines focus on one measure: promotion of wine on third-country markets according to Article 103p of Regulation (EC) No 1234/2007 and Commission Regulation (EC) No 555/2008.

MS are responsible for laying down the application procedure and the procedure for the possible renewal. The present guidelines clarify some details concerning in particular the criteria for the selection and the evaluation of the applications and the eligibility of expenses, bearing in mind that MS are responsible for the selection and the management of the projects.

2. DEMARCATION AND COMPATIBILITY

Pursuant to Article 5(6) of Regulation (EC) No 555/2008, in order to avoid the risk of double financing of the projects from other sources, MS shall ensure that no support is granted for a given operation supported under Article 20(c)(iii) of Council Regulation (EC) No 1698/2005 on Rural Development or under Article 2(3) of Council Regulation (EC) No 3/2008 on information provision and promotion measures for agricultural products on the internal market and in third countries.

The support of operations under the promotion measures of the wine CMO foreseen by Council Regulation (EC) No 1234/2007 and Commission Regulation (EC) No 555/2008 are subject to the relevant rules of these regulations. Regulation (EC) No 1698/2005 on rural development and Regulation (EC) No 3/2008 do not govern these operations.

Moreover, it is worth noting the specificity of the support measures in the wine CMO, in particular the objectives, the beneficiaries and the form of management are different than in other schemes of promotion, and in particular the horizontal promotion of EU food products. In other words, the procedures laid down by MS do not have to be the same as those that apply under Regulation (EC) No 3/2008. For example, it is not required that the beneficiary executes the operations through an implementing body although any beneficiary can contract a service provider for the execution of all or part of the operation.

3. SELECTION PROCEDURE

According to Article 5(1) of Regulation (EC) No 555/2008, MS shall lay down the application procedure and the procedure for the possible renewal, providing detailed rules in particular for the aspects listed in letters (a) to (e) of that paragraph:

- (a) verification of the compliance with the requirements and criteria set out in Article 4;
- (b) deadlines for presentation of applications and for examination of the suitability of each proposed action;
- (c) the products concerned and their marketing in conformity with the provisions of this regulation, the national provisions and the relevant specification;

- (d) conclusion of contracts, including possible standard forms, provision of securities and arrangements for the payment of advances;
- (e) evaluating any given supported action. In case of renewal in accordance with point (d) of the first paragraph of Article 4, the results of the supported actions shall in addition be evaluated prior to the renewal.

When laying down the selection procedure, MS need to take into account the criteria established in Articles 4 and 5 of Regulation (EC) No 555/2008 and, in particular, include the following steps:

- (1) verifying the compliance of the applications with the requirements set out in Article 4 of Regulation (EC) No 555/2008 as well as with the application procedure laid down by MS in accordance with Article 5(1)(a). Applications that do not meet these requirements or do not respect the rules should be rejected without considering their merits;
- (2) examining the merits of the applications against a list of objective criteria including those set out in Article 5(2) of Regulation (EC) No 555/2008;
- (3) selecting the applications offering the best value for money according to Article 5(3).

An application in the framework of the new programming period needs to be subject to a new selection procedure. It cannot be in any case regarded as a "*renewal of support*" foreseen in Article 4(d) of Regulation (EC) No 555/2008 which provides that "*for each programming period, the support for the promotion and information lasts no longer than three years for a given beneficiary in a given third-country. However, if necessary, it may be renewed once, for a period no longer than two years*".

3.1 VERIFICATION OF COMPLIANCE

Pursuant to Article 5(1)(a) of Regulation (EC) No 555/2008, the application procedure set out at national level shall include, the verification of the compliance with the criteria laid down in Article 4(1) (a) to (f) of the same regulation:

- (a) the products are intended for direct consumption, export opportunities or potential new market outlets in the targeted third countries exist for them, and they display high added value;
- (b) the origin of the product is indicated as part of an information or promotion operation in the case of wine with a geographical indication;
- (c) the operation supported is clearly defined, including the specification of which products may be taken into account, the marketing operation and the estimated cost¹;
- (d) for each programming period, the support for promotion and information lasts no longer than three years for a given beneficiary in a given third-country; however, if necessary, it may be renewed once, for a period no longer than two years;
- (e) the information and/or promotion messages are based on the intrinsic qualities of the wine, and comply with the legislation applicable in the third countries at which they are targeted;

¹ See example in table in Annex I.

