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Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

**on support for rural development by the European Agricultural Fund for Rural
Development (EAFRD)**

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{SEC(2011) 1154}

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

The Commission proposal for the Multiannual Financial Framework (MFF) for 2014-2020 (the MFF proposal)¹ sets the budgetary framework and main orientations for the Common Agricultural Policy (CAP). On this basis, the Commission presents a set of regulations laying down the legislative framework for the CAP in the period 2014-2020, together with an impact assessment of alternative scenarios for the evolution of the policy.

The current reform proposals are based on the Communication on the CAP towards 2020² that outlined broad policy options in order to respond to the future challenges for agriculture and rural areas and to meet the objectives set for the CAP, namely 1) viable food production; 2) sustainable management of natural resources and climate action; and 3) balanced territorial development. The reform orientations in the Communication have since been broadly supported both in the inter-institutional debate³ and in the stakeholder consultation that took place in the framework of the impact assessment.

A common theme that has emerged throughout this process is the need to promote resource efficiency with a view to smart, sustainable and inclusive growth for EU agriculture and rural areas in line with the Europe 2020 strategy, keeping the structure of the CAP around two pillars that use complementary instruments in pursuit of the same objectives. Pillar I covers direct payments and market measures providing a basic annual income support to EU farmers and support in case of specific market disturbances, while Pillar II covers rural development where Member States draw up and co-finance multiannual programmes under a common framework.⁴

Through successive reforms the CAP has increased market orientation for agriculture while providing income support to producers, improved the integration of environmental requirements and reinforced support for rural development as an integrated policy for the development of rural areas across the EU. However, the same reform process has raised demands for a better distribution of support among and within Member States, as well as calls for a better targeting of measures aiming at addressing environmental challenges and better addressing increased market volatility.

In the past, reforms mainly responded to endogenous challenges, from huge surpluses to food safety crises; they have served the EU well both on the domestic and the international front. However, most of today's challenges are driven by factors that are external to agriculture and would thus require a broader policy response.

¹ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions *A budget for Europe 2020*, COM(2011)500 final, 29.6.2011.

² Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions *The CAP towards 2020: meeting the food, natural resources and territorial challenges of the future*, COM(2010)672 final, 18.11.2010.

³ See in particular the European Parliament resolution of 23 June 2011, 2011/2015(INI), and the Presidency conclusions of 18.3.2011.

⁴ The current legislative framework comprises Council Regulation (EC) No 73/2009 (direct payments), Council Regulation (EC) No 1234/2007 (market instruments), Council Regulation (EC) No 1698/2005 (rural development) and Council Regulation (EC) No 1290/2005 (financing).

The pressure on agricultural income is expected to continue as farmers are facing more risks, a slowdown in productivity and a margin squeeze due to rising input prices; there is therefore a need to maintain income support and to reinforce instruments to better manage risks and respond to crisis situations. A strong agriculture is vital for the EU food industry and global food security.

At the same time, agriculture and rural areas are being called upon to step up their efforts to meet the ambitious climate and energy targets and biodiversity strategy that are part of the Europe 2020 agenda. Farmers, who are together with foresters the main land managers, will need to be supported in adopting and maintaining farming systems and practices that are particularly favourable to environmental and climate objectives because market prices do not reflect the provision of such public goods. It will also be essential to best harness the diverse potential of rural areas and thus contribute to inclusive growth and cohesion.

The future CAP will not, therefore, be a policy that caters only for a small, albeit essential, part of the EU economy, but also a policy of strategic importance for food security, the environment and territorial balance. Therein lies the EU added value of a truly common policy that makes the most efficient use of limited budgetary resources in maintaining a sustainable agriculture throughout the EU, addressing important cross-border issues such as climate change and reinforcing solidarity among Member States, while also allowing flexibility in implementation to cater for local needs.

The framework set out in the MFF proposal foresees that the CAP should maintain its two-pillar structure with the budget for each pillar maintained in nominal terms at its 2013 level and with a clear focus on delivering results on the key EU priorities. Direct payments should promote sustainable production by assigning 30 % of their budgetary envelope to mandatory measures that are beneficial to climate and the environment. Payment levels should progressively converge and payments to large beneficiaries be subject to progressive capping. Rural development should be included in a Common Strategic Framework with other EU shared management funds with a reinforced outcome-orientated approach and subject to clearer, improved ex-ante conditionalities. Finally, on market measures the financing of the CAP should be reinforced with two instruments outside the MFF: 1) an emergency reserve to react to crisis situations; and 2) the extension of the scope of the European Globalization Adjustment Fund.

On this basis, the main elements of the legislative framework for the CAP during the period 2014-2020 are set out in the following regulations:

- Proposal for a Regulation of the European Parliament and of the Council establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy ('the direct payments regulation');
- Proposal for a Regulation of the European Parliament and of the Council establishing a common organisation of the markets in agricultural products (Single CMO Regulation) ('the Single CMO regulation');
- Proposal for a Regulation of the European Parliament and of the Council on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) ('the rural development regulation');

- Proposal for a Regulation of the European Parliament and of the Council on the financing, management and monitoring of the common agricultural policy ('the horizontal regulation');
- Proposal for a Council regulation determining measures on fixing certain aids and refunds related to the common organisation of the markets in agricultural products;
- Proposal for a Regulation of the European Parliament and of the Council amending Council Regulation (EC) No 73/2009 as regards the application of direct payments to farmers in respect of the year 2013;
- Proposal for a Regulation of the European Parliament and of the Council amending Council Regulation (EC) No 1234/2007 as regards the regime of the single payment scheme and support to vine-growers.

The rural development regulation builds on the proposal presented by the Commission on 6 October 2011 that sets out common rules for all funds operating under a Common Strategic Framework.⁵ A regulation will follow on the scheme for most deprived persons, for which funding is now placed under a different heading of the MFF.

In addition, new rules on the publication of information on beneficiaries taking account of the objections expressed by the Court of Justice of the European Union are also under preparation with a view to finding the most appropriate way to reconcile beneficiaries' right to protection of personal data with the principle of transparency.

2. RESULTS OF CONSULTATIONS WITH THE INTERESTED PARTIES AND IMPACT ASSESSMENT

On the basis of the evaluation of the current policy framework and an analysis of future challenges and needs, the impact assessment assesses and compares the impact of three alternative scenarios. This is the result of a long process started in April 2010 and steered by an inter-service group that brought together extensive quantitative and qualitative analysis, including setting a baseline in the form of medium-term projections for agricultural markets and income up to 2020 and modelling the impact of the different policy scenarios on the economics of the sector.

The three scenarios elaborated in the impact assessment are: 1) an adjustment scenario that continues with the current policy framework while addressing its most important shortcomings, such as the distribution of direct payments; 2) an integration scenario that entails major policy changes in the form of enhanced targeting and greening of direct payments and reinforced strategic targeting for rural development policy in better coordination with other EU policies, as well as extending the legal base for a broader scope of producer cooperation; and 3) a refocus scenario that reorients the policy exclusively towards the environment with a progressive phasing out of direct payments, assuming that productive

⁵ Proposal for a Regulation of the European Parliament and of the Council laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund covered by the Common Strategic Framework and laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1083/2006, COM(2011)615 of 6.10.2011.

capacity can be maintained without support and that the socio-economic needs of rural areas can be served by other policies.

Against the background of the economic crisis and the pressure on public finances, to which the EU has responded with the Europe 2020 strategy and the MFF proposal, all three scenarios attach different weight to each of the three policy objectives of the future CAP which aims at a more competitive and sustainable agriculture in vibrant rural areas. With a view to a better alignment with the Europe 2020 strategy, notably in terms of resource efficiency, it will be increasingly essential to improve agricultural productivity through research, knowledge transfer and promoting cooperation and innovation (including through the European Innovation Partnership on agricultural productivity and sustainability). Whereas EU agricultural policy does not any more operate within a trade distorting policy environment, additional pressure on the sector is expected from further liberalization, notably in the framework of the DDA or the FTA with Mercosur.

The three policy scenarios were drawn up taking into account the preferences expressed in the consultation which was conducted in the context of the impact assessment. Interested parties were invited to submit contributions between 23.11.2010 and 25.1.2011 and an advisory committee was organised on 12.1.2011. The main points are summarized below:⁶

- There is broad agreement among stakeholders on the need for a strong CAP based on a two-pillar-structure in order to address the challenges of food security, sustainable management of natural resources and territorial development.
- Most respondents find that the CAP should play a role in stabilizing markets and prices.
- Stakeholders have diverse opinions concerning the targeting of support (especially redistribution of direct aid and capping payments).
- There is agreement that both pillars can play an important role in stepping up climate action and increasing environmental performance for the benefit of EU society. Whereas many farmers believe that this already takes place today, the wider public argues that Pillar I payments can be more efficiently used.
- The respondents want all parts of the EU, including less favoured areas, to be part of future growth and development.
- The integration of the CAP with other policies, such as environmental, health, trade, development, was emphasised by many respondents.
- Innovation, development of competitive businesses and provision of public goods to EU citizens are seen as ways to align the CAP with the Europe 2020 strategy.

The impact assessment thus compared the three alternative policy scenarios:

The refocus scenario would accelerate structural adjustment in the agricultural sector, shifting production to the most cost efficient areas and profitable sectors. While significantly increasing funding for the environment, it would also expose the sector to greater risks due to limited scope for market intervention. Furthermore, it would come at a significant social and

⁶ See Annex 9 of the impact assessment for an overview of the 517 contributions received.

environmental cost as the less competitive areas would face a considerable income loss and environmental degradation, since the policy would lose the leverage of direct payments coupled with the cross compliance requirements.

At the other end of the spectrum, the adjustment scenario would best allow for policy continuity with limited but tangible improvements both in agricultural competitiveness and environmental performance. There are however serious doubts as to whether this scenario could adequately address the important climate and environmental challenges of the future, which also underpin the long-term sustainability of agriculture.

The integration scenario breaks new ground with enhanced targeting and greening of direct payments. The analysis shows that greening is possible at a reasonable cost to farmers although some administrative burden cannot be avoided. Similarly, a new impetus in rural development is possible provided that the new possibilities are efficiently used by Member States and regions and that the common strategic framework with the other EU funds does not remove synergies with Pillar I or weaken rural development's distinctive strengths. If the right balance is struck, this scenario would best address the long term sustainability of agriculture and rural areas.

On this basis the impact assessment concludes that the integration scenario is the most balanced in progressively aligning the CAP with the EU's strategic objectives and this balance is also found in the implementation of the different elements in the legislative proposals. It will also be essential to develop an evaluation framework to measure the performance of the CAP with a common set of indicators linked to policy objectives.

Simplification has been an important consideration throughout the process and should be enhanced in a variety of ways, for instance in the streamlining of cross compliance and market instruments, or the design of the small farmers scheme. In addition, the greening of direct payments should be designed in such a way as to minimize administrative burden including the costs of controls.

3. LEGAL ELEMENTS OF THE PROPOSAL

It is proposed to maintain the current structure of the CAP in two pillars with annual mandatory measures of general application in Pillar I complemented by voluntary measures better tailored to national and regional specificities under a multi-annual programming approach in Pillar II. However, the new design of direct payments seeks to better exploit synergies with Pillar II, which is in turn placed under a Common Strategic Framework to better coordinate with other EU shared management funds.

On this basis, the current structure of four basic legal instruments is also maintained, albeit with the scope of the financing regulation enlarged to bring together common provisions into what is now called the horizontal regulation.

The proposals comply with the principle of subsidiarity. The CAP is a truly common policy: it is an area of shared competence between the EU and the Member States that is being handled at EU level with a view to maintaining a sustainable and diverse agriculture throughout the EU, addressing important cross-border issues such as climate change and reinforcing solidarity among Member States. In the light of the importance of future challenges for food security, the environment and territorial balance, the CAP remains a policy of strategic importance to ensure the most effective response to the policy challenges and the most

efficient use of budgetary resources. In addition, it is proposed to maintain the current structure of instruments in two pillars where Member States have more leeway to tailor solutions to their local specificities and also co-finance Pillar II. The new European Innovation Partnership and risk management toolkit are also placed within Pillar II. At the same time the policy will be better aligned with the Europe 2020 strategy (including a common framework with other EU funds) and a number of improvements and simplification elements introduced. Finally, the analysis carried out in the framework of the impact assessment clearly shows the cost of no action in terms of negative economic, environmental and social consequences.

The rural development regulation builds on the strategic approach introduced in the current period, which has had a positive impact with Member States developing strategies and programmes on the basis of a SWOT analysis to best tailor intervention to national and regional specificities. The new delivery mechanism aims at reinforcing the strategic approach – among other things by setting clearly defined common priorities for rural development at EU level (with associated common target indicators) as well as by making the necessary adjustments in light of experience gained to date.

The regulation also includes the European Innovation Partnership on Agricultural Productivity and Sustainability which is aimed at promoting resource efficiency, building bridges between research and practice and generally encouraging innovation. The partnership acts through operational groups responsible for innovative projects and is supported by a network.

On the basis of the proposal presented by the Commission on 6 October 2011 that sets out common rules for all funds operating under a Common Strategic Framework, Pillar II of the CAP should work in a coordinated and complementary manner with Pillar I, as well as with other EU funds (in particular the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund and the European Maritime and Fisheries Fund (EMFF)). The funds are placed under a Common Strategic Framework (CSF) at EU level which will be transposed into Partnership Contracts at national level including common objectives and rules for their operation. Establishing common rules for all funds operating under a Common Strategic Framework will make projects easier to handle for both beneficiaries and national authorities and will also facilitate the implementation of integrated projects.

In this context, rural development policy retains the long-term strategic objectives of contributing to the competitiveness of agriculture, the sustainable management of natural resources and climate action and the balanced territorial development of rural areas. In line with the Europe 2020 strategy, these broad objectives of rural development support for 2014-2020 are given more detailed expression through the following six EU-wide priorities:

- fostering knowledge transfer and innovation in agriculture, forestry and rural areas;
- enhancing competitiveness of all types of agriculture and enhancing farm viability;
- promoting food chain organization and risk management in agriculture;
- restoring, preserving and enhancing ecosystems dependent on agriculture and forestry;

- promoting resource efficiency and supporting the shift towards a low-carbon and climate-resilient economy in the agriculture, food and forestry sectors;
- promoting social inclusion, poverty reduction and economic development in rural areas.

These priorities should be the basis of programming, including the definition of target indicators in relation to each of them. The regulation includes rules on the preparation, approval and revision of programmes that largely follow current rules, and opens up the possibility for sub-programmes (e.g. young farmers, small farmers, mountain areas, short supply chains) that benefit from higher aid intensities.

The list of individual measures has been streamlined and individual measures have been reviewed, with a number of adjustments introduced to address issues of scope, implementation and uptake raised in the current period. With most measures potentially serving more than one objective or priority, it is no longer deemed appropriate to group them into axes; programming on the basis of priorities should ensure balanced programmes. A specific measure for organic farming is created, and a new delimitation for areas facing specific natural constraints is introduced. Provision for supporting joint environmental action is improved.

The current cooperation measure is significantly reinforced and extended to support a wide range of types of cooperation (economic, environmental and social) between a wide range of potential beneficiaries. It now explicitly covers pilot projects as well as cooperation crossing regional and national borders. Leader and networking approaches will continue to play a key role, in particular for the development of rural areas and the spreading of innovation. Support through Leader will be consistent and coordinated with the support for local development from other EU shared management funds. A prize for local innovative co-operation projects will support transnational initiatives in favour of innovation.

A risk management toolkit including support to mutual funds and a new income stabilization tool offers new possibilities to deal with the strong volatility in agricultural markets that is expected to continue in the medium term.

The abolishment of the current axis system will also streamline programming by the Member States.

Finally, it is proposed to build on the Common Monitoring and Evaluation Framework (CMEF) introduced in the current period which will be simplified and improved based on experience gained to date. A common list of indicators will be linked to the policy priorities for the purpose of monitoring and evaluation.

4. BUDGETARY IMPLICATION

The MFF proposal provides that a significant part of the EU budget should continue to be dedicated to agriculture, which is a common policy of strategic importance. Thus, in current prices, it is proposed that the CAP should focus on its core activities with EUR 317.2 billion allocated to Pillar I and EUR 101.2 billion to Pillar II over the 2014-2020 period.

The Pillar I and Pillar II funding is complemented by additional funding of EUR 17.1 billion consisting of EUR 5.1 billion for research and innovation, EUR 2.5 billion for food safety and

EUR 2.8 billion for food support for the most deprived persons in other headings of the MFF, as well as of EUR 3.9 billion in a new reserve for crises in the agricultural sector and up to EUR 2.8 billion in the European Globalization Adjustment Fund outside the MFF, thus bringing the total budget to EUR 435.6 billion over the 2014-2020 period.

As regards distribution of support among Member States, it is proposed that all Member States with direct payments below 90% of the EU average will see one third of this gap closed. The national ceilings in the direct payments regulation are calculated on this basis.

The distribution of rural development support is based on objective criteria linked to the policy objectives taking into account the current distribution. As is the case today, less developed regions should continue to benefit from higher co-financing rates, which will also apply to certain measures such as knowledge transfer, producer groups, cooperation and Leader.

Some flexibility for transfers between pillars is introduced (up to 5% of direct payments): from Pillar I to Pillar II to allow Member States to reinforce their rural development policy, and from Pillar II to Pillar I for those Member States where the level of direct payments remains below 90% of the EU average.

Details on the financial impact of the CAP reform proposals are set out in the financial statement accompanying the proposals.