- (f) the beneficiaries must have enough capacity to face the specific constraints of trade with third countries and have resources to ensure that the measure is implemented as effectively as possible. MS shall in particular check that enough products in terms of quality and quantity will be available to ensure answering the market demand in the long run after the promotion operation.

According to the second paragraph of Article 4, the applicants may be private companies as well as professional organisations, producer organisations, inter-branch organisations or, where a MS decides so, public bodies although MS shall not make a public body the sole beneficiary of the promotion measure. As mentioned above, Article 4(1)(f) states that MS shall check that applicants have enough technical and financial capacity. Technical capacity includes both the necessary infrastructure and staff with the appropriate experience to implement the measure.

Without information showing the capacity of the applicant, the application cannot be selected.

Information concerning the financial and economic capacity of the applicant may be furnished in particular by the following documents:

- (a) a brief description of the company's economic activity in relation to the services for which it will be responsible under the proposed programme;
- (b) balance sheets or extracts from balance sheets, where publication of the balance sheets is required under the company law of the country in which the service provider is established.

In order to assess the capacity of the applicant to carry out the promotion campaign, it is important to compare the value of the project with the annual turnover of the applicant, avoiding cases where the project submitted is disproportional compared to the annual turnover of the company making the request and therefore impossible to execute.

In addition, pursuant to Article 5(5) and (6), MS need to check that:

- the promotion campaign is not incompatible with other actions financed with other schemes (Regulations (EC) No 3/2008 and (EC) No 1698/2005);
- the applicants have not applied for the support for the same operations under other schemes (Regulations (EC) No 3/2008 and (EC) No 1698/2005).

3.2 EXAMINATION

The selection of projects consists of assessing the merits of each project. In order to do so, MS need to take into consideration the following criteria, as provided for in Article 5(2) of Regulation (EC) No 555/2008:

- (a) consistency between the strategies proposed and the objectives set (the adequacy of the measures to achieve the objectives),
- (b) the quality of the proposed measures (namely the expected performance);
- (c) their likely impact and success in increasing the demand for the products concerned;
- (d) assurances provided that any operator involved is effective and has access to the required technical capacity and that the cost of the measures that he plans to carry out himself is not in excess of the normal market rates (this includes the service provider, in case there is one).

It is recommended that the examination of the points (a) to (c) should be based on the relevant indicators referred to in Point 12 of this document.

In the light of the experience gained during the first programming period and especially the lack of or insufficient selection procedures in some MS disclosed by the Commission audit missions; it is recommended that MS establish a selection system based on rewarding points for each criterion set. The selection of projects should be done on the basis of assessment of the merits of each project. Projects that do not obtain a minimal passing score for each of the categories should be rejected.

3.3 SELECTION

After the examination of the project against the selection criteria MS shall select those offering best value for money (best price/quality ratio) and give preference to micro, small and medium-sized enterprises, new beneficiaries who did not receive a support in the past and to those targeting a new third country for which they have not received support in the past within this scheme.

4. ELIGIBLE ACTIONS

Actions need to be in line with the objectives of the Regulation (EC) No 1234/2007 that is to improve the competitiveness of EU wines in third countries.

In accordance with Article 103p(3) of Regulation (EC) No 1234/2007, the measure of promotion may consist in the following actions:

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

5. OPERATIONS TO CARRY OUT THE ACTIONS

To carry out the above mentioned actions, the project presented to the national authorities may include, for example, one or more of the following operations.

In case the beneficiary has already received support in the first programming period, since there is a high risk of financing for the second time expenses already covered by the first application, MS should verify that the proposed operations (such as creation of websites, TV/radio spots, audio-visual material, market studies...) have not already been carried out in the first period.

5.1 MEDIA

- Advertising in press;
- Advertising TV and radio spots;

- Advertising, information on the Internet, Internet social platforms, creation of a website²;
- Notices concerning an event (press, TV, radio, Internet, etc.);
- Podcasts.