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on support for rural development by the European Agricultural Fund for Rural Development (EAFRD)

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 42 and 43 thereof,

Having regard to the proposal from the European Commission⁷,

After transmission of the draft legislative act to the national Parliaments,

Having regard to the opinion of the European Economic and Social Committee⁸,

Having regard to the opinion of the Committee of the Regions⁹,

Having consulted the European Data Protection Supervisor¹⁰

Acting in accordance with the ordinary legislative procedure,

Whereas:

- (1) The Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on "The CAP towards 2020: Meeting the food, natural resources and territorial challenges of the future"¹¹ (hereinafter "the CAP towards 2020 Communication") set out potential challenges, objectives and orientations for the common agricultural policy (hereinafter "the CAP") after 2013. In the light of the debate on that Communication, the CAP should be reformed with effect from 1 January 2014. That reform should cover all the main instruments of the CAP, including Council Regulation (EC) No 1698/2005 of 20 September 2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD)¹². In view of the scope of the reform, it is appropriate to repeal Regulation (EC) No 1698/2005 and to replace it with a new text.
- (2) A rural development policy should accompany and complement direct payments and market measures of the CAP and thus contribute to that policy's objectives as laid

⁷ OJ C [...], [...], p. [...].

⁸ OJ C [...], [...], p. [...].

⁹ OJ C [...], [...], p. [...].

¹⁰ OJ C [...], [...], p. [...].

¹¹ COM(2010) 672 final, 18.11.2010.

¹² OJ L 277, 21.10.2005, p. 1.

down in the Treaty on the Functioning of the European Union (hereinafter "the Treaty"). A rural development policy should also integrate the major policy objectives spelled out in the Communication from the Commission of 3 March 2010 "Europe 2020 A strategy for smart, sustainable and inclusive growth"¹³ (hereinafter "Europe 2020 Strategy") and be coherent with the general objectives for the economic and social cohesion policy set out in the Treaty.

- (3) Since the objective of this Regulation, namely rural development, cannot be achieved sufficiently by Member States, given the links between it and the other instruments of the CAP, the extent of disparities between the various rural areas and the limits on the financial resources of the Member States in an enlarged Union, and can therefore be better achieved at Union level through the multi-annual guarantee of Union finance and by concentrating on its priorities, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5(3) of the Treaty on European Union. In accordance with the principle of proportionality as set out in Article 5(4) of that Treaty, this Regulation does not go beyond what is necessary in order to achieve that objective.
- (4) In order to supplement or amend certain non-essential elements of this Regulation, the power to adopt delegated acts in accordance with Article 290 of the Treaty should be delegated to the Commission. It is of particular importance that the Commission carry out appropriate consultations during its preparatory work, including at expert level. The Commission, when preparing and drawing up delegated acts, should ensure a simultaneous, timely and appropriate transmission of relevant documents to the European Parliament and to the Council.
- (5) To ensure the sustainable development of rural areas, it is necessary to focus on a limited number of core priorities relating to knowledge transfer and innovation in agriculture, forestry and rural areas, the competitiveness of all types of agriculture and farm viability, food chain organisation and risk management in agriculture, restoring, preserving and enhancing ecosystems dependant on agriculture and forestry, resource efficiency and the shift towards a low carbon economy in the agricultural, food and forestry sectors, and promoting social inclusion, poverty reduction and the economic development of rural areas. In doing so account must be taken of the diversity of situations that affect rural areas with different characteristics or different categories of potential beneficiaries and the cross-cutting objectives of innovation, environment and climate change mitigation and adaptation. Mitigation action should relate to both limiting emissions in agriculture and forestry from key activities such as livestock production, fertilizer use and to preserving the carbon sinks and enhancing carbon sequestration with regard to land use, land use change and the forestry sector. The Union priority for rural development relating to knowledge transfer and innovation in agriculture, forestry and rural areas should apply horizontally in relation to the other Union priorities for rural development.
- (6) The Union's priorities for rural development should be pursued in the framework of sustainable development and the Union's promotion of the aim of protecting and improving the environment as set out in Articles 11 and 19 of the Treaty, taking into account the polluter pays principle. The Member States should provide information on

¹³ COM(2010) 2020 final, 3.3.2010.

the support for climate change objectives in line with the ambition to devote at least 20% of the Union budget to this end, using a methodology adopted by the Commission.

- (7) The activities of the European Agricultural Fund for Rural Development (hereinafter "the EAFRD") and the operations to which it contributes should be consistent and compatible with support from other instruments of the CAP. In order to ensure optimal allocation and efficient utilisation of Union resources the power to adopt acts in accordance with Article 290 of the Treaty should be delegated to the Commission in respect of defining exceptions to the rule that no support under this Regulation should be granted to operations supported under common market organisations.
- (8) In order to ensure the immediate start and efficient implementation of rural development programmes, support from the EAFRD should be based on the existence of sound administrative framework conditions. Member States should therefore assess compliance with certain ex ante conditionalities. Each Member State should prepare either a national rural development programme for its entire territory or a set of regional programmes. Each programme should identify a strategy for meeting targets in relation to the Union priorities for rural development and a selection of measures. Programming should comply with Union priorities for rural development, while being adapted to national contexts and complement the other Union policies, in particular the agricultural market policy, cohesion policy and the common fisheries policy. Member States which opt for a set of regional programme should be able to also prepare a national framework, without a separate budgetary allocation, in order to facilitate co-ordination among the regions in addressing nation-wide challenges.
- (9) Member States should be able to include in their rural development programmes thematic sub-programmes to address specific needs in areas of particular importance to them. Thematic sub-programmes should concern among others young farmers, small farms, mountain areas and the creation of short supply chains. Thematic sub-programmes should also be used to provide for the possibility to address restructuring of agricultural sectors which have a strong impact on the development of rural areas. As a means to increase the efficient intervention of such thematic sub-programmes Member States should be allowed to provide for higher support rates for certain operations covered by them.
- (10) Rural development programmes should identify the needs of the area covered and describe a coherent strategy to meet them in the light of the Union priorities for rural development. This strategy should be based on the setting of targets. The links between the needs identified, the targets set and the choice of measures selected to meet them should be established. Rural development programmes should also contain all the information required to assess their conformity with the requirements of this Regulation.
- (11) Targets are to be established in rural development programmes against a common set of target indicators for all Member States. In order to facilitate this exercise the areas covered by these indicators should be defined, in line with the Union priorities for rural development. Given the horizontal application of the Union priority for rural development relating to knowledge transfer in agriculture and forestry, interventions under this priority are to be considered as instrumental to the target indicators defined for the remaining Union priorities.

- (12) It is necessary to establish certain rules for programming and revising rural development programmes. A lighter procedure should be provided for revisions not affecting the strategy of the programmes or the respective Union financial contributions.
- (13) In order to ensure legal certainty and clarity concerning the procedure to be followed in the case of programme amendments, the power to adopt acts in accordance with Article 290 of the Treaty should be delegated to the Commission in respect of the setting of the criteria on the basis of which proposed changes of the quantified targets of the programmes shall be considered as major, thus triggering the need to modify the programme by means of an implementing act adopted in accordance with Article 91 of this Regulation.
- (14) The evolution and specialisation of agriculture and forestry and the particular challenges faced by micro-, small and medium-sized enterprises (hereinafter "SMEs") in rural areas require an appropriate level of technical and economic training as well as an increased capacity to access and exchange knowledge and information including in the form of diffusion of best agricultural and forestry production practices. Knowledge transfer and information actions should take not only the form of traditional training courses but be adapted to the needs of rural actors. Workshops, coaching, demonstration activities, information actions but also short-term farm exchange or visit schemes should therefore also be supported. Knowledge and information acquired should enable farmers, forest holders, persons engaged in the food sector and rural SMEs to enhance in particular their competitiveness and resource efficiency and improve their environmental performance while at the same time contributing to the sustainability of the rural economy. In order to ensure that knowledge transfer and information actions are effective in delivering these results it should be required that the providers of knowledge transfer services have all the appropriate capabilities.
- (15) In order to ensure that bodies providing knowledge transfer services are able to provide services of a quality and nature that is in line with the purposes of the rural development policy, to ensure a better targeting of funds and to ensure that farm exchange schemes and farm visits are clearly demarcated in relation to similar actions under other Union schemes, the power to adopt acts in accordance with Article 290 of the Treaty should be delegated to the Commission in respect of minimum qualifications of bodies providing knowledge transfer, eligible costs and the duration and content of farm exchange schemes and farm visits.
- (16) Farm advisory services help farmers, forest holders and SMEs in rural areas to improve the sustainable management and overall performance of their holding or business. Therefore both the setting up of such services and the use of advice by farmers, forest holders and SMEs should be encouraged. In order to enhance the quality and effectiveness of the advice offered, provision should be made for the minimum qualifications and regular training of advisors. Farm advisory services, as provided for in Regulation of the European Parliament and of the Council (EU) No HR/2012 of [...] ¹⁴ should help farmers assess the performance of their agricultural holding and identify the necessary improvements as regards the statutory management requirements, good agricultural and environmental conditions, agricultural practices

¹⁴ OJ L [...], [...], p. [...].

beneficial to the climate and the environment set out in Regulation of the European Parliament and of the Council (EU) No DP/2012 of [...] ¹⁵, requirements or actions related to climate change mitigation and adaptation, biodiversity, protection of water, animal disease notification and innovation at least as laid down in Annex I to Regulation (EU) No HR/2012. Where relevant, advice should also cover occupational safety standards. Advice may also cover issues linked to the economic, agricultural and environmental performance of the holding or enterprise. Farm management and farm relief services should help farmers improve and facilitate management of their holding.

- (17) In order to ensure that bodies and authorities offering advisory services are able to provide advice of a quality and nature that is in line with the purposes of rural development policy, the power to adopt acts in accordance with Article 290 of the Treaty should be delegated to the Commission in respect of the further specification of the minimum qualifications of the authorities and bodies providing advice.
- (18) Union or national quality schemes for agricultural products and food provide consumers with assurances on the quality and characteristics of the product or the production process used as a result of the participation of farmers in such schemes, achieve added value for the products concerned and enhance their market opportunities. Farmers should therefore be encouraged to participate in these schemes. Given that it is at the moment of entering such schemes and in the early years of their participation that additional costs and obligations imposed on farmers as a result of their participation are not fully remunerated by the market, support should be limited to new participation and cover a period of no more than five years. Given the special characteristics of cotton as a farm product, quality schemes for cotton should also be covered. In order to ensure the efficient and effective use of EAFRD budgetary resources, the power to adopt acts in accordance with Article 290 of the Treaty should be delegated to the Commission in respect of the Union quality schemes that may be covered by this measure.
- (19) In order to improve the economic and environmental performance of agricultural holdings and rural enterprises, improve the efficiency of the agricultural products marketing and processing sector, provide infrastructure needed for the development of agriculture and support non-remunerative investments necessary to achieve environmental aims, support should be provided to physical investments contributing to these aims. During the 2007-2013 programming period a variety of measures covered different areas of intervention. In the interest of simplification but also of allowing beneficiaries to design and realise integrated projects with increased added value, a single measure should cover all types of physical investments. Member States should define a threshold for agricultural holdings eligible for aid for investments related to supporting farm viability based on the results of the strengths, weaknesses, opportunities and threats ("SWOT") analysis as means to better target the aid.
- (20) The agricultural sector is subject more than other sectors to damage to its productive potential caused by natural disasters. In order to help farm viability and competitiveness in the face of such disasters support should be provided for helping farmers restore agricultural potential damaged. Member States should also ensure that

¹⁵ OJ L [...], [...], p. [...].

no overcompensation of damages occurs as a result of the combination of Union (in particular the risk management measure), national and private compensation schemes. In order to ensure the efficient and effective use of EAFRD budgetary resources, the power to adopt acts in accordance with Article 290 of the Treaty should be delegated to the Commission in respect of defining the eligible costs under this measure.

- (21) The creation and development of new economic activity in the form of new farms, new businesses or new investments in non-agricultural activities is essential for the development and competitiveness of rural areas. A farm and business development measure should facilitate the initial establishment of young farmers and the structural adjustment of their holdings after initial setting up, diversification of farmers into non-agricultural activities and the setting up and development of non-agricultural SMEs in rural areas. The development of small farms which are potentially economically viable should also be encouraged. In order to ensure the viability of new economic activities supported under this measure, support should be made conditional on the submission of a business plan. Support for business start up should cover only the initial period of the life of a business and not become operating aid. Therefore, where Member States opt to grant aid in instalments these should be for a period of no more than five years. In addition in order to encourage the restructuring of the agricultural sector, support in the form of annual payments should be provided for farmers participating in the small farmers scheme established by Title V of Regulation (EU) No DP/2012 who commit to transfer their entire holding and the corresponding payment entitlements to another farmer who does not participate in that scheme.
- (22) SMEs are the backbone of the Union rural economy. Farm and non-agricultural business development should be aimed at employment promotion and the setting up of quality jobs in rural areas, maintenance of already existing jobs, reduction of seasonality fluctuations in employment, development of non-agricultural sectors outside agriculture and agricultural and food processing while fostering at the same time business integration and local inter-sectoral links. Projects integrating at the same time agriculture, rural tourism through promotion of sustainable and responsible tourism in rural areas, natural and cultural heritage should be encouraged as well as renewable energy investments.
- (23) In order to ensure the efficient and effective use of EAFRD budgetary resources and to guarantee the protection of the rights of beneficiaries and avoid discrimination among them, the power to adopt acts in accordance with Article 290 of the Treaty should be delegated to the Commission in respect of laying down conditions under which legal persons may be considered as young farmers, the setting of a grace period for the acquisition of occupational skills, the minimum content of business plans and the criteria to be used by Member States for the definition of small farms and of upper and lower thresholds for determining the eligibility of an operation under the support for young farmers or development of small farms respectively.
- (24) The development of local infrastructure and local basic services in rural areas, including leisure and culture, the renewal of villages and activities aimed at the restoration and upgrading of the cultural and natural heritage of villages and rural landscapes is an essential element of any effort to realise the growth potential and promote the sustainability of rural areas. Support should therefore be granted to operations with this aim, including the access to Information and Communication Technologies and the development of fast and ultra-fast broadband. In line with these

objectives, development of services and infrastructure leading to social inclusion and reversing trends of social and economic decline and depopulation of rural areas should be encouraged. In order to achieve the maximum effectiveness for such support, covered operations should be implemented in accordance with plans for the development of municipalities and their basic services, where such plans exist, elaborated by one or more rural communes. In order to ensure coherence with the Unions climate objectives the power to adopt acts in accordance with Article 290 of the Treaty should be delegated to the Commission in respect of defining the types of renewable energy infrastructure that shall be eligible for support

- (25) Forestry is an integral part of rural development and support for sustainable and climate friendly land use should encompass forest area development and sustainable management of forests. During the 2007-2013 programming period a variety of measures covered different types of support for forestry investments and management. In the interest of simplification but also of allowing beneficiaries to design and realise integrated projects with increased added value, a single measure should cover all types of support for forestry investments and management. This measure should cover the extension and improvement of forest resources through afforestation of land and creation of agro-forestry systems combining extensive agriculture with forestry systems, restoration of forests damaged by fire or other natural disasters and relevant prevention measures, investments in new forestry technologies and in the processing and marketing of forest products aimed at improving the economic and environmental performance of forest holders and non remunerative investments which improve ecosystem and climate resilience and environmental value of forest ecosystems. Support should avoid distorting competition and be market neutral. As a result limitations should be imposed relating to the size and legal status of beneficiaries. Preventive actions against fires should be in areas classified by Member States as medium or high fire risk. All preventive actions should be part of a forest protection plan. The occurrence of a natural disaster in the case of action for the restoration of damaged forest potential should be subject to the formal recognition by a scientific public organisation. The forestry measure should be adopted in the light of undertakings given by the Union and the Member States at international level, and be based on Member States' national or sub-national forest plans or equivalent instruments which should take into account the commitments made in the Ministerial Conferences on the Protection of Forests in Europe. It should contribute to the implementation of the Union Forestry Strategy¹⁶. In order to ensure that afforestation of agricultural land is in line with the aims of environmental policy the power to adopt acts in accordance with Article 290 of the Treaty should be delegated to the Commission in respect of the definition of certain minimum environmental requirements.
- (26) In order to ensure the efficient and effective use of EAFRD budgetary resources, the power to adopt acts in accordance with Article 290 of the Treaty should be delegated to the Commission in respect of laying down conditions under which Member States shall establish the occurrence of a natural disaster or a pest or disease and the definition of types of preventive actions that shall be eligible for EAFRD support.

¹⁶ Council Resolution of 15 December 1998 on a forestry strategy for the European Union, OJ C 56, 26/2/1999, p. 1. [*To be replaced by new strategy to be adopted by the end of 2013*]

- (27) Producer groups help farmers to face jointly the challenges posed by increased competition and consolidation of downstream markets in relation to the marketing of their products including in local markets. The setting up of producer groups should therefore be encouraged. In order to ensure the best use of limited financial resources only producer groups that qualify as SMEs should benefit from support. In order to ensure that the producer group becomes a viable entity, a business plan should be submitted as a condition for the recognition of a producer group by Member States. To avoid providing operating aid and maintain the incentive role of support, its maximum duration should be limited to five years.
- (28) Agri-environment-climate payments should continue to play a prominent role in supporting the sustainable development of rural areas and in responding to society's increasing demands for environmental services. They should further encourage farmers and other land managers to serve society as a whole by introducing or continuing to apply agricultural practices contributing to climate change mitigation and adaptation and compatible with the protection and improvement of the environment, the landscape and its features, natural resources, the soil and genetic diversity. In this context the conservation of genetic resources in agriculture and the additional needs of farming systems that are of high nature value should be given specific attention. Payments should contribute to covering additional costs and income foregone resulting from the commitments undertaken and should only cover commitments going beyond relevant mandatory standards and requirements, in accordance with the "polluter pays" principle. In many situations the synergies resulting from commitments undertaken jointly by a group of farmers multiply the environmental and climate benefit. However, joint action brings additional transaction costs which should be compensated adequately. In order to ensure that farmers and other land managers are in a position to correctly implement the commitments they have undertaken, Member States should endeavour to provide them with the required skills and knowledge. Member States should maintain the level of efforts made during the 2007-2013 programming period and have to spend a minimum of 25% of the total contribution from the EAFRD to each rural development programme for climate change mitigation and adaptation and land management, through the agri-environment-climate, organic farming and payments to areas facing natural or other specific constraints measures.
- (29) In order to ensure that agri-environment-climate commitments are defined in line with the Union's overall environmental objectives, the power to adopt acts in accordance with Article 290 of the Treaty should be delegated to the Commission in respect of laying down the conditions applicable to the annual extension of commitments after the initial period, commitments to extensify or manage differently livestock farming, to limit fertilisers, plant protection products or other inputs, to rear local breeds in danger of being lost to farming or to preserve plant genetic resources and the eligible operations in relation to conservation of genetic resources in agriculture.
- (30) Payments for the conversion to or maintenance of organic farming should encourage farmers to participate in such schemes thus answering society's increasing demand for the use of environmentally friendly farm practices and for high standards of animal welfare. In order to increase synergy in biodiversity benefits delivered by the measure, collective contracts or collaboration between farmers should be encouraged to cover larger adjacent areas. In order to avoid large-scale reversion of farmers to conventional farming, both conversion and maintenance measures should be supported. Payments

should contribute to covering additional costs incurred and income foregone as a result of the commitment and should cover only commitments going beyond relevant mandatory standards and requirements.

- (31) Support should continue to be granted to farmers and forest holders to help address specific disadvantages in the areas concerned resulting from the implementation of Directive 2009/147/EC of the European Parliament and of the Council of 30 November 2009 on the conservation of wild birds¹⁷ and Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora¹⁸ in order to contribute to the effective management of Natura 2000 sites while support should also be made available to farmers to help address disadvantages in river basin areas resulting from the implementation of Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework for the Community action in the field of the water policy¹⁹. Support should be linked to specific requirements described in the rural development programme that go beyond relevant mandatory standards and requirements. Furthermore, the specific needs of Natura 2000 areas should be taken into account by Member States in the overall design of their rural development programmes.
- (32) Payments to farmers in mountain areas or in other areas facing natural or other specific constraints should contribute, by encouraging continued use of agricultural land to maintaining the countryside as well as to maintaining and promoting sustainable farming systems. In order to ensure the efficiency of such support payments should compensate farmers for income foregone and additional costs linked to the disadvantage of the area concerned.
- (33) In order to ensure efficient use of Union funds and equal treatment for farmers across the Union mountain areas and areas facing natural or other specific constraints should be defined in accordance with objective criteria. In the case of areas facing natural constraints these should be bio-physical criteria underpinned by robust scientific evidence. Transitional arrangements should be adopted in order to facilitate the phasing out of payments in areas that will no longer be considered as areas facing natural constraints as a result of the application of these criteria.
- (34) Farmers should continue to be encouraged to adopt high standards of animal welfare by providing for support for farmers that undertake to adopt standards of animal husbandry, which go beyond the relevant mandatory standards. In order to ensure that animal welfare commitments are in line with the overall Union policy in this field, the power to adopt acts in accordance with Article 290 of the Treaty should be delegated to the Commission in respect of the definition of the areas in which such commitments should provide upgraded standards of production methods.
- (35) Payments should continue to be granted to forest holders who provide environmental or climate friendly forest conservation services by undertaking commitments to enhance biodiversity, preserve high-value forest ecosystems, improve their mitigation and adaptation potential, and reinforce the protective value of forests with respect to soil erosion, to maintenance of water resources and to natural hazards. In this context

¹⁷ OJ L 20, 26.1.2010, p. 7.

¹⁸ OJ L 206, 22.7.1992, p. 7.

¹⁹ OJ L 327, 22.12.2000, p. 1.

the conservation and promotion of forest genetic resources should be given specific attention. Payments shall be granted for forest environmental commitments going beyond relevant mandatory standards established by national legislation. In order to ensure the efficient and effective use of EAFRD budgetary resources, the power to adopt acts in accordance with Article 290 of the Treaty should be delegated to the Commission in respect of the types of operations eligible for support under this measure.

- (36) During the 2007-2013 programming period only one type of co-operation was explicitly supported under rural development policy: co-operation for the development of new products, processes and technologies in the agriculture and food sector and the forestry sector. Support for this type of co-operation is still necessary but should be adapted in order better to meet the requirements of the knowledge economy. In this context the possibility should be provided for projects by a single operator to be financed under this measure, on condition that the results obtained are disseminated, thus achieving the purpose of diffusion of new practices, processes or products. In addition, it has become clear that supporting a much broader range of types of co-operation, with a wider range of beneficiaries, from small operators to larger ones, can contribute to achieving the objectives of rural development policy by helping operators in rural areas to overcome the economic, environmental and other disadvantages of fragmentation. Therefore, the measure should be widened. Support for small operators to organise joint work processes and share facilities and resources should help them to be economically viable despite their small scale. Support for horizontal and vertical co-operation among actors in the supply chain, as well as for promotion activities in a local context, should catalyse the economically rational development of short supply chains, local markets and local food chains. Support for collective approaches to environmental projects and practices should help to provide greater and more consistent environmental and climate benefits than can be delivered by individual operators acting without reference to others (for example, through practices applied on larger unbroken areas of land). Support in these various areas should be provided in various forms. Clusters and networks are particularly relevant to the sharing of expertise as well as the development of new and specialised expertise, services and products. Pilot projects are important tools for testing the commercial applicability of technologies, techniques and practices in different contexts, and adapting them where necessary. Operational groups are a pivotal element of the European Innovation Partnership (hereinafter "EIP") for agricultural productivity and sustainability. Another important tool lies in local development strategies operating outside the framework of LEADER local development – between public and private actors from rural and urban areas. Unlike within the LEADER approach, such partnerships and strategies could be limited to one sector and / or to relatively specific development aims, including those mentioned above. Inter-branch organisation should also be eligible for support under this measure. It should be limited to seven years except for collective environmental and climate action in duly justified cases.
- (37) Farmers are exposed today to increasing economic and environmental risks as a consequence of climate change and increased price volatility. In this context, effective management of risks has an increased importance for farmers. For this reason a risk management measure should be set up to assist farmers in addressing the most common risks faced by them. This measure should therefore support farmers to cover the premiums they pay for crop, animal and plant insurance as well as the setting up of mutual funds and the compensation paid by such funds to farmers for losses suffered

as a result of the outbreak of animal or plant diseases or environmental incidents. It should also cover an income stabilisation tool in the form of a mutual fund to support farmers facing a severe drop in their income. In order to ensure that there is equal treatment among farmers across the Union, that competition is not distorted and that the international obligations of the Union are respected, specific conditions should be provided for the granting of support under these measures. In order to ensure the efficient use of EAFRD budgetary resources the power to adopt acts in accordance with Article 290 of the Treaty should be delegated to the Commission in respect of defining the minimum and maximum duration of commercial loans to mutual funds.

- (38) The LEADER approach for local development has, over a number of years, proven its utility in promoting the development of rural areas by fully taking into account the multi-sectoral needs for endogenous rural development through its bottom-up approach. LEADER should therefore be continued in the future and its application should remain compulsory for all rural development programmes.
- (39) In order to ensure that local development strategies are applied at a territorial level that allows them to deliver results that effectively contribute to the Union priorities for rural development and innovation, the power to adopt acts in accordance with Article 290 of the Treaty should be delegated to the Commission in respect of setting population criteria for the area to be covered by each such strategy and the detailed scope of preparatory and animation costs to be supported.
- (40) Support to LEADER local development from the EAFRD should cover all aspects of the preparation and implementation of local development strategies and operation of local action groups as well as cooperation among territories and groups which carry out bottom-up and community-led local development. In order to enable partners in rural areas not yet applying LEADER to test and prepare for the design and operation of a local development strategy a "LEADER start-up kit" should also be financed. In order to ensure the efficient and effective use of EAFRD budgetary resources the power to adopt acts in accordance with Article 290 of the Treaty should be delegated to the Commission in respect of the detailed definition of eligible animation costs for local action groups.
- (41) Investments are common to many of the rural development measures under this Regulation and may relate to operations of very diverse nature. In order to ensure clarity in the implementation of these operations certain common rules for all investments should be laid down. These common rules should define the types of expenditure that may be considered as investment expenditure and ensure that only such investments that create new value in agriculture receive support. In order to take account of specificities relating to particular types of investments such as the purchase of second hand equipment and simple replacement investments while ensuring the efficient use of EAFRD funds, the power to adopt acts in accordance with Article 290 of the Treaty should be delegated to the Commission in respect of setting the conditions under which certain types of investments may be considered as eligible expenditure. In order to facilitate realisation of investment projects it should be possible for Member States to pay advances. To ensure the effectiveness, fairness and sustainable impact of EAFRD assistance, rules should be laid down to ensure that investments related to operations are durable and that EAFRD support is not used to distort competition.

- (42) Certain area related measures under this Regulation involve the undertaking on the part of beneficiaries of commitments extending over at least five years. During this period changes may occur to the situation of either the holding or of the beneficiary. Rules should therefore be laid down in order to determine the course to be followed in these cases. In order to ensure the efficient implementation of area related measures and secure the financial interests of the Union the power to adopt acts in accordance with Article 290 of the Treaty should be delegated to the Commission in respect of setting the conditions applicable in case of partial transfer of a holding, defining other situations in which reimbursement of the aid shall not be required.
- (43) Certain measures under this Regulation provide as a condition for granting support that beneficiaries undertake commitments going beyond a relevant baseline defined in terms of mandatory standards or requirements. In view of possible changes in legislation during the period of the commitments that have as a result the modification of the baseline, provision should be made for the revision of the contracts concerned in order to ensure continued respect of this condition.
- (44) In order to ensure that financial resources for rural development are used in the best possible way and to target measures under rural development programmes in accordance with the Union priorities for rural development but also to guarantee equal treatment of applicants, Member States should establish selection criteria for the selection of projects. Exception to this rule should be made only for those measures for which support consists in payments for the provision of agri-environmental or animal welfare services. In the application of selection criteria account should be taken of the principle of proportionality in what concerns small grants.
- (45) The EAFRD should support through technical assistance actions relating to the implementation of rural development programmes, including costs related to the protection of symbols and abbreviations relating to Union quality schemes for participation in which support may be granted under this Regulation and costs of the Member States for the delimitation of areas facing natural constraints. In order to ensure the efficient use of EAFRD budgetary resources, the power to adopt acts in accordance with Article 290 of the Treaty should be delegated to the Commission in respect of the control activities that may be financed under technical assistance.
- (46) The networking of national networks, organisations and administrations involved in the various stages of programme implementation, organised in the context of the European network for rural development, has proven that it can play a very important role in improving the quality of rural development programmes by increasing the involvement of stakeholders in the governance of rural development as well as in informing the broader public of its benefits. It should therefore be financed as part of the technical assistance at Union level.
- (47) In order to contribute to the achievement of the aims of the EIP for agricultural productivity and sustainability a EIP network should be set up in order to network operational groups, advisory services and researchers involved in the implementation of actions targeting innovation in agriculture. It should be financed as part of technical assistance at Union level.
- (48) During the 2007 -2013 programming period an evaluation expert network operated in the context of the European network for rural development. To take account of the

specific needs of evaluation, a European evaluation network for rural development should be set up for the 2014-2020 programming period in order to bring together all actors involved in evaluation activities to facilitate the exchange of expertise in the field. It should be financed as part of technical assistance.

- (49) Member States should reserve a portion of the total amount of each rural development programme devoted to technical assistance to finance the setting up and operation of a national rural network bringing together organisations and administrations involved in rural development, including the partnership, with the aim of increasing their involvement in the implementation of the programme and improve the quality of rural development programmes. National rural networks should prepare and implement an action plan.
- (50) The EAFRD should signal the Union's recognition of how local development approaches and a trans-national dimension can reinforce each other, especially when an innovative spirit is applied. It should do this by awarding prizes to a limited number of projects which exemplify these characteristics. The prizes should complement other sources of funding available through rural development policy by conferring recognition on any leading suitable project, whether or not that project was also financed through a rural development programme.
- (51) Rural development programmes should provide for innovative actions promoting a resource-efficient, productive and low-emission agricultural sector, with the support of the EIP for agricultural productivity and sustainability. The EIP should aim to promote a faster and wider transposition of innovative solutions into practice. The EIP should create added value by enhancing the uptake and effectiveness of innovation-related instruments and enhancing synergies between them. The EIP should fill gaps by better linking research and practical farming.
- (52) Implementation of innovative projects in the context of the EIP for agricultural productivity and sustainability should be undertaken by operational groups bringing together farmers, researchers, advisors, businesses and other actors concerned by innovation in the agricultural sector. In order to ensure that results of such projects profit to the sector as a whole, their results should be disseminated.
- (53) Provision should be made for the determination of the total amount of Union support for rural development under this Regulation for the period from 1 January 2014 to 31 December 2020, its annual breakdown and the minimum amount to be concentrated in less developed regions in accordance with the Multi-annual Financial Framework for the period 2014 to 2020 and the Interinstitutional Agreement on budgetary discipline and improvement of the budgetary procedure²⁰ for the same period. The appropriations available should be indexed on a flat-rate basis for programming.
- (54) In order to facilitate the management of EAFRD funds, a single contribution rate of the EAFRD to rural development programming should be set in relation to public expenditure in the Member States. In order to take account of the particular importance or nature of certain types of operations, specific contribution rates should be set in relation to them. In order to mitigate the specific constraints resulting from level of development, remoteness and insularity an appropriate contribution rate of the

²⁰ OJ L [...], [...], p. [...].

EAFRD should be set for less-developed regions, outermost regions referred to in the Treaty and the smaller Aegean islands.

- (55) Funds released in Member States as a result of the application of the upper ceiling to direct payments received by large individual farms under the first pillar of the CAP should be reserved for financing, in each Member State of projects related to innovation in order to help farms, including large farms, to increase their competitiveness in the framework of the objectives of the CAP. These projects should be initiated by farmers, whatever the size of their farms, EIP operational groups or local action groups, groups of partners involved in the agricultural sector.
- (56) Member States should take all the necessary steps and put in place adequate provisions to ensure that their rural development measures are verifiable and controllable. To this end the Managing Authority and Paying Agency should provide an ex ante assessment and undertake to assess measures throughout the implementation of the programme. Measures not respecting this condition should be adjusted.
- (57) The Commission and Member States should take all required steps to ensure sound management of rural development programmes. In this context the Commission should undertake adequate controls and the Member States should take measures to guarantee sound functioning of their management system.
- (58) A single Managing Authority should be responsible for the management and implementation of each rural development programme. Its duties should be specified in this Regulation. The Managing Authority should be able to delegate part of its duties while retaining the responsibility for the efficiency and correctness of management. In case a rural development programme contained thematic sub-programmes the Managing Authority should be able to designate another body to carry out fully management and implementation of that sub-programme in relation to the financial allocations that have been identified for it in the programme while ensuring sound financial management of these sub-programmes.
- (59) Each rural development programme should be subject to monitoring in order to regularly follow the implementation of the programme and progress towards the established targets of the programme. Demonstrating and improving the effectiveness and impact of actions under the EAFRD also depends on appropriate evaluation during the preparation and implementation of a programme and its completion. A monitoring and evaluation system should therefore be set up in common by the Commission and the Member States with the purpose of demonstrating the progress and assessing the impact and efficiency of rural development policy implementation.
- (60) In order to ensure that information can be aggregated at Union level a set of common indicators should form part of the system. Key information on the implementation of rural development programmes should be recorded and maintained electronically as a means to facilitate data aggregation. Beneficiaries should therefore be required to provide the minimum necessary information that is needed for monitoring and evaluation.
- (61) Responsibility for monitoring of the programme should be shared between the Managing Authority and a Monitoring Committee set up for this purpose. The

Monitoring Committee should have as its task to monitor the effectiveness of implementation of the programme. To this end its responsibilities should be specified.