5.2 EVENT ORGANISATION (FAIR, SHOW, WINE TASTING, SALES PROMOTION, MEETING WITH BUYERS, DINNER WITH MEDIA (INCLUDING TRAVEL INFORMATION INTO THE EU, ETC.)

- Rental of stands or locals;
- Rental of equipment, e.g.: glasses and other furniture for the organisation of the event including advertising;
- Rental of screens and other devices to promote sales;
- Purchase of other equipment (see point 6.2);
- Transport of wine and material;
- Purchase of wine and food;
- Lunches, dinners or events with experts (journalists, importers, market coordinators, etc) Information travels for experts (journalists, importers, market coordinators, etc) to the area where the wine is produced;
- Travels to third countries;
- Public relations linked to the organisation of the event.

5.3 ADVERTISING OR PROMOTIONAL MATERIAL (LEAFLETS, PRESS RELEASES, DIDACTIC MATERIALS, GADGET, DVD, POSTERS)

- Creation and production;
- Translation of contents;
- Expenditure related to sending the promotional material by post.

5.4 STUDIES (NEW MARKETS AND EVALUATION)

- Market studies (including for example panels and pre-test before launching new products);
- Evaluation studies

6. ELIGIBLE COSTS

In the light of the experience gained during the first years of implementation of the national support programmes, an indicative list of eligible costs may be given.

Eligible costs cover only the costs of the operations carried out and borne by the beneficiary (including cost borne by the importer or the representative of the beneficiary abroad) after the date the contract takes effect and prior to its expiry.

These costs are eligible only in so far as they:

- can be verified;

² In case of websites the operation financed must be in line with the market targeted in order to avoid an overlapping with the investments measure.

- include no cost already charged to another expenditure category;
- are not funded from another project.

It may include some or all of the following categories of costs

6.1 BENEFICIARY'S EXPENDITURES (PERSONNEL COSTS AND OVERHEADS)

6.1.1 Personnel costs

Personnel costs could be considered eligible if they are directly linked to the supported promotion project in the sense that they are incurred in the provision of specific services for the preparation, implementation or follow-up of that particular project, including the evaluation. This includes the personnel contracted by the beneficiary specifically on the occasion of the promotion project as well as the costs corresponding to the share of the working hours invested in the promotion project by permanent staff of the beneficiary.

Member States should only accept personnel costs as eligible if the beneficiaries provide supporting documents setting out the details of the work actually carried out in relation to a specific supported promotion project.

6.1.2 Overheads

Overheads could be considered eligible if they are related to the preparation, implementation and follow-up of the project. The calculation of these costs should be based on the accounting principles, rules and methods used in the beneficiary's country.

Overheads should not exceed a small percentage (for example 4%) of the actual costs of implementing the actions.

6.2 TRAVEL AND LIVING EXPENSES

Only travel and living expenses that are directly linked to the project, concerning precise activities, clearly identifiable and pertaining to the implementation of the project shall be considered as eligible. These costs, incurred in implementing operations included in the contract, are eligible under the conditions of presentation of supporting documents:

6.2.1 Travel costs

It is recommended that travel and insurance costs are established on the basis of the accurate calculation of the actual costs incurred and that the most economical tariffs are used.

6.2.2 Accommodation and living expenses

If flat rates are used, it is recommended that these are carefully calculated on the basis of the actual costs, in order to avoid overcompensation.

6.3 MATERIEL AND EQUIPMENT

It is recommended that MS finance only the rental of the material and equipment needed for the activities covered by a promotion campaign, except where it is demonstrated that it is cheaper to purchase it or it cannot be rented. Material and equipment may be consumable or durable.

6.3.1 Expenditure on consumables

Expenditure on consumables concerns expenditure linked to the purchase, manufacture or use of materials, goods and equipment which:

- (a) have a life expectancy that is shorter than the duration of the contract work, and;
- (b) are not deemed to be fixed assets in accordance with the accounting principles, rules and methods used by the beneficiary.

For example, if wine is taken to an exhibition, fair, wine tasting etc. the eligible expenditure may concern transport, clearance and taxes. The value of the product should be defined case by case in principle on the basis of the cost of production and not on the basis of the market value.