- (62) Monitoring of the programme should involve the drawing up of an annual implementation report, to be sent to the Commission.
- (63) Each rural development programme should be subject to evaluation in order to improve its quality and demonstrate its achievements.
- (64) Articles 107, 108 and 109 of the Treaty should apply to the support for the rural development measures under this Regulation. Nevertheless, it should be established that, given the specificity of the agricultural sector, the rural development measures concerning operations falling within the scope of Article 42 of the Treaty, that are carried out under and in conformity with this Regulation, as well as payments made by the Member States, intended to provide additional national financing for rural development operations for which Union support is granted and which fall within the scope of Article 42 of the Treaty should be excluded from the application of Articles 107, 108 and 109 of the Treaty.
- (65) Moreover, in view of ensuring consistency with the rural development measures eligible for Union support and in order to simplify procedures, payments made by the Member States, intended to provide additional national financing for rural development operations for which Union support is granted and which fall within the scope of Article 42 of the Treaty, should be authorised as a part of programming under a notification procedure in accordance with the provisions of this Regulation. In order to ensure their appropriate monitoring, when assessing these payments the Commission should apply the criteria established for the application of Article 107 of the Treaty by way of analogy. In order to ensure that additional national financing which is not authorised by the Commission is not implemented, the Member State concerned should not put its proposed additional financing for rural development into effect until it has been approved. Payments made by Member States intended to provide additional national financing for rural development operations for which Union support is granted and which fall outside the scope of Article 42 of the Treaty should be notified to the Commission pursuant to Article 108(3) of the Treaty, unless they fall under a regulation, adopted pursuant to Council Regulation 994/98²¹, and may not be put into effect until this procedure has resulted in a final approval by the Commission.
- (66) An electronic information system should be established to provide an efficient and secure exchange of data.
- (67) Union legislation concerning the protection of individuals with regard to the processing of personal data and on the free movement of such data, in particular Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data and Regulation (EC) No 45/2001 of the European Parliament and of the Council of 18 December 2000 on the protection of individuals

²¹ Council Regulation (EC) No 994/98 of 7 May 1998 on the application of Articles 92 and 93 (now 107 and 108 respectively) of the Treaty establishing the European Community to certain categories of horizontal State aid, OJ L 142, 14.05.1998, p.1.

with regard to the processing of personal data by the Community institutions and bodies and on the free movement of such data are applicable.

- (68) In order to ensure uniform conditions for the implementation of this Regulation in relation to the presentation of rural development programmes, the approval of programmes and of modifications thereof, the procedures and timetables for approval of programmes, the procedures and timetables for the approval programme modifications, including their entry in to force and frequency of submission, specific conditions for the implementation of rural development measures, the structure and operation of networks set-up by this Regulation, the adoption of the monitoring and evaluation system, the rules for the operation of the information system, implementing powers should be conferred on the Commission. Those powers should be exercised in accordance with Regulation (EU) No 182/2011 of the European Parliament and the Council of 16 February 2011 laying down the rules and general principles concerning mechanisms for control by the Member States of the Commission's exercise of implementing powers²².
- (69) The new support scheme provided for by this Regulation replaces the support scheme set up by Regulation (EC) No 1698/2005. Therefore, Regulation (EC) No 1698/2005 should be repealed from 1 January 2014.
- (70) In order to facilitate a smooth transition from the system established by Regulation (EC) No 1698/2005 to the system established by this Regulation, the power to adopt acts in accordance with Article 290 of the Treaty should be delegated to the Commission in respect of establishing transitional provisions,

HAVE ADOPTED THIS REGULATION:

²² OJ L 55, 28.2.2011, p. 13.

TABLE OF CONTENTS

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) 10

TITLE I Objectives and Strategy	28
Chapter I Scope and Definitions	28
Chapter II Mission, objectives, priorities and consistency.....	31
TITLE II Programming	34
Chapter I Programming content	34
Chapter II Preparation, approval and modification of rural development programmes	38
TITLE III Rural development support	40
Chapter I Measures.....	40
Section 1 Individual Measures	40
Section 2 Leader.....	64
Chapter II Common provisions for several measures	66
Chapter III Technical assistance and networking	68
Chapter IV Prize for innovative, local cooperation in rural areas.....	73
TITLE IV EIP for agricultural productivity and sustainability.....	75
TITLE V Financial provisions	77
TITLE VI Management, control and publicity	83
TITLE VII Monitoring and evaluation.....	86
Chapter I General provisions.....	86
Section 1 Establishment and Objectives of a monitoring and evaluation system.....	86
Section 2 Technical provisions	87
Chapter II Monitoring	88

Chapter III Evaluation	89
TITLE VIII Competition provisions	91
TITLE IX Commission powers, common provisions and transitional and final provisions....	92
Chapter I Commission powers	92
Chapter II Common provisions	93
Chapter III Transitional and final provisions	93
ANNEX I Amounts and support rates.....	95
ANNEX II Biophysical criteria for the delimitation of areas facing natural constraints	99
ANNEX III Indicative list of measures and operations of particular relevance to thematic sub-programmes referred to in Article 8	101
ANNEX IV Ex ante conditionalities for rural development	103
ANNEX V Indicative list of measures with relevance to one or more Union priorities for rural development.....	109

TITLE I

Objectives and Strategy

Chapter I

Scope and Definitions

Article 1

Scope

1. This Regulation:
 - (a) lays down the general rules governing Union support for rural development, financed by the European Agricultural Fund for Rural Development (hereinafter "the EAFRD"), established by Regulation (EU) No HR/2012;
 - (b) defines the objectives to which rural development policy is to contribute and the relevant Union priorities for rural development;
 - (c) outlines the strategic context for rural development policy;
 - (d) defines the measures of rural development policy;
 - (e) lays down rules on programming, networking, management, monitoring and evaluation on the basis of responsibilities shared between the Member States and the Commission.
 - (f) lays down the rules to ensure co-ordination of the EAFRD with other Union instruments.
2. This Regulation complements the provisions of Part Two of Regulation (EU) No [CSF/2012].

Article 2

Definitions

1. For the purposes of this Regulation, the following definitions shall apply:
 - (a) "programming": the process of organisation, decision taking and allocating the financial resources in several stages intended to implement, on a multi-annual basis, the joint action by the Union and the Member States to achieve the Union priorities for rural development;

- (b) "region": territorial unit corresponding to level 1 or 2 of the Nomenclature of territorial units for statistics (NUTS level 1 and 2) within the meaning of Regulation (EC) No 1059/2003 of the European Parliament and of the Council²³;
- (c) "measure": a set of operations contributing to one or more of the Union priorities for rural development;
- (d) "operation": a project, group of projects, contract, or arrangement or other action selected according to criteria for the rural development programme concerned and implemented by one or more beneficiaries allowing achievement of one or more of the Union priorities for rural development;
- (e) "beneficiary": a natural or legal person or other body, whether public or private, responsible for implementing operations or receiving support;
- (f) "monitoring and evaluation system": a general approach developed by the Commission and the Member States defining a limited number of common indicators relating to the baseline situation and the financial execution, outputs, results, and impacts of the programmes;
- (g) "local development strategy": a coherent set of operations to meet local objectives and needs, which contributes to meeting the Union priorities for rural development, implemented in partnership at the appropriate level;
- (h) "support rate": the rate of the total public contribution to an operation;
- (i) "public expenditure": any public contribution to the financing of operations whose origin is the budget of the State, of regional and local authorities, of the Union and any similar expenditure. Any contribution to the financing of operations whose origin is the budget of public law bodies or associations of one or more regional or local authorities or public law bodies, within the meaning of Directive 2004/18/EC²⁴, shall be regarded as public contribution;
- (j) "less developed regions": regions whose gross domestic product (GDP) per capita is less than 75% of the average GDP of the EU-27;
- (k) "micro-, small and medium-sized enterprises" (hereinafter "SMEs") : micro-, small and medium-sized enterprises as defined in Commission Recommendation 2003/361/EC²⁵;
- (l) "transaction cost": a cost linked to a commitment but not directly attributable to its implementation;
- (m) utilised agricultural area (hereinafter "UAA"): utilised agricultural area within the meaning of Commission Decision 2000/115/EC of 24 November 1999²⁶;

²³ OJ L 154, 21.6.2003, p. 1.

²⁴ OJ L 134, 30.4.2004, p. 114.

²⁵ OJ L 124, 20.5.2003, p. 36.

²⁶ OJ L 38, 12.2.2000, p. 1.

- (n) “economic losses”: any additional cost incurred by a farmer as a result of exceptional measures taken by the farmer with the objective of reducing supply on the market concerned or any substantial loss of production;
 - (o) “adverse climatic event”: weather conditions, such as frost, storms and hail, ice, heavy rain or severe drought, which can be assimilated to a natural disaster;
 - (p) “animal diseases”: diseases mentioned in the list of animal diseases established by the World Organisation for Animal Health or in the Annex to Council Decision 90/424/EEC²⁷;
 - (q) “environmental incident”: a specific occurrence of pollution, contamination or degradation in the quality of the environment related to a specific event and of limited geographical scope. It does not cover general environmental risks not connected with a specific event, such as climate change or atmospheric pollution;
 - (r) "natural disaster": a naturally occurring event of biotic or abiotic nature that leads to important disturbances of agricultural production systems and forest structures, eventually causing important economic damage to the farming and forest sectors;
 - (s) "catastrophic event": an unforeseen event of biotic or abiotic nature caused by human action that leads to important disturbances of agricultural production systems and forest structures, eventually causing important economic damage to the farming and forest sectors;
 - (t) "short supply chain": a supply chain involving a limited number of economic operators, committed to co-operation, local economic development, and close geographical and social relations between producers and consumers;
 - (u) "young farmer": farmer who is less than 40 years of age at the moment of submitting the application, possesses adequate occupational skills and competence and is setting up for the first time in an agricultural holding as head of the holding;
 - (v) "completed operation" means an operation that has been physically completed or fully implemented and in respect of which all related payments have been made by beneficiaries and the corresponding public contribution has been paid to the beneficiaries;
 - (w) "thematic objectives": the thematic objectives defined in Article 9 of Regulation (EU) No [CSF/2012] of the European Parliament and the Council²⁸.
 - (x) "Common Strategic Framework (hereinafter "CSF")": the Common Strategic Framework referred to in Article 10 of Regulation (EU) No [CSF/2010].
2. As regards the definition of young farmer laid down in paragraph 1(u), the Commission shall be empowered to adopt delegated acts in accordance with Article 90 concerning the conditions under which a legal person may be considered a

²⁷ OJ L 224, 18.8.1990, p. 19.

²⁸ OJ L [...], [...], p. [...].

'young farmer', including the setting of a grace period for the acquisition of occupational skills.

Chapter II

Mission, objectives, priorities and consistency

Article 3

Mission

The EAFRD shall contribute to the Europe 2020 Strategy by promoting sustainable rural development throughout the Union in a complementary manner to the other instruments of the common agricultural policy (hereinafter “CAP”), to cohesion policy and to the common fisheries policy. It shall contribute to a more territorially and environmentally balanced, climate-friendly and resilient and innovative Union agricultural sector.

Article 4

Objectives

Within the overall framework of the CAP, support for rural development shall contribute to achieving the following objectives:

- (1) the competitiveness of agriculture;
- (2) the sustainable management of natural resources, and climate action;
- (3) a balanced territorial development of rural areas.

Article 5

Union priorities for rural development

The achievement of the objectives of rural development, which contribute to the Europe 2020 strategy for smart, sustainable and inclusive growth, shall be pursued through the following six Union priorities for rural development, which translate the relevant Thematic Objectives of the CSF:

- (1) fostering knowledge transfer and innovation in agriculture, forestry, and rural areas with a focus on the following areas:
 - (a) fostering innovation and the knowledge base in rural areas;
 - (b) strengthening the links between agriculture and forestry and research and innovation;

- (c) fostering lifelong learning and vocational training in the agricultural and forestry sectors.
- (2) enhancing competitiveness of all types of agriculture and enhancing farm viability, with a focus on the following areas:
 - (a) facilitating restructuring of farms facing major structural problems, notably farms with a low degree of market participation, market-oriented farms in particular sectors and farms in need of agricultural diversification;
 - (b) facilitating generational renewal in the agricultural sector.
 - (3) promoting food chain organisation and risk management in agriculture, with a focus on the following areas:
 - (a) better integrating primary producers into the food chain through quality schemes, promotion in local markets and short supply circuits, producer groups and inter-branch organisations;
 - (b) supporting farm risk management:
 - (4) restoring, preserving and enhancing ecosystems dependent on agriculture and forestry, with a focus on the following areas:
 - (a) restoring and preserving biodiversity, including in Natura 2000 areas and high nature value farming, and the state of European landscapes;
 - (b) improving water management;
 - (c) improving soil management.
 - (5) promoting resource efficiency and supporting the shift towards a low carbon and climate resilient economy in agriculture, food and forestry sectors, with a focus on the following areas:
 - (a) increasing efficiency in water use by agriculture;
 - (b) increasing efficiency in energy use in agriculture and food processing;
 - (c) facilitating the supply and use of renewable sources of energy, of by-products, wastes, residues and other non food raw material for purposes of the bio-economy;
 - (d) reducing nitrous oxide and methane emissions from agriculture;
 - (e) fostering carbon sequestration in agriculture and forestry;
 - (6) promoting social inclusion poverty reduction and economic development in rural areas, with a focus on the following areas:
 - (a) facilitating diversification, creation of new small enterprises and job creation;
 - (b) fostering local development in rural areas;

- (c) enhancing accessibility to, use and quality of information and communication technologies (ICT) in rural areas.

All of the priorities shall contribute to the cross-cutting objectives of innovation, environment and climate change mitigation and adaptation.

Article 6

Consistency

1. There shall be consistency between support from the EAFRD and the measures financed by the European Agricultural Guarantee Fund.
2. No support under this Regulation shall be granted to operations supported under common market organizations. The Commission shall be empowered to adopt delegated acts, in accordance with Article 90 to define exceptions from this rule.

TITLE II

Programming

Chapter I

Programming content

Article 7

Rural development programmes

1. The EAFRD shall act in the Member States through rural development programmes. These programmes shall implement a strategy to meet the Union priorities for rural development through a set of measures defined in Title III, for the achievement of which aid from the EAFRD will be sought.
2. A Member State may submit either a single programme for its entire territory or a set of regional programmes.
3. Member States with regional programmes may also submit for approval a national framework containing common elements for these programmes without a separate budgetary allocation.

Article 8

Thematic sub-programmes

1. Member States may include within their rural development programmes thematic sub-programmes, contributing to the Union priorities for rural development, aimed to address specific needs identified, in particular in relation to:
 - (a) young farmers;
 - (b) small farms as referred to in the third subparagraph of Article 20(2);
 - (c) mountain areas as referred to in Article 33(2);
 - (d) short supply chains.

An indicative list of measures and types of operations of particular relevance to each thematic sub-programme is set out in Annex III.

2. Thematic sub-programmes may also address specific needs relating to the restructuring of agricultural sectors with a significant impact on the development of a specific rural area.

3. The support rates laid down in Annex I may be increased by 10 percentage points for operations supported in the framework of thematic sub-programmes concerning small farms and short supply chains. In the case of young farmers and mountain areas, the maximum support rates may be increased in accordance with Annex I. However, the maximum combined support rate shall not exceed 90%.

Article 9

Content of rural development programmes

1. In addition to the elements referred to in Article 24 of Regulation (EU) No [CSF/2012], each rural development programme shall include:
 - (a) the *ex ante* evaluation referred to in Article 48 of Regulation (EU) No [CSF/2012];
 - (b) an analysis of the situation in terms of strengths, weaknesses, opportunities and threats (hereinafter "SWOT") and identification of the needs that have to be addressed in the geographical area covered by the programme and, where relevant, by the thematic sub-programmes referred to in Article 8.

The analysis shall be structured around the Union priorities for rural development. Specific needs concerning the environment, climate change mitigation and adaptation and innovation shall be assessed across Union priorities for rural development, in view of identifying relevant responses in these two areas at the level of each priority;

- (c) a description of the strategy which includes the target setting for each of the focus areas of the Union priorities for rural development included in the programme, on the basis of common indicators referred to in Article 76, to be defined as part of the monitoring and evaluation system referred to in Article 74, and a selection of measures, based on a sound intervention logic of the programme, including an assessment of the expected contribution of the measures chosen to achieve the targets.

The rural development programme shall demonstrate that:

- (i) relevant combinations of measures are included in relation to the Union priorities for rural development included in the programme, logically following from the *ex ante* evaluation referred to in point (a) and the analysis referred to in point (b);
 - (ii) the allocation of financial resources to the measures of the programme is balanced and adequate to achieve the targets set;
 - (iii) specific needs linked with specific conditions at regional or sub-regional level are taken into account and concretely addressed through adequately designed combinations of measures or thematic sub-programmes;

- (iv) a pertinent approach towards innovation, the environment, including the specific needs of Natura 2000 areas, and climate change mitigation and adaptation is integrated into the programme;
 - (v) appropriate action is envisaged to simplify the implementation of the programme;
 - (vi) measures have been taken to ensure the availability of sufficient advisory capacity on the regulatory requirements and all aspects linked to sustainable management in agriculture and forestry, as well as climate action;
 - (vii) initiatives are planned for raising awareness and animating innovative actions and establishing operational groups of the EIP for agricultural productivity and sustainability;
 - (viii) an appropriate approach has been defined laying down principles with regard to the setting of selection criteria for projects and local development strategies, which takes into account relevant targets. In this context Member States may provide for priority to be given or for a higher support rate for operations undertaken collectively by groups of farmers;
- (d) the assessment of the *ex ante* conditionalities and, where required, the actions referred to in Article 17(4) of Regulation (EU) No [CSF/2012] and the milestones established for the purpose of Article 19 of Regulation (EU) No [CSF/2012];
 - (e) a description of each of the measures selected;
 - (f) in relation to local development, a specific description of the coordination mechanisms between the local development strategies, the measure co-operation referred to in Article 36, the measure basic services and village renewal in rural areas referred to in Article 21 and the support for non-agricultural activities in rural areas under the measure farm and business development in rural areas referred to in Article 20;
 - (g) a description of the approach towards innovation in view of enhancing productivity and sustainable resource management and the contribution to achieving the objectives of the EIP for agricultural productivity and sustainability referred to in Article 61;
 - (h) an analysis of needs relating to monitoring and evaluation requirements and the evaluation plan referred to in Article 49 of Regulation (EU) No [CSF/2012]. The Member States shall provide sufficient resources and capacity building activities to address the identified needs;
 - (i) a financing plan comprising:
 - (i) a table setting out, in accordance with Article 64(4), the total EAFRD contribution planned for each year. When applicable this table shall indicate separately within the total EAFRD contribution the

appropriations provided for the less developed regions and the funds transferred to the EAFRD in application of Article 7(2) of Regulation (EU) No DP/2012. The planned annual EAFRD contribution shall be compatible with the Multi-annual Financial Framework;

- (ii) a table setting out, for each measure, the type of operation with a specific EAFRD contribution rate and technical assistance, the total Union contribution planned and the applicable EAFRD contribution rate. Where applicable, this table shall indicate separately the EAFRD contribution rate for less developed regions and for other regions;
 - (j) an indicator plan comprising for each of the Union priorities for rural development included in the programme the indicators and the selected measures with planned outputs and planned expenditure, broken down between public and private;
 - (k) where applicable, a table on additional national financing per measure in accordance with Article 89;
 - (l) the elements needed for the appraisal under Article 89 and, where applicable, the list of aid schemes falling under Article 88(1) to be used for the implementation of the programmes;
 - (m) information on the complementarity with measures financed by the other common agricultural policy instruments, through cohesion policy or by the EMFF;
 - (n) programme implementing arrangements including:
 - (i) the designation by the Member State of all authorities referred to in Article 72(2) and, for information, a summary description of the management and control structure;
 - (ii) a description of the monitoring and evaluation procedures, as well as the composition of the Monitoring Committee;
 - (iii) the provisions to ensure that the programme is publicised, including through the national rural network referred to in Article 55;
 - (o) the designation of the partners referred to in Article 5 of Regulation (EU) No [CSF/2012] and the results of the consultation of the partners;
 - (p) where applicable, the main elements of the national rural network action plan and structure referred to in Article 55(3), and provisions for its management, which would constitute the basis for its annual actions plans.
2. Where thematic sub-programmes are included in a rural development programme, each sub-programme shall include:
- (a) a specific analysis of the situation in terms of SWOT and identification of the needs that have to be addressed by the sub-programme;

- (b) specific targets at sub-programme level and a selection of measures, based on a thorough definition of the intervention logic of the sub-programme, including an assessment of the expected contribution of the measures chosen to achieve the targets;
 - (c) a separate specific indicator plan, with planned outputs and planned expenditure, broken down between public and private.
- 3. The Commission shall, by means of implementing acts lay down rules for the presentation of the elements described in paragraphs 1 and 2 in rural development programmes. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 91.

Chapter II

Preparation, approval and modification of rural development programmes

Article 10

Ex ante conditionalities

In addition to the *ex ante* conditionalities referred to in Annex IV, the general *ex ante* conditionalities established in Annex IV of Regulation (EU) No [CSF/2012] shall apply for the EAFRD.

Article 11

Approval of rural development programmes

- 1. Member States shall submit to the Commission a proposal for each rural development programme, containing the information mentioned in Article 9.
- 2. Each rural development programme shall be approved by the Commission by means of an implementing act adopted in accordance with the examination procedure referred to in Article 91.

Article 12

Amendment of rural development programmes

- 1. Requests for programme amendments by Member States shall be approved in accordance with the following procedures:
 - (a) The Commission shall, by means of implementing acts, decide on requests to amend programmes that concern:

- (i) a change in the programme strategy through a major reset of quantified targets;
- (ii) a change in the EAFRD contribution rate of one or more measures;
- (iii) a change of the entire Union contribution or its annual distribution at programme level;
- (iv) a transfer of funds between measures implemented under different EAFRD contribution rates.

Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 91.

- (b) The Commission shall, by means of implementing acts, decide on requests to amend the programme in all other cases. These shall include in particular:
 - (i) introduction or withdrawal of measures or types of operations;
 - (ii) changes in the description of measures, including changes of eligibility conditions.
2. The Commission shall be empowered to adopt delegated acts in accordance with Article 90 concerning the criteria defining a major reset of quantified targets referred to in paragraph 1(a)(i).

Article 13

Rules on procedures and timetables

The Commission shall, by means of implementing acts, adopt rules on procedures and timetables for:

- (a) the approval of rural development programmes;
- (b) the submission and approval of proposals for amendments to rural development programmes, including their entry into force and frequency of submission during the programming period.

Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 91.

TITLE III

Rural development support

Chapter I

Measures

Article 14

Measures

Each rural development measure shall be programmed to contribute specifically to the achievement of one or more Union priorities for rural development. An indicative list of measures of particular relevance to the Union priorities is set out in Annex V.

SECTION 1

INDIVIDUAL MEASURES

Article 15

Knowledge transfer and information actions

1. Support under this measure shall cover vocational training and skills acquisition actions, demonstration activities and information actions. Vocational training and skills acquisition actions may include training courses, workshops and coaching.

Support may also cover short-term farm management exchange and farm visit.

2. Support under this measure shall be for the benefit of persons engaged in the agricultural, food and forestry sector, land managers and other economic actors which are SMEs operating in rural areas.

The training or other knowledge transfer and information action provider shall be the beneficiary of the support.

3. Support under this measure shall not include courses of instruction or training, which form part of normal education programmes or systems at secondary or higher levels.

Bodies providing knowledge transfer and information services shall have the appropriate capacities in the form of staff qualifications and regular training to carry out this task.

4. Eligible costs under this measure shall be the costs of organising and delivering the knowledge transfer or information action. In the case of demonstration projects, support may also cover relevant investment costs. Costs for travel, accommodation and per diem expenses of participants as well as the cost of replacement of farmers shall also be eligible.
5. The Commission shall be empowered to adopt delegated acts in accordance with Article 90 concerning the further specification of eligible costs, the minimum qualifications of bodies providing knowledge transfer services and the duration and content of farm exchange schemes and farm visits.

Article 16

Advisory services, farm management and farm relief services

1. Support under this measure shall be granted in order to:
 - (a) help farmers, forest holders and SMEs in rural areas benefit from the use of advisory services for the improvement of the economic and environmental performance as well as the climate friendliness and resilience of their holding, enterprise and/or investment;
 - (b) promote the setting up of farm management, farm relief and farm advisory services, as well as forestry advisory services, including the Farm Advisory System referred to in Articles 12 to 14 of Regulation (EU) No HR/2012;
 - (c) promote the training of advisors.
2. The beneficiary of support provided in paragraph 1(a) and (c) shall be the provider of advice or training. Support under paragraph 1(b) shall be granted to the authority or body selected to set up the farm management, farm relief, farm advisory or forestry advisory service.
3. The authorities or bodies selected to provide advice shall have the appropriate resources in the form of regularly trained and qualified staff and advisory experience and reliability with respect to the fields they advise in. The beneficiaries shall be chosen through calls for proposals. The selection procedure shall be objective and be open to public as well as to private bodies.

When providing advice, advisory services shall respect the non-disclosure obligations referred to in Article 13(2) of Regulation (EU) No HR/2012
4. Advice to farmers shall be linked to at least one Union priority for rural development and shall cover as a minimum one of the following elements:
 - (a) one or more of the statutory management requirements and/or standards for good agricultural and environmental conditions provided for in Chapter I of Title VI of Regulation (EU) No HR/2012;

- (b) where applicable, the agricultural practices beneficial for the climate and the environment as laid down in Chapter 2 of Title III of Regulation (EU) No DP/2012 and the maintenance of the agricultural area as referred to in Article 4(1)(c) of Regulation (EU) No DP/2012;
- (c) the requirements or actions related to climate change mitigation and adaptation, biodiversity, the protection of water and soil, animal and plant disease notification and innovation as laid down in Annex I to Regulation (EU) No HR/2012;
- (d) the sustainable development of the economical activity of the small farms as defined by the Member States and at least of the farms participating in the Small farmers scheme referred to in Title V of Regulation (EU) No DP/2012; or
- (e) where relevant, occupational safety standards based on Union legislation.

Advice may also cover other issues linked to the economic, agricultural and environmental performance of the agricultural holding.

5. Advice to forest holders shall cover as a minimum the relevant obligations under Directives 92/43/EEC, 2009/147/EC and 2000/60/EC. It may also cover issues linked to the economic and environmental performance of the forest holding.
6. Advice to SMEs may cover issues linked to the economic and environmental performance of the enterprise.
7. Where justified and appropriate, advice may be partly provided in group, while taking into account the situations of the individual user of advisory services.
8. Support under paragraphs 1(a) and (c) shall be limited to the maximum amounts laid down in Annex I. Support under paragraph 1(b) shall be degressive over a maximum period of five years from setting up.
9. The Commission shall be empowered to adopt delegated acts in accordance with Article 90 concerning the further specification of the minimum qualifications of the authorities or bodies providing advice.

Article 17

Quality schemes for agricultural products and foodstuffs

1. Support under this measure shall cover new participation by farmers in:
 - (a) quality schemes for agricultural products, cotton or foodstuffs established by Union legislation;
 - (b) quality schemes for agricultural products, cotton or foodstuffs recognised by the Member States as complying with the following criteria:

- (i) the specificity of the final product under such schemes is derived from clear obligations to guarantee:
 - specific product characteristics, or
 - specific farming or production methods, or
 - a quality of the final product that goes significantly beyond the commercial commodity standards as regards public, animal or plant health, animal welfare or environmental protection;
 - (ii) the scheme is open to all producers;
 - (iii) the scheme involves binding product specifications and compliance with those specifications is verified by public authorities or by an independent inspection body;
 - (iv) the scheme is transparent and assures complete traceability of products;
- or
- (c) voluntary agricultural product certification schemes recognised by the Member States as meeting the Union best practice guidelines²⁹ for the operation of voluntary certification schemes relating to agricultural products and foodstuffs.
2. Support shall be granted as an annual incentive payment, the level of which shall be determined according to the level of the fixed costs arising from participation in supported schemes, for a maximum duration of five years.
- For the purposes of this paragraph, 'fixed costs' means the costs incurred for entering a supported quality scheme and the annual contribution for participating in that scheme, including, where necessary, expenditure on checks required to verify compliance with the specifications of the scheme.
3. Support shall be limited to the maximum amount laid down in Annex I.
4. The Commission shall be empowered to adopt delegated acts in accordance with Article 90 concerning the specific Union quality schemes to be covered by paragraph 1(a).

Article 18

Investments in physical assets

1. Support under this measure shall cover tangible and/or intangible investments which:

²⁹ Commission Communication – EU best practice guidelines for voluntary certification schemes for agricultural products and foodstuffs, OJ C 341, 16.12.2010, p. 5.

- (a) improve the overall performance of the agricultural holding;
 - (b) concern the processing, marketing and/or development of agricultural products covered by Annex I to the Treaty or cotton. The output of the production process may be a product not covered by that Annex;
 - (c) concern infrastructure related to the development and adaptation of agriculture, including access to farm and forest land, land consolidation and improvement, energy supply and, water management; or
 - (d) are non productive investments linked to the achievement of agri- and forest-environment commitments, biodiversity conservation status of species and habitat as well as enhancing the public amenity value of a Natura 2000 area or other high nature value area to be defined in the programme.
2. Support under paragraph 1(a) shall be granted to agricultural holdings. In the case of investments to support farm restructuring, only farms not exceeding a certain size, to be defined by the Member States in the programme based on the SWOT analysis carried out in relation to the Union priority for rural development “enhancing competitiveness of all types of agriculture and enhancing farm viability”, shall be eligible.
 3. Support under this measure shall be limited to the maximum support rates laid down in Annex I. These maximum rates may be increased for young farmers, collective investments and integrated projects involving support under more than one measure, investments in areas facing significant natural constraints as referred to in Article 33(3) and operations supported in the framework of the EIP for agricultural productivity and sustainability in accordance with the support rates laid down in Annex I. However, the maximum combined support rate may not exceed 90%.
 4. Paragraph 3 shall not apply to non-productive investments referred to in paragraph 1(d).

Article 19

Restoring agricultural production potential damaged by natural disasters and catastrophic events and introduction of appropriate prevention actions

1. Support under this measure shall cover:
 - (a) investments in preventive actions aimed at reducing the consequences of probable natural disasters and catastrophic events;
 - (b) investments for the restoration of agricultural land and production potential damaged by natural disasters and catastrophic events.
2. Support shall be granted to farmers or groups of farmers. Support may also be granted to public entities where a link between the investment undertaken by such entities and agricultural production potential is established.

3. Support under paragraph 1(b) shall be subject to the formal recognition by the competent public authorities of Member States that a natural disaster has occurred and that this disaster or measures adopted in accordance with Directive 2000/29/EC to eradicate or contain a plant disease or pest has caused the destruction of at least 30% of the relevant agricultural potential.
4. No support under this measure shall be granted for loss of income resulting from the natural disaster or catastrophic event.

Member States shall ensure that overcompensation as a result of the combination of this measure and other national or Union support instruments or private insurance schemes is avoided.
5. Support under paragraph 1(a) shall be limited to the maximum support rate laid down in Annex I. This maximum rate shall not apply to collective projects by more than one beneficiary.
6. The Commission shall be empowered to adopt delegated acts in accordance with Article 90 concerning the definition of eligible costs under this measure.

Article 20

Farm and business development

1. Support under this measure shall cover:
 - (a) business start-up aid for:
 - (i) young farmers;
 - (ii) non-agricultural activities in rural areas;
 - (iii) the development of small farms;
 - (b) investments in non-agricultural activities;
 - (c) annual payments for farmers participating in the small farmers scheme established by Title V of Regulation (EU) No DP/2012 (hereafter "the small farmers scheme") who permanently transfer their holding to another farmer.
2. Support under paragraph 1(a)(i) shall be granted to young farmers.

Support under paragraph 1(a)(ii) shall be granted to farmers or members of the farm household diversifying into non-agricultural activities and to non-agricultural micro- and small- enterprises in rural areas.

Support under paragraph 1(a)(iii) shall be granted to small farms as defined by Member States.

Support under paragraph 1(b) shall be granted to non- agricultural micro- and small- enterprises in rural areas and to farmers or members of the farm household.

Support under paragraph 1(c) shall be granted to farmers participating in the small farmers scheme, at the time of submitting their application for support, for at least one year and who commit to permanently transfer their entire holding and the corresponding payment entitlements to another farmer. Support shall be paid from the date of the transfer until 31 December 2020.

3. Any natural or legal person or a group of natural or legal persons, whatever legal status is granted to the group and its members by national law, may be considered as a member of a farm household, with the exception of farm workers. Where a legal person or a group of legal persons is considered as a member of the farm household, that member must exercise an agricultural activity on the farm at the time of the support application.
4. Support under paragraph 1(a) shall be conditional on the submission of a business plan. Implementation of the business plan has to start within six months from the date of the decision granting the aid.

Member States shall define upper and lower thresholds for allowing agricultural holdings access to support under paragraphs 1(a)(i) and 1(a)(iii) respectively. The lower threshold for support under paragraph 1(a)(i) shall be significantly higher than the upper threshold for support under paragraph 1(a)(iii). Support shall, however, be limited to holdings coming under the definition of micro- and small-enterprises.

5. Support under paragraph 1(a) shall be in the form of a flat rate payment, which may be paid in at least two instalments over a period of maximum five years. Instalments may be degressive. The payment of the last instalment, under paragraph 1(a)(i) and (ii) shall be conditional upon the correct implementation of the business plan.
6. The maximum amount of support for paragraph 1(a) is laid down in Annex I. Member States shall define the amount of support under paragraph 1(a)(i) and (ii) also taking into account the socio-economic situation of the programme area.
7. Support under paragraph 1(c) shall be equal to 120% of the annual payment that the beneficiary received under the small farmers scheme.
8. The Commission shall be empowered to adopt delegated acts in accordance with Article 90 concerning the minimum content of business plans and the criteria to be used by Member States for setting the thresholds referred to in paragraph 4.

Article 21

Basic services and village renewal in rural areas

1. Support under this measure shall cover in particular:
 - (a) the drawing up and updating of plans for the development of municipalities in rural areas and their basic services and of protection and management plans relating to NATURA 2000 sites and other areas of high nature value;

- (b) investments in the creation, improvement or expansion of all types of small scale infrastructure, including investments in renewable energy;
 - (c) broadband infrastructure, including its creation, improvement and expansion, passive broadband infrastructure and provision of access to broadband and public e-government solutions;
 - (d) investments in the setting-up, improvement or expansion of local basic services for the rural population, including leisure and culture, and the related infrastructure;
 - (e) investments by public bodies in recreational infrastructure, tourist information and sign-posting of touristic sites;
 - (f) studies and investments associated with the maintenance, restoration and upgrading of the cultural and natural heritage of villages and rural landscapes, including related socio-economic aspects;
 - (g) investments targeting the relocation of activities and conversion of buildings or other facilities located close to rural settlements, with a view to improving the quality of life or increasing the environmental performance of the settlement.
2. Support under this measure shall only concern small-scale infrastructure, as defined by each Member State in the programme. However, rural development programmes may provide for specific derogations from this rule for investments in broadband and renewable energy. In this case, clear criteria ensuring complementarity with support under other Union instruments shall be provided.
 3. Investments under paragraph 1 shall be eligible for support where the relevant operations are implemented in accordance with plans for the development of municipalities in rural areas and their basic services, where such plans exist and shall be consistent with any local development strategy where one exists.
 4. The Commission shall be empowered to adopt delegated acts in accordance with Article 90 concerning the definition of the types of renewable energy infrastructure that shall be eligible for support under this measure.