6.3.2 Expenditure on durables

Expenditure on durables concerns expenditure relating to the purchase or manufacture, of material and equipment which:

- (a) is essential for implementation of the measures which has a life expectancy of not less than the duration of the project;
- (b) is not deemed to be fixed assets in accordance with the accounting principles, rules and methods used by the beneficiary.

This expenditure should comply with national rules on depreciation, the period used to calculate the amount being the period from the date on which the contract comes into effect, or the date on which the material or equipment is purchased if later than that date, up to the date of expiry of the contract. To limit the use of the purchased material/equipment to the activities in the third countries the rate of use of this material and equipment during the period concerned should be established (for example expressed in days/year) and should be taken into account.

6.4 COMPUTING COSTS

Computing costs concern all expenditure relating to connection time, printing, etc. This expenditure can be charged on the basis of the computing time and price actually devoted to the work specified in the contract (the list of computing prices should be included). If needed, MS may establish flat-rates for the computing costs.

6.5 PUBLICATION AND DISTRIBUTION COSTS

Publication and distribution expenditure results from the publishing, translation and distribution of publication.

6.6 ELIGIBILITY OF VAT

VAT is not eligible for financing from the European Agricultural Guarantee Fund (like in the European Agricultural Fund for Rural Development), except non-recoverable VAT when it is genuinely and definitively borne by beneficiaries other than non-taxable persons referred to in Article 13(1), first subparagraph of the Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax³.

In other words, only the non-recoverable VAT is eligible, provided that a certified accountant or statutory auditor of the beneficiary shows that the amount paid has not been recovered and is entered as a charge in the undertaking's accounts.

³ OJ L 347, 11.12.2006, p. 1.

7. EXCHANGE RATE

Regarding expenditures declared by the beneficiaries to the paying agencies, Member States are responsible for establishing the rules regarding the exchange rates taking into account the need to avoid the risk of speculation to benefit from a better exchange rate on the date of submission of bills or paying bank charges or losses on exchange of currencies.

8. PRESENTATION OF INVOICES AND SUPPORTING DOCUMENTS

Applications for payment sent to the competent national authority should be accompanied by copies of original invoices and supporting documents of the beneficiary, which should be classified by budget heading.

All these documents should be listed in a summary table, together with the amounts expressed in euro and, in the case of MS outside the euro zone, in their national currency as well. If needed, translations may be required.

All supporting documents should give the following information: the supplier, the service provided with details of the way it relates to the measure in question, the date, the amount (exclusive of VAT) and the registration number. They should be accompanied by proof of payment. Supporting documents may be for example a certificate confirming the participation in a fair, photos, copies of articles, lists of participants, etc. In case there are subcontractors, their invoices should contain a clear indication to what part of an operation each cost relates to. If there is one invoice, it should be broken down by operation and cost, otherwise there should be a separate invoice by operation.

In the event of an audit on the premises, the competent national authority and the Commission inspectors should be able to inspect the original documents, classified according to these rules.

9. INELIGIBLE EXPENSES

The following, in particular, are not deemed eligible expenditure:

- funds set aside for any future losses or debts;
- taxi and public transport travel expenses covered by a daily allowance;
- bank charges, bank interest and insurance premiums;
- losses on exchange of currencies;
- in case of a new application by the same beneficiary or in case of a renewal of the project, MS should verify that the proposed expenses (such as costs of creation of websites, TV/radio spots, audio-visual material, market studies...) have not already been included in the first application;
- expenditure not falling within the scope of the project;
- creation and development of a trademark.

10. NATIONAL AID FOR PROMOTION

It is possible that the promotion actions are partially financed from the national budget of MS. To this end MS shall comply with the *Community Guidelines for State aid in the*

agriculture and forestry sector 2007 to 2013, published in Official Journal C 319 of 27.12.2006. The rules for State aid will change as of January 2014 and MS will have to comply with these new rules. MS may be granted a transitional period to adapt their aid measures to the new rules.

Moreover, it should be underlined that no promotion campaign in favour of specific enterprises or granted towards brand names may receive State aid.