Article 22

Investments in forest area development and improvement of the viability of forests

1. Support under this measure shall concern:
 - (a) afforestation and creation of woodland;
 - (b) establishment of agro-forestry systems;
 - (c) prevention and restoration of damage to forests from forest fires and natural disasters, including pest and disease outbreaks, catastrophic events and climate related threats;

- (d) investments improving the resilience and environmental value as well as the mitigation potential of forest ecosystems;
 - (e) investments in new forestry technologies and in processing and marketing of forest products.
2. Limitations on ownership of forests provided for in Articles 36 to 40 shall not apply for the tropical or subtropical forests and for the wooded areas of the territories of the Azores, Madeira, the Canary islands, the smaller Aegean islands within the meaning of Council Regulation (EEC) No 2019/93³⁰ and the French overseas departments.

For holdings above a certain size, to be determined by the Member States in the programme, support shall be conditional on the submission of a forest management plan or equivalent instrument in line with sustainable forest management as defined by the Ministerial Conference on the Protection of Forests in Europe of 1993³¹ (hereinafter "sustainable forest management").

3. The Commission shall be empowered to adopt delegated acts in accordance with Article 90 concerning the conditions for establishing the occurrence of a natural disaster or of pests and diseases outbreaks, and the definition of eligible types of preventive actions.

Article 23

Afforestation and creation of woodland

1. Support under Article 22(1)(a) shall be granted to private land-owners and tenants, municipalities and their associations and shall cover the costs of establishment and an annual premium per hectare to cover the costs of maintenance, including early and late cleanings, for a maximum period of ten years.
2. Both agricultural and non-agricultural land shall be eligible. Species planted shall be adapted to the environmental and climatic conditions of the area and answer to minimum environmental requirements. No support shall be granted for the planting of short rotation coppice, Christmas trees or fast growing trees for energy production. In areas where afforestation is made difficult by severe pedo-climatic conditions support may be provided for planting other perennial woody species such as shrubs or bushes suitable to the local conditions.
3. The Commission shall be empowered to adopt delegated acts in accordance with Article 90 concerning the definition of the minimum environmental requirements referred to in paragraph 2.

³⁰ OJ L 184, 27.7.1993, p. 1.

³¹ Second Ministerial Conference on the Protection of Forests in Europe, 16-17 June 1993, Helsinki/Finland, "Resolution H1 - General Guidelines for the Sustainable Management of Forests in Europe".

Article 24

Establishment of agro-forestry systems

1. Support under Article 22(1)(b) shall be granted to private landowners, tenants, municipalities and their associations and shall cover the costs of establishment and an annual premium per hectare to cover the costs of maintenance for a maximum period of three years.
2. "Agro-forestry systems" shall mean land use systems in which trees are grown in combination with extensive agriculture on the same land. The maximum number of trees to be planted per hectare shall be determined by the Member States taking account of local pedo-climatic conditions, forestry species and the need to ensure agricultural use of the land.
3. Support shall be limited to the maximum support rate laid down in Annex I.

Article 25

Prevention and restoration of damage to forests from forest fires and natural disasters and catastrophic events

1. Support under Article 22(1)(c) shall be granted to private, semi public and public forest owners, municipalities, state forests and their associations and shall cover the costs for:
 - (a) the establishment of protective infrastructure. In the case of firebreaks support may also cover aid contributing to maintenance costs. No support shall be granted for agricultural related activities in areas covered by agri-environment commitments;
 - (b) local, small scale prevention activities against fire or other natural hazards;
 - (c) establishing and improving forest fire, pest and diseases monitoring facilities and communication equipment;
 - (d) restoring forest potential damaged from fires and other natural disasters including pests, diseases as well as catastrophic events and climate change related events.
2. In the case of preventive actions concerning pests and diseases, the risk of a relevant disaster occurrence must be supported by scientific evidence and acknowledged by scientific public organisations. Where relevant, the list of species of organisms harmful to plants which may cause a disaster must be provided in the programme.

Eligible operations shall be consistent with the forest protection plan established by the Member States. For holdings above a certain size, to be determined by the Member States in the programme, support shall be conditional on the submission of a forest management plan detailing the preventive objectives.

Forest areas classified as medium to high forest fire risk according to the forest protection plan established by the Member States shall be eligible for support relating to forest fire prevention.

3. Support under paragraph 1(d) shall be subject to the formal recognition by the competent public authorities of Member States that a natural disaster has occurred and that this disaster, or measures adopted in accordance with Directive 2000/29/EC to eradicate or contain a plant disease or pest has caused the destruction of at least 30% of the relevant forest potential. This percentage shall be determined on the basis of either the average existing forest potential in the three-year period immediately preceding the disaster or on the average of the five-year period immediately preceding the disaster, excluding the highest and the lowest entry.
4. No support under this measure shall be granted for loss of income resulting from the natural disaster.

Member States shall ensure that overcompensation as a result of the combination of this measure and other national or Union support instruments or private insurance schemes is avoided.

Article 26

Investments improving the resilience and environmental value of forest ecosystems

1. Support under Article 22(1)(d) shall be granted to natural persons, private forest owners, private law and semi-public bodies, municipalities and their associations. In the case of state forests support may also be granted to bodies managing such forests, which are independent from the state budget.
2. Investments shall be aimed at the achievement of commitments undertaken for environmental aims or providing ecosystem services and/or which enhance the public amenity value of forest and wooded land in the area concerned or improve the climate change mitigation potential of ecosystems, without excluding economic benefits in the long term.

Article 27

Investments in new forestry technologies and in processing and marketing of forest products

1. Support under Article 22(1)(e) shall be granted to private forest owners, municipalities and their associations and to SMEs for investments enhancing forestry potential or relating to processing and marketing adding value to forest products. In the territories of the Azores, Madeira, the Canary islands, the smaller Aegean islands within the meaning of Regulation (EEC) No 2019/93 and the French overseas departments support may also be granted to enterprises that are not SMEs.

2. Investments related to the improvement of the economic value of forests shall be at the level of the forest holding and may include investments for soil and resource friendly harvesting machinery and practices.
3. Investments related to the use of wood as a raw material or energy source shall be limited to all working operations prior to industrial processing.
4. Support shall be limited to the maximum support rates laid down in Annex I.

Article 28

Setting up of producer groups

1. Support under this measure shall be granted in order to facilitate the setting up of producer groups in the agriculture and forestry sectors for the purpose of:
 - (a) adapting the production and output of producers who are members of such groups to market requirements;
 - (b) jointly placing goods on the market, including preparation for sale, centralisation of sales and supply to bulk buyers;
 - (c) establishing common rules on production information, with particular regard to harvesting and availability; and
 - (d) other activities that may be carried out by producer groups, such as development of business and marketing skills and organisation and facilitation of innovation processes.

2. Support shall be granted to producer groups which are officially recognised by the Member States' competent authority on the basis of a business plan. It shall be limited to producer groups coming under the definition of SMEs.

Member States shall verify that the objectives of the business plan have been reached within five years after recognition of the producer group.

3. The support shall be paid as a flat rate aid in annual instalments for the first five years following the date on which the producer group was recognised on the basis of its business plan. It shall be calculated on the basis of the group's annual marketed production. Member States shall pay the last instalment only after having verified the correct implementation of the business plan.

In the first year Member States may pay support to the producer group calculated on the basis of the average annual value of the marketed production of its members over the three years before they entered the group. In the case of producer groups in the forestry sector, support shall be calculated on the basis of the average marketed production of the members of the group over the last five years before the recognition, excluding the highest and the lowest value.

4. Support shall be limited to the maximum rates and amounts laid down in Annex I.

Article 29

Agri-environment- climate

1. Member States shall make support under this measure available throughout their territories, in accordance with their national, regional or local specific needs and priorities. Inclusion of this measure in rural development programmes shall be compulsory.
2. Agri-environment-climate payments shall be granted to farmers, groups of farmers or groups of farmers and other land-managers who undertake, on a voluntary basis, to carry out operations consisting of one or more agri-environment-climate commitments on agricultural land. Where duly justified to achieve environmental objectives, agri-environment-climate payments may be granted to other land-managers or groups of other land-managers.
3. Agri-environment-climate payments cover only those commitments going beyond the relevant mandatory standards established pursuant to Chapter I of Title VI of Regulation (EU) No HR/2012 and other relevant obligations established under Chapter 2 of Title III of Regulation (EU) No DP/2012, relevant minimum requirements for fertiliser and plant protection products use as well as other relevant mandatory requirements established by national legislation. All such mandatory requirements shall be identified in the programme.
4. Member States shall endeavour to provide persons undertaking to carry out operations under this measure with the knowledge and information required to implement them, including by commitment-related expert advice and/or by making support under this measure conditional to relevant training.
5. Commitments under this measure shall be undertaken for a period of five to seven years. However, where necessary in order to achieve or maintain the environmental benefits sought, Member States may determine a longer period in their rural development programmes for particular types of commitments, including by means of providing for their annual extension after the termination of the initial period.
6. Payments shall be granted annually and shall compensate beneficiaries for all or part of the additional costs and income foregone resulting from the commitments made. Where necessary they may also cover transaction costs to a value of up to 20% of the premium paid for the agri-environment-climate commitments. Where commitments are undertaken by groups of farmers, the maximum level shall be 30%.
7. Where required for ensuring the efficient application of the measure, Member States may use the procedure referred to in Article 49(3) for the selection of beneficiaries.
8. Support shall be limited to the maximum amounts laid down in Annex I.

No support under this measure may be granted for commitments that are covered under the organic farming measure.

9. Support may be provided for the conservation of genetic resources in agriculture for operations not covered by the provisions under paragraphs 1 to 8.
10. The Commission shall be empowered to adopt delegated acts in accordance with Article 90 concerning the annual extension of the commitments after the initial period of the operation, conditions applicable to commitments to extensify or manage differently livestock farming, to limit fertilisers, plant protection products or other inputs, to rear local breeds in danger of being lost to farming or to preserve plant genetic resources as well as concerning definition of eligible operations under paragraph 9.

Article 30

Organic farming

1. Support under this measure shall be granted, per hectare of UAA, to farmers or groups of farmers who undertake, on a voluntary basis to convert to or maintain organic farming practices and methods as defined in Council Regulation (EC) No 834/2007³².
2. Support shall only be granted for commitments going beyond the relevant mandatory standards established pursuant to Chapter I of Title VI of Regulation (EU) No HR/2012, relevant minimum requirements for fertiliser and plant protection products use as well as other relevant mandatory requirements established by national legislation. All such requirements shall be identified in the programme.
3. Commitments under this measure shall be undertaken for a period of five to seven years. Where support is granted for the maintenance of organic farming, Member States may provide in their rural development programmes for annual extension after the termination of the initial period.
4. Payments shall be granted annually and shall compensate beneficiaries for all or part of the additional costs and income foregone resulting from the commitments made. Where necessary they may also cover transaction costs to a value of up to 20% of the premium paid for the commitments. Where commitments are undertaken by groups of farmers, the maximum level shall be 30%.
5. Support shall be limited to the maximum amounts laid down in Annex I.

Article 31

Natura 2000 and Water framework directive payments

1. Support under this measure shall be granted annually and per hectare of UAA or per hectare of forest in order to compensate beneficiaries for costs incurred and

³² OJ L 189, 20.7.2007, p. 1.

income foregone resulting from disadvantages in the areas concerned, related to the implementation of Directives , 92/43/EEC, 2009/147/EC and 2000/60/EC.

2. Support shall be granted to farmers and to private forest owners and associations of forest owners respectively. In duly justified cases it may also be granted to other land managers.
3. Support to farmers, linked to Directives 92/43/EEC and 2009/147/EC shall only be granted in relation to disadvantages resulting from requirements that go beyond the good agricultural and environmental condition provided for in Article 94 and Annex II of Council Regulation (EU) No HR/2012.
4. Support to farmers, linked to Directive 2000/60/EC shall only be granted in relation to specific requirements that:
 - (a) were introduced by Directive 2000/60/EC, are in accordance with the programmes of measures of the river basin management plans for the purpose of achieving the environmental objectives of that Directive and go beyond the measures required to implement other Union legislation for the protection of water;
 - (b) go beyond the statutory management requirements and the good agricultural and environmental condition provided for in Chapter I of Title VI of Regulation (EU) No HR/2012 and the obligations established under Chapter 2 of Title III of Regulation (EU) No DP/2012;
 - (c) go beyond the level of protection of the Union legislation existing at the time Directive 2000/60/EC was adopted as laid down in Article 4(9) of Directive 2000/60/EC; and
 - (d) impose major changes in type of land use, and/or major restrictions in farming practice resulting in a significant loss of income.
5. The requirements referred to in paragraphs 3 and 4 shall be identified in the programme.
6. The following areas shall be eligible for payments:
 - (a) Natura 2000 agricultural and forest areas designated pursuant to Directives 92/43/EEC and 2009/147/EC ;
 - (b) other delimited nature protection areas with environmental restrictions applicable to farming or forests which contribute to the implementation of Article 10 of Directive 92/43/EEC. These areas shall, per rural development programme, not exceed 5% of the designated Natura 2000 areas covered by its territorial scope;
 - (c) agricultural areas included in river basin management plans according to Directive 2000/60/EC.
7. Support shall be limited to the maximum amounts laid down in Annex I.

Article 32

Payments to areas facing natural or other specific constraints

1. Payments to farmers in mountain areas and other areas facing natural or other specific constraints shall be granted annually per hectare of UAA in order to compensate farmers for additional costs and income foregone related to the constraints for agricultural production in the area concerned.

Additional costs and income foregone shall be calculated in comparison to areas which are not affected by natural or other specific constraints, taking into account payments pursuant to Chapter 3 of Title III of Regulation (EU) No DP/2012.

2. Payments shall be granted to farmers who undertake to pursue their farming activity in the areas designated pursuant to Article 33.
3. Payments shall be fixed between the minimum and maximum amount laid down in Annex I.
4. Member States shall provide for degressivity of payments above a threshold level of area per holding, to be defined in the programme.
5. Member States may grant payments under this measure between 2014 and 2017 to farmers in areas which were eligible under Article 36(a)(ii) of Regulation (EC) No 1698/2005 during the 2007-2013 programming period but are no longer eligible following the new delimitation referred to in Article 46(3). These payments shall be degressive starting in 2014 at 80% of the payment received in 2013 and ending in 2017 at 20%.
6. In Member States which have not completed the delimitation referred to in Article 33(3) before 1 January 2014, paragraph 5 shall apply to farmers receiving payments in areas which were eligible for such payments during the 2007-2013 period. Following completion of the delimitation, farmers in areas that remain eligible shall receive full payments under this measure. Farmers in areas that are no longer eligible shall continue to receive payments in accordance with paragraph 5.

Article 33

Designation of areas facing natural and other specific constraints

1. Member States shall, on the basis of paragraphs 2, 3 and 4, designate areas eligible for payments provided for in Article 32 under the following categories:
 - (a) mountain areas;
 - (b) areas, other than mountain areas, facing significant natural constraints; and
 - (c) other areas affected by specific constraints.

2. In order to be eligible for payments under Article 32, mountain areas shall be characterized by a considerable limitation of the possibilities for using the land and by an appreciable increase in production costs due to:
 - (a) the existence, because of altitude, of very difficult climatic conditions, the effect of which is substantially to shorten the growing season;
 - (b) at a lower altitude, the presence over the greater part of the area in question of slopes too steep for the use of machinery or requiring the use of very expensive special equipment, or a combination of these two factors, where the constraints resulting from each taken separately is less acute but the combination of the two gives rise to an equivalent constraints.

Areas north of the 62nd parallel and certain adjacent areas shall be regarded as mountain areas.

3. In order to be eligible for payments under Article 32, areas, other than mountain areas, shall be considered as facing significant natural constraints if at least 66% of the UAA meets at least one of the criteria listed in Annex II at the threshold value indicated. Respect of this condition shall be ensured at the appropriate level of local administrative units ("LAU 2" level).

When delimiting the areas concerned by this paragraph, Member States shall undertake a fine-tuning exercise, based on objective criteria, with the purpose of excluding areas in which significant natural constraints in accordance with the first subparagraph have been documented but have been overcome by investments or by economic activity.

4. Areas other than those referred to in paragraphs 2 and 3 shall be eligible for payments under Article 32 if they are affected by specific constraints and where land management should be continued in order to conserve or improve the environment, maintain the countryside and preserve the tourist potential of the area or in order to protect the coastline.

Areas affected by specific constraints shall comprise farming areas which are homogeneous from the point of view of natural protection conditions and their total extent shall not exceed 10% of the area of the Member State concerned.

5. Member States shall attach to their rural development programmes:
 - (a) the existing or amended delimitation pursuant to paragraphs 2 and 4;
 - (b) the new delimitation of the areas referred to in paragraph 3.

Article 34

Animal welfare

1. Animal welfare payments under this measure shall be granted to farmers who undertake, on a voluntary basis, to carry out operations consisting of one or more animal welfare commitments.
2. Animal welfare payments cover only those commitments going beyond the relevant mandatory standards established pursuant to Chapter I of Title VI of Regulation (EU) No HR/2012 and other relevant mandatory requirements established by national legislation. These relevant requirements shall be identified in the programme.

Those commitments shall be undertaken for a renewable period of one year.

3. The area based or other unitary costs based payments shall be granted annually and shall compensate farmers for all or part of the additional costs and income foregone resulting from the commitment made. Where necessary, they may also cover transaction costs to the value of up to 20% of the premium paid for the animal welfare commitments.

Support shall be limited to the maximum amount laid down in Annex I.

4. The Commission shall be empowered to adopt delegated acts in accordance with Article 90 concerning the definition of the areas in which animal welfare commitments shall provide upgraded standards of production methods.

Article 35

Forest-environmental and climate services and forest conservation

1. Support under this measure shall be granted per hectare of forest to forest holders, municipalities and their associations who undertake, on a voluntary basis, to carry out operations consisting of one or more forest-environment commitments. Bodies managing state owned forests may also benefit from support provided they are independent from the state budget.

For forest holdings above a certain threshold to be determined by Member States in their rural development programmes, support under paragraph 1 shall be conditional on the submission of a forest management plan or equivalent instrument in line with sustainable forest management.

2. Payments shall cover only those commitments going beyond the relevant mandatory requirements established by the national forestry act or other relevant national legislation. All such requirements shall be identified in the programme.

Commitments shall be undertaken for a period of between five and seven years. However, where necessary and duly justified, Member States may determine a

longer period in their rural development programmes for particular types of commitments.

3. Payments shall compensate beneficiaries for all or part of the additional costs and income foregone resulting from the commitments made. Where necessary they may also cover transaction costs to a value of up to 20% of the premium paid for the forest-environment commitments. Support shall be limited to the maximum amount laid down in Annex I.
4. Support may be provided to private entities, municipalities and their associations for the conservation and promotion of forest genetic resources for operations not covered under paragraphs 1, 2 and 3.
5. The Commission shall be empowered to adopt delegated acts in accordance with Article 90 concerning the types of operations eligible for support under paragraph 4.

Article 36

Co-operation

1. Support under this measure shall promote forms of co-operation involving at least two entities and in particular:
 - (a) co-operation approaches among different actors in the Union agriculture and food chain, forestry sector and among other actors that contribute to achieving the objectives and priorities of rural development policy, including inter-branch organisations;
 - (b) the creation of clusters and networks;
 - (c) the establishment and operation of operational groups of the EIP for agricultural productivity and sustainability as referred to in Article 62.
2. Co-operation under paragraph 1 shall relate in particular to the following:
 - (a) pilot projects;
 - (b) the development of new products, practices, processes and technologies in the agriculture, food and forestry sectors
 - (c) co-operation among small operators in organising joint work processes, sharing facilities and resources;
 - (d) horizontal and vertical co-operation among supply chain actors for the establishment of logistic platforms to promote short supply chains and local markets;
 - (e) promotion activities in a local context relating to the development of short supply chains and local markets;

- (f) joint action undertaken with a view to mitigating or adapting to climate change;
 - (g) collective approaches to environmental projects and ongoing environmental practices;
 - (h) horizontal and vertical cooperation among supply chain actors in the sustainable production of biomass for use in food, energy production and industrial processes.
 - (i) implementation, in particular by public-private partnerships other than those defined in Article 28(1)(b) of Regulation (EU) No [CSF/2012], of local development strategies addressing one or more of the Union priorities for rural development;
 - (j) drawing up of forest management plans or equivalent instruments.
3. Support under paragraph 1(b) shall be granted only to newly formed clusters and networks and those commencing an activity that is new to them.
- Support for operations under paragraph 2(b) may be granted also to individual actors where this possibility is provided for in the rural development programme.
4. The results of pilot projects and operations by individual actors under paragraph 2(b) shall be disseminated.
5. The following costs, linked to the forms of co-operation referred to in paragraph 1 shall be eligible for support under this measure:
- (a) studies of the area concerned, feasibility studies, and costs for the drawing up of a business plan or a forest management plan or equivalent, or local development strategy other than the one referred to in Article 29 of Regulation EU (No) [CSF/2012];
 - (b) animation of the area concerned in order to make a collective territorial project feasible. In the case of clusters, animation may also concern the organisation of training, networking between members and the recruitment of new members;
 - (c) running costs of the co-operation;
 - (d) direct costs of specific projects linked to the implementation of a business plan, a local development strategy other than the one referred to in Article 29 of Regulation (EU) No [CSF/2012] or an action targeted towards innovation;
 - (e) costs of promotion activities.
6. Where a business plan or a forest management plan or equivalent or a development strategy is implemented, Member States may grant the aid either as a global amount covering the costs of co-operation and the costs of the projects implemented or cover only the costs of the co-operation and use funds from other measures or other Union Funds for project implementation.

7. Co-operation among actors located in different regions or Member States shall also be eligible for support.
8. Support shall be limited to a maximum period of seven years except for collective environmental action in duly justified cases.
9. Co-operation under this measure may be combined with projects supported by Union funds other than the EAFRD in the same territory. Member States shall ensure that overcompensation as a result of the combination of this measure with other national or Union support instruments is avoided.
10. The Commission shall be empowered to adopt delegated acts in accordance with Article 90 concerning the further specification of the characteristics of pilot projects, clusters, networks, short supply chains and local markets that will be eligible for support, as well as concerning the conditions for granting aid to the types of operation listed in paragraph 2.

Article 37

Risk management

1. Support under this measure shall cover:
 - (a) financial contributions, paid directly to farmers, to premiums for crop, animal and plant insurance against economic losses caused by adverse climatic events and animal or plant diseases or pest infestation;
 - (b) financial contributions to mutual funds to pay financial compensations to farmers, for economic losses caused by the outbreak of an animal or plant disease or an environmental incident;
 - (c) an income stabilisation tool, in the form of financial contributions to mutual funds, providing compensation to farmers who experience a severe drop in their income.
2. For the purpose of paragraph 1 points (b) and (c), ‘mutual fund’ shall mean a scheme accredited by the Member State in accordance with its national law for affiliated farmers to insure themselves, whereby compensation payments are made to affiliated farmers affected by economic losses caused by the outbreak of an animal or plant disease or an environmental incident or experiencing a severe drop in their income.
3. Member States shall ensure that overcompensation as a result of the combination of this measure with other national or Union support instruments or private insurance schemes is avoided. Direct income support received under the European

Globalisation Fund³³ (hereinafter "EGF") shall also be taken into consideration when estimating the income levels of farmers.

4. The Commission shall be empowered to adopt delegated acts in accordance with Article 90 concerning the minimum and maximum duration of the commercial loans to mutual funds referred to in Articles 39(3)(b) and 40(4).

Article 38

Crop, animal, and plant insurance

1. Support under Article 37(1)(a) shall only be granted for insurance contracts which cover for loss caused by an adverse climatic event or by an animal or plant disease or a pest infestation or a measure adopted in accordance with Directive 2000/29/EC to eradicate or contain a plant disease or pest which destroys more than 30 % of the average annual production of the farmer in the preceding three-year period or a three-year average based on the preceding five-year period, excluding the highest and lowest entry.
2. The occurrence of an adverse climatic event or the outbreak of an animal or plant disease or pest infestation has to be formally recognised as such by the competent authority of the Member State concerned.

Member States may, where appropriate, establish in advance criteria on the basis of which such formal recognition shall be deemed to be granted.

3. Insurance payments shall compensate for not more than the total of the cost of replacing the losses referred to in Article 37(1)(a) and shall not require or specify the type or quantity of future production.

Member States may limit the amount of the premium that is eligible for support by applying appropriate ceilings.

4. Support shall be limited to the maximum rate laid down in Annex I.

Article 39

Mutual funds for animal and plant diseases and environmental

incidents

1. In order to be eligible for support the mutual fund concerned shall:
 - (a) be accredited by the competent authority in accordance with national law;

³³ Regulation (EU) No [...] of [...] of the European Parliament and the Council on the European Globalisation Adjustment Fund (2014-2020), OJ L [...], [...], p. [...].

- (b) have a transparent policy towards payments into and withdrawals from the fund;
 - (c) have clear rules attributing responsibilities for any debts incurred.
- 2. Member States shall define the rules for the constitution and management of the mutual funds, in particular for the granting of compensation payments to farmers in the event of crisis and for the administration and monitoring of compliance with these rules.
- 3. The financial contributions referred to in Article 37(1)(b) may only relate to:
 - (a) the administrative costs of setting up the mutual fund, spread over a maximum of three years in a degressive manner;
 - (b) the amounts paid by the mutual fund as financial compensation to farmers. In addition, the financial contribution may relate to interest on commercial loans taken out by the mutual fund for the purpose of paying the financial compensation to farmers in case of crisis.

No contribution by public funds shall be made to initial capital stock.

- 4. As regards animal diseases, financial compensation under Article 37(1)(b) may only be granted in respect of diseases mentioned in the list of animal diseases established by the World Organisation for Animal Health and/or in the Annex to Decision 90/424/EEC.
- 5. Support shall be limited to the maximum support rate laid down in Annex I.

Member States may limit the costs that are eligible for support by applying:

- (a) ceilings per fund;
- (b) appropriate per unit ceilings.

Article 40

Income stabilisation tool

- 1. Support under Article 37(1)(c) may only be granted where the drop of income exceeds 30% of the average annual income of the individual farmer in the preceding three-year period or a three-year average based on the preceding five-year period excluding the highest and lowest entry. Income for the purposes of Article 37(1)(c) shall refer to the sum of revenues the farmer receives from the market, including any form of public support, deducting input costs. Payments by the mutual fund to farmers shall compensate for not more than 70% of the income lost.
- 2. In order to be eligible for support the mutual fund concerned shall:
 - (a) be accredited by the competent authority in accordance with national law;

- (b) have a transparent policy towards payments into and withdrawals from the fund;
 - (c) have clear rules attributing responsibilities for any debts incurred.
- 3. Member States shall define the rules for the constitution and management of the mutual funds, in particular for the granting of compensation payments to farmers in the event of crisis and for the administration and monitoring of compliance with these rules.
- 4. The financial contributions referred to in Article 37(1)(c) may only relate to the amounts paid by the mutual fund as financial compensation to farmers. In addition, the financial contribution may relate to interest on commercial loans taken out by the mutual fund for the purpose of paying the financial compensation to farmers in case of crisis.

No contribution by public funds shall be made to initial capital stock.
- 5. Support shall be limited to the maximum rate laid down in Annex I.

Article 41

Rules on the implementation of the measures

The Commission shall, by means of implementing acts, adopt rules on the implementation of the measures in this section concerning:

- (a) procedures for selection of authorities or bodies offering farm and forestry advisory services, farm management or farm relief services and the degressivity of the aid under the advisory services measure referred to in Article 16 ;
- (b) the assessment by the Member State of the progress of the business plan, payment options as well as modalities for access to other measures for young farmers under the farm and business development measure referred to in Article 20;
- (c) demarcation with other measures, conversion to units other than those used in Annex I, calculation of transaction costs and conversion or adjustment of commitments under the agri-environment-climate measure referred to in Article 29, the organic farming measure referred to in Article 30 and the forest-environmental services and forest conservation measure referred to in Article 35;
- (d) the possibility of using standard assumptions of income foregone under the measures of Articles 29 to 32, 34 and 35 and criteria for its calculation;
- (e) calculation of the amount of support where an operation is eligible for support under more than one measures.

These implementing acts shall be adopted in accordance with the examination procedure referred to in Article 91.

SECTION 2

LEADER

Article 42

LEADER local action groups

1. In addition to the tasks referred to in Article 30 of Regulation (EU) No [CSF/2012] local action groups may also perform additional tasks delegated to them by the Managing Authority and/or the paying agency.
2. Local action groups may request the payment of an advance from the competent paying agency if such possibility is provided for in the rural development programme. The amount of the advances shall not exceed 50% of the public support related to the running and animation costs.

Article 43

Preparatory support

1. Support under Article 31(a) of Regulation (EU) No [CSF/2012] shall cover:
 - (a) a “LEADER start-up kit” consisting of capacity building actions for groups who did not implement LEADER in the 2007-2013 programming period and support for small pilot projects;
 - (b) capacity building, training and networking with a view to preparing and implementing a local development strategy.
2. The Commission shall be empowered to adopt delegated acts in accordance with Article 90 concerning the definition of the eligible costs of the actions under paragraph 1.

Article 44

LEADER co-operation activities

1. The support referred to in Article 31(c) of Regulation (EU) No [CSF/2012] shall be granted to:
 - (a) inter-territorial or transnational co-operation projects;

“Inter-territorial co-operation” means co-operation within a Member State.
“Transnational co-operation” means co-operation between territories in several Member States and with territories in third countries.

- (b) preparatory technical support for inter-territorial and transnational co-operation projects, on condition that local action groups can demonstrate that they are envisaging the implementation of a concrete project.
2. Apart from other local action groups, the partners of a local action group under the EAFRD may be:
 - (a) a local public-private partnership on a rural territory that is implementing a local development strategy within or outside the Union;
 - (b) a local public-private partnership on a non rural territory that is implementing a local development strategy.
 3. In cases where co-operation projects are not selected by the local action groups, Member States shall establish a system of ongoing application for co-operation projects.

They shall make public the national or regional administrative procedures concerning the selection of transnational co-operation projects and a list of eligible costs at the latest two years after the date of approval of their rural development programmes.

Approval of co-operation projects shall take place no later than four months after the date of submission of the project.

4. Member States shall communicate to the Commission the approved transnational co-operation projects.

Article 45

Running costs and animation

1. Running costs referred to in Article 31(d) of Regulation (EU) No [CSF/2012] are costs linked to the management of the implementation of the local development strategy through the local action group.
2. Costs for the animation of the territory referred to in Article 31(d) of Regulation (EU) No [CSF/2012] are costs to cover actions to inform about the local development strategy as well as project development tasks.
3. The Commission shall be empowered to adopt delegated acts in accordance with Article 90 concerning the definition of the eligible costs of the actions under paragraph 2.

Chapter II

Common provisions for several measures

Article 46

Investments

1. In order to be eligible for EAFRD support investment operations shall be preceded by an assessment of the expected environmental impact in accordance with legislation specific to that kind of investment where the investment is likely to have negative effects on the environment.
2. Eligible expenditure shall be limited to:
 - (a) the construction, acquisition, including leasing, or improvement of immovable property;
 - (b) the purchase or lease purchase of new machinery and equipment including computing software up to the market value of the asset;
 - (c) general costs linked to expenditure referred to in points (a) and (b), such as architect, engineer and consultation fees, feasibility studies, the acquisition of patents or licenses.
3. In the case of irrigation, only investments that lead to a reduction of previous water use by at least 25% shall be considered as eligible expenditure. By way of derogation, in the Member States that adhered to the Union from 2004 onwards investments in new irrigation installations can be considered eligible expenditure in cases where an environmental analysis provides evidence that the investment concerned is sustainable and has no negative environmental impact.
4. In the case of agricultural investments, the purchase of agricultural production rights, payment entitlements, animals, annual plants and their planting shall not be eligible for investment support. However, in case of restoration of agricultural production potential damaged by natural disasters in accordance with Article 19(1)(b), expenditure for the purchase of animals may be eligible expenditure.
5. Beneficiaries of investment related support may request the payment of an advance of up to 50% of the public aid related to the investment from the competent paying agencies if that option is included in the rural development programme.
6. The Commission shall be empowered to adopt delegated acts in accordance with Article 90 concerning the conditions under which other costs connected with leasing contracts, second hand equipment and simple replacement investments may be considered as eligible expenditure.

Article 47

Rules for area related payments

1. The number of hectares to which a commitment pursuant to Articles 29, 30 and 35 applies may vary from year to year where:
 - (a) this possibility is provided for in the rural development programme;
 - (b) the commitment in question does not apply to fixed parcels; and
 - (c) the achievement of the commitment's objective is not jeopardised.
2. Where all or part of the land under commitment or the entire holding is transferred to another person during the period for which a commitment given as a condition for the grant of assistance runs, the commitment may be taken over for the remainder of the period by that other person or expire.
3. Where a beneficiary is unable to continue to comply with commitments given because the holding is re-parcelled or is the subject of public land consolidation measures or land consolidation measures approved by the competent public authorities, Member States shall take the measures necessary to allow the commitments to be adapted to the new situation of the holding. If such adaptation proves impossible, the commitment shall expire.
4. Reimbursement of the aid received shall not be required in cases of *force majeure*.
5. Paragraph 2 as regards cases of transfer of the entire holding and paragraph 4 shall also apply to commitments under Article 34.
6. The Commission shall be empowered to adopt delegated acts in accordance with Article 90 concerning conditions applicable in case of partial transfer of a holding, the definition of other situations in which reimbursement of the aid shall not be required.

Article 48

Revision clause

A revision clause shall be provided for operations undertaken pursuant to Articles 29, 30, 34 and 35 in order to ensure their adjustment in the case of amendments of the relevant mandatory standards, requirements or obligations referred to in those Articles beyond which the commitments have to go. Operations undertaken pursuant to Articles 29, 30 and 35 which extend beyond the current programming period shall contain a revision clause in order to allow for their adjustment to the legal framework of the following programming period.

If such adjustment is not accepted by the beneficiary, the commitment shall expire.

Article 49

Project selection

1. The Managing Authority of the rural development programme shall define selection criteria for operations under all measures following consultation with the Monitoring Committee. Selection criteria shall aim to ensure equal treatment of applicants, better use of financial resources and targeting of measures in accordance with the Union priorities for rural development. In defining selection criteria the principle of proportionality shall be taken into account in relation to small grants.
2. The Member State authority responsible for project selection shall ensure that projects are selected in accordance with the selection criteria referred to in paragraph 1 and according to a transparent and well documented procedure. Application of selection criteria shall not be compulsory in the case of the measures referred to in Articles 29 to 32, 34 and 35 except where available funds are not sufficient to cover all eligible applicants.
3. Where appropriate, the beneficiaries may be selected on the basis of calls for proposals, applying criteria of economic and environmental efficiency.