In other words, it is possible to grant support under the measure promotion on third-country markets for wines displaying a trademark, except in case where, beside the EU contribution for a given promotion project, a MS grants also national aid.

Furthermore, MS should make sure that the advertising campaign does not risk endangering sales of or denigrate products from other MS.

Thus, the rules regarding State aid (or the *de minimis* rule) should be respected when implementing the national support programmes.

If a MS prefers to use the *de minimis* rule, the rules concerning intensity of aid and the prohibition to finance advertising for specific enterprises or trademarks do not apply.

11. CHANGES TO PROMOTIONAL PROJECTS

Article 4, subparagraph 4 of Regulation (EC) No 555/2008 establishes that, in order to prevent misuse of the scheme, the elements referred to in letters (a) and (c) shall not in general be permitted to change within the duration of the supported actions unless evidence shows that such changes allow for a better accomplishment.

Following the experience gained in the first programming period, given the multiannual nature of the support measure and in view of simplifying the administrative burden borne by beneficiaries and the competent authorities of the MS, MS may decide that certain minor changes do not need their prior approval, for example:

- (a) expenditure incurred during an action which does not vary substantially from the estimated cost of this action (detailed budget item);
- (b) the replacement of promotional and merchandising materials with others of the same type or similar value (corkscrews with drop-stops, t-shirts with aprons...); the replacement or modification of the means of dissemination (TV channels, magazines); the inclusion of materials and means of the same type which were not initially envisaged. These changes do not alter the strategy underlying the promotion project.

These changes may not lead to an increase in the total cost of the project in question as approved by the competent authorities. It is up to MS to establish how and when the beneficiaries have to notify the competent authorities the minor changes.

Any additional expenses, which might lead to an increase in the total cost of the project in question as approved by the competent authorities higher than planned are not covered and are under the responsibility of the beneficiary.

12. EVALUATION

In order to evaluate the success criteria of the support (including in case of a renewal) by comparing the expected impact with the impact achieved, it is necessary to focus on the output indicators and the impact indicators foreseen in the project.

Criteria and quantitative indicators that should be used for the evaluation are:

Output indicators to measure the realisation of the actions undertaken in each project, for example:

- number of events organised;
- number of tastings organised;
- number of professionals reached by mail shots.

Results indicators (to measure the direct and immediate effects of the actions) for example:

- number of professionals/experts/importers who participated in tastings;
- number of professionals/experts/importers who participated in tastings and contacted the Producers Organisation / the producers;
- number of articles published in the press within a month of the Public Relations campaign.

Impact (measuring the benefits beyond the immediate effects) and context indicators, for example:

- sales trends in the month/six months following the campaign;
- sales trends of the beneficiary in the year following the promotion campaigns in the region in which they took place compared with the previous year and compared with the general sales trends on the market in question;
- comparison of the costs of marketing before and after the promotional actions;
- consumption trends for the product in that country;
- value and volume of export of the product promoted;
- trend in the average unit cost of the exported product in the country in which the campaigns took place;
- change in the image of European quality products, trend of the reputation.

Depending on the cases, these indicators⁴ should be interpreted on the basis of appropriate statistics, questionnaires (before, during and at the end of the project), etc.

⁴ The following types of indicators can be distinguished:

- context indicators provide information on relevant aspects of the general contextual trends that are likely to have an influence on the performance of the policy;
- output indicators measure activities directly realised within policy interventions as the first step towards realising the immediate aim of the intervention;
- result indicators measure the direct and immediate effects of the intervention providing information on changes in, for example, the behaviour, capacity or performance of direct beneficiaries;
- impact indicators refer to the benefits of the intervention beyond the immediate effects on its direct beneficiaries and are normally expressed in net terms (i.e. subtracting effects that cannot be attributed to the intervention and taking into account indirect effects).

Annex I

Action X⁵ “Participation in Exhibition AAA”:

Type of Operation		
Rental of space	€/m ²	Total cost
Setting-up of stand	€/m ²	Total cost
Personnel running stand	€/person/day	Total cost
Other costs (please specify meals, transport, etc.)	€/participant	Total cost
...

*

⁵ To set out which action listed in Article 103p of Regulation (EC) No 1234/2007 is concerned.