Article 50

Rural area definition

For the purposes of this Regulation the Managing Authority shall define "rural area" at programme level.

Chapter III

Technical assistance and networking

Article 51

Funding technical assistance

1. In accordance with Article 6 of Regulation (EU) No HR/2012 the EAFRD may use up to 0,25% of its annual allocation to finance the tasks referred to in Article 51 of Regulation (EU) No [CSF/2012], including the costs for setting up and operating the European network for rural development referred to in Article 52, the EIP network referred to in Article 53 and the European evaluation network for rural development referred to in Article 54, at the Commission's initiative and/or on its behalf.

The EAFRD may also finance the actions provided for in Article 41(2) of Regulation (EU) No XXXX/XXXX [quality regulation], in relation to Union quality scheme indications and symbols.

Those actions shall be carried out in accordance with Article 53(2) of Regulation (EC, Euratom) No 1605/2002 and any other provisions of that Regulation and of its implementing provisions applicable to this form of execution of the budget.

2. A sum of EUR 30 million shall be withdrawn from the allocation referred to in paragraph 1 and used to finance the prize for innovative, local cooperation referred to in Article 56.
3. At the initiative of the Member States up to 4% of the total amount of each rural development programme may be devoted to the tasks referred to in Article 52 of Regulation (EC) No [CSF/2012], as well as costs related to preparatory work for the delimitation of areas facing natural constraints referred to in Article 33(3).

Costs relating to the certification body referred to in Article 9 of Regulation (EU) No HR/2012 shall not be eligible under this paragraph.

Within the 4% limit an amount shall be reserved for establishing and operating the national rural network referred to in Article 55.

4. The Commission shall be empowered to adopt delegated acts in accordance with Article 90 concerning the further definition of control actions that shall be eligible for support under paragraph 3.

Article 52

European network for rural development

1. A European network for rural development for the networking of national networks, organisations, and administrations active in the field of rural development at Union level shall be put in place in accordance with Article 51(1).
2. Networking through the European network for rural development shall aim to:
 - (a) increase the involvement of stakeholders in the implementation of rural development`
 - (b) improve the quality of rural development programmes`
 - (c) play a role in informing the broader public on the benefits of rural development policy.
3. The tasks of the network shall be to:
 - (a) collect, analyse and disseminate information on action in the field of rural development;
 - (b) collect, consolidate and disseminate at Union level good rural development practices;

- (c) set up and run thematic groups and/or workshops with a view to facilitating the exchange of expertise and to supporting implementation and monitoring and further development of rural development policy;
 - (d) provide information on developments in the rural areas of the Union and in third countries;
 - (e) organise meetings and seminars at Union level for those actively involved in rural development;
 - (f) support the national networks and transnational co-operation initiatives;
 - (g) specifically for local action groups:
 - (i) create synergies with the activities carried out on national and/or regional level by the respective networks with regard to capacity building actions and exchange of experience; and
 - (ii) cooperate with the networking and technical support bodies for local development set up by the ERDF, the ESF and the EMFF as regards their local development activities and transnational co-operation.
4. The Commission shall, by means of implementing acts, set out the organisational structure and operation of the European network for rural development network. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 91.

Article 53

EIP network

1. A EIP network shall be put in place to support the EIP for agricultural productivity and sustainability referred to in Article 61, in accordance with Article 51(1). It shall enable the networking of operational groups, advisory services and researchers
2. The tasks of the EIP network shall be to:
 - (a) provide a help desk function and provide information to key actors concerning the EIP;
 - (b) animate discussions at the level of the programme in view of encouraging the setting up of operational groups;
 - (c) screen and report on research results and knowledge relevant to the EIP;
 - (d) collect, consolidate and disseminate good practice relevant to innovation;
 - (e) organise conferences and workshops and disseminate information in the field of the EIP.

3. The Commission shall, by means of implementing acts, set out the organisational structure and operation of the EIP network. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 91.

Article 54

European evaluation network for rural development

1. A European evaluation network for rural development shall be put in place to support the evaluation of rural development programmes in accordance with Article 51(1). It shall enable the networking of those involved in the evaluation of rural development programmes.
2. The aim of the European evaluation network for rural development shall be to facilitate the exchange of expertise and good practices on evaluation methodologies, to develop evaluation methods and tools, to provide support on evaluation processes, and on data collection and management.
3. The Commission shall, by means of implementing acts, set out the organisational structure and operation of the European evaluation network for rural development. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 91.

Article 55

National rural network

1. Each Member State shall establish a national rural network, which groups the organisations and administrations involved in rural development. The partnership referred to in Article 5 of Regulation (EU) No [CSF/2012] shall also be part of the national rural network.

Member States with regional programmes may submit for approval a specific programme for the establishment and the operation of their national rural network.

2. Networking by the national rural network shall aim to:
 - (a) increase the involvement of stakeholders in the implementation of rural development;
 - (b) improve the quality of rural development programmes;
 - (c) inform the broader public and potential beneficiaries on rural development policy;
 - (d) foster innovation in agriculture
3. EAFRD support under Article 51(3) shall be used:

- (a) for the structures needed to run the network;
 - (b) for the preparation and implementation of an action plan containing at least the following:
 - (i) network management;
 - (ii) involvement of stakeholders in support of programme design;
 - (iii) support for monitoring, in particular through collection and sharing of relevant feed-back, recommendations and analysis notably from the Monitoring Committees referred to in Article 41 of Regulation (EU) No [CSF/2012]. Local action groups shall also be supported by the national rural network for the monitoring and evaluation of the local development strategies;
 - (iv) provision of training activities for programme implementing bodies and local action groups in the process of formation;
 - (v) collection of examples of projects covering all priorities of the rural development programmes;
 - (vi) ongoing studies and analysis;
 - (vii) networking activities for local action groups and in particular technical assistance for inter-territorial and transnational co-operation, facilitation of co-operation among local action groups and the search of partners for the measure referred to in Article 36;
 - (viii) facilitation of exchanges of practice and experience among advisers and/or advisory services;
 - (ix) networking activities for innovation;
 - (x) a communication plan including publicity and information concerning the rural development programme in agreement with the Managing Authorities and information and communication activities aimed at a broader public.
 - (xi) provision to participate in and contribute to the activities of the European rural development network;
 - (c) the setting up of a pre-selection board of independent experts and the process of pre-selection of applications for the prize for innovative local co-operation referred to in Article 58(2).
4. The Commission shall, by means of implementing acts, adopt rules for the establishment and operation of national rural networks. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 91.

Chapter IV

Prize for innovative, local cooperation in rural areas

Article 56

Prize for innovative, local cooperation in rural areas

The funds referred to in Article 51(2) shall be used for financing the award of a prize to cooperation projects involving at least two entities located in different Member States that realise an innovative, local concept.

Article 57

Call for proposals

1. Starting at the latest in 2015 and every year thereafter the Commission shall launch a call for proposals in view of awarding the prize referred to in Article 56. The last call for proposals shall be launched no later than in 2019.
2. The call for proposals shall indicate a theme for the proposals which shall be related to one of the Union priorities for rural development. The theme shall also be appropriate for implementation through cooperation at transnational level.
3. The call for proposals shall be open to both local action groups and individual entities cooperating for the purpose of the specific project.

Article 58

Selection procedure

1. Applications for the prize shall be submitted by applicants in all Member States to the respective national rural network, which will be responsible for pre-selecting applications.
2. National rural networks shall set up, from within their members, a pre-selection board of independent experts in order to pre-select applications. Pre-selection of applications shall be done on the basis of the exclusion, selection and award criteria defined in the call for proposals. Each National Rural Network shall pre-select no more than 10 applications and shall transmit them to the Commission.
3. The Commission shall be responsible for the selection of fifty winning projects among the applications pre-selected in all the Member States. The Commission shall set up an ad hoc steering group composed of independent experts. This steering group shall prepare the selection of the winning applications on the basis of the exclusion, selection and award criteria defined in the call for proposals.

4. The Commission shall, by means of an implementing act, decide on the list of projects to which the prize is awarded.

Article 59

Financial Prize – conditions and payment

1. In order for projects to be eligible for the prize, the time required for their completion shall not exceed two years from the date of adoption of the implementing act awarding the prize. The time frame of realisation of the project shall be defined in the application.
2. The prize shall be granted in the form of a lump sum payment. The amount of the payment shall be determined by the Commission, by means of implementing acts, in line with criteria defined in the call for proposals and taking into account the estimated cost of realisation of the project indicated in the application. The maximum prize per project shall not exceed 100 000 euro.
3. Member States shall pay the award to winning applicants after verifying that the project has been completed. The relevant expenditure shall be reimbursed by the Union to Member States in accordance with the provisions of Section 4 of Chapter II of Title IV of Regulation (EU) No HR/2012. Member States may decide to pay fully or partly the sum of the prize to the winning applicants before having verified the completion of the project but they shall, in this case, bear the responsibility for the expenditure until the completion of the project is verified.

Article 60

Rules on the procedure, timetables and setting up of the steering-group

The Commission shall by means of implementing acts lay down detailed provisions on the procedure and timetables for the selection of projects and rules on the setting up of the steering group of independent experts referred to in Article 58(3). Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 91.

TITLE IV

EIP for agricultural productivity and sustainability

Article 61

Aims

1. The EIP for agricultural productivity and sustainability shall:
 - (a) promote a resource efficient, productive, low emission, climate friendly and resilient agricultural sector, working in harmony with the essential natural resources on which farming depends;
 - (b) help deliver a steady supply of food, feed and biomaterials, both existing and new ones;
 - (c) improve processes to preserve the environment, adapt to climate change and mitigate it;
 - (d) build bridges between cutting-edge research knowledge and technology and farmers, businesses and advisory services.

2. The EIP for agricultural productivity and sustainability shall seek to achieve its aims by:
 - (a) creating added value by better linking research and farming practice and encouraging the wider use of available innovation measures;
 - (b) promoting the faster and wider transposition of innovative solutions into practice; and
 - (c) informing the scientific community about the research needs of farming practice.

3. The EAFRD shall contribute to the aims of the EIP for agricultural productivity and sustainability through support, in accordance with Article 36, of the EIP operational groups referred to in Article 62 and the EIP Network referred to in Article 53.

Article 62

Operational groups

1. EIP operational groups shall form part of the EIP for agricultural productivity and sustainability. They shall be set up by interested actors such as farmers, researchers, advisors and businesses involved in the agriculture and food sector.

2. EIP operational groups shall establish internal procedures that ensure transparency in their operation and avoid situations of conflict of interest.

Article 63

Tasks of operational groups

1. EIP operational groups shall draw up a plan that contains the following:
 - (a) a description of the innovative project to be developed, tested, adapted or implemented;
 - (b) a description of the expected results and the contribution to the EIP objective of enhancing productivity and sustainable resource management.
2. In implementing their innovative projects operational groups shall:
 - (a) make decisions on the elaboration and implementation of innovative actions; and
 - (b) implement innovative actions through measures financed through the rural development programmes.
3. Operational groups shall disseminate the results of their project, in particular through the EIP network.

TITLE V

Financial provisions

Article 64

Resources and their distribution

1. The total amount of Union support for rural development under this Regulation for the period from 1 January 2014 to 31 December 2020, its annual breakdown and the minimum amount to be concentrated in less developed regions shall be fixed by the European Parliament and the Council, on a proposal from the Commission in accordance with the multiannual financial framework for the years 2014 to 2020 and the Interinstitutional Agreement on cooperation in budgetary matters and on sound financial management³⁴ for the same period.
2. 0,25% of the resources referred to in paragraph 1 shall be devoted to technical assistance for the Commission as referred to in Article 51(1).
3. For the purpose of their programming and subsequent inclusion in the general budget of the Union, the amounts referred to in paragraph 1 shall be indexed at 2% per year.
4. The Commission shall, by means of an implementing act, make an annual breakdown by Member State of the amounts referred to in paragraph 1, after deduction of the amount referred to in paragraph 2 and taking into account the transfer of funds referred to in Article 14(2) of Regulation (EU) No DP/2012. In making the annual breakdown the Commission shall take into account:
 - (a) objective criteria linked to the objectives referred to in Article 4; and
 - (b) past performance.
5. In addition to the amounts referred to in paragraph 4, the implementing act referred to in the same paragraph shall also include the funds transferred to the EAFRD in application of Articles 7(2) and 14(1) of Regulation (EU) No DP/2012.
6. For the purposes of the allocation of the performance reserve referred to in Article 20(2) of Regulation (EU) No [CSF/2012], available assigned revenue collected in accordance with Article 45 of Regulation (EU) No HR/2012 for the EAFRD shall be added to the amounts referred to in Article 18 of Regulation (EU) No [CSF/2012]. It shall be allocated to Member States proportionally to their share of the total amount of support from the EAFRD.

³⁴

Article 65

Fund contribution

1. The decision approving a rural development programme shall set the maximum contribution from the EAFRD to the programme. The decision shall clearly identify, where necessary, the appropriations allocated to the less developed regions.
2. The EAFRD contribution shall be calculated on the basis of the amount of eligible public expenditure.
3. The rural development programmes shall establish a single EAFRD contribution rate applicable to all measures. Where applicable, a separate EAFRD contribution rate shall be established for less developed regions, and for outermost regions and the smaller Aegean islands within the meaning of Regulation (EEC) No 2019/93. The maximum EAFRD contribution rate shall be:
 - (a) 85% of the eligible public expenditure in the less developed regions, the outermost regions and the smaller Aegean islands within the meaning of Regulation (EEC) No 2019/93 ;
 - (b) 50% of the eligible public expenditure in the other regions.The minimum EAFRD contribution rate shall be 20%.
4. By way of derogation from paragraph 3, the maximum EAFRD contribution shall be:
 - (a) 80% for the measures referred to in Articles 15, 28 and 36, for the LEADER local development referred to in Article 28 of Regulation (EU) No [CSF/2012] and for operations under Article 20(1)(a)(i). It may be increased to 90% for the programmes of less developed, the outermost regions and the smaller Aegean islands within the meaning of Regulation (EEC) No 2019/93;
 - (b) 100% for operations receiving funding under Article 66.
5. At least 5% of the total EAFRD contribution to the rural development programme shall be reserved for Leader.
6. An expenditure co-financed by the EAFRD shall not be co-financed by way of a contribution from the Structural Funds, the Cohesion Fund or any other Union financial instrument.
7. Public expenditure on aid to enterprises shall comply with the aid limits laid down in respect of State aid, unless this Regulation provides otherwise.

Article 66

Funding for operations with a significant contribution to innovation

The funds transferred to the EAFRD in application of Article 7(2) of Regulation (EU) No DP/2012 shall be reserved for operations which provide a significant contribution to innovation relevant to agricultural productivity and sustainability, including climate mitigation or adaptation.

Article 67

Eligibility of expenditure

1. By way of derogation from Article 55(7) of Regulation (EC) No [CSF/2012], in cases of emergency measures due to natural disasters, the rural development programmes may provide that eligibility of expenditure relating to programme changes may start from the date when the natural disaster occurred.
2. Expenditure shall be eligible for an EAFRD contribution only where incurred for operations decided upon by the Managing Authority of the programme in question or under its responsibility, in accordance with selection criteria referred to in Article 49.

With the exception of general costs as defined in Article 46(2)(c), in respect of investment operations under measures falling within the scope of Article 42 of the Treaty, only expenditure which has been incurred after an application has been submitted to the competent authority shall be considered eligible.

Member States may provide in their programmes that only expenditure which has been incurred after the application for support has been approved by the competent authority shall be eligible.

3. Paragraphs 1 and 2 shall not apply to Article 51(1) and (2).
4. Payments by beneficiaries shall be supported by invoices and documents proving payment. Where this cannot be done, payments shall be supported by documents of equivalent probative value, except for forms of support under Article 57(1)(b), (c) and (d) of Regulation (EU) [CSF/2012].

Article 68

Eligible expenditure

1. Where running costs are covered by support under this Regulation the following types of costs shall be eligible:
 - (a) operating costs;

- (b) personnel costs;
 - (c) training costs;
 - (d) costs linked to public relations;
 - (e) financial costs;
 - (f) networking costs.
2. Studies shall only be eligible expenditure where they are linked to a specific operation under the programme or the specific objectives and targets of the programme.
 3. Contributions in kind in the form of provision of works, goods, services, land and real estate for which no cash payment supported by invoices or documents of equivalent probative value has been made, may be eligible for support provided that the conditions of Article 59 of Regulation (EU) No [CSF/2012] are fulfilled.
 4. Indirect costs shall be eligible for support under the measures referred to in Articles 15, 16, 19, 21, 25 and 36.

Article 69

Verifiability and controllability of measures

1. Member States shall ensure that all the rural development measures they intend to implement are verifiable and controllable. To this end the Managing Authority and the paying agency of each rural development programme shall provide an *ex ante* assessment of the verifiability and controllability of the measures to be included in the rural development programme. The Managing Authority and paying agency shall also undertake the assessment of verifiability and controllability of measures during the implementation of the rural development programme. *Ex ante* assessment and assessment during the implementation period shall take into account the results of controls in the previous and current programming period. Where the assessment reveals that the requirements of verifiability and controllability are not met, the measures concerned shall be adjusted accordingly.
2. Where aid is granted on the basis of standard costs or additional costs and income foregone, Member States shall ensure that the relevant calculations are adequate and accurate and established in advance on the basis of a fair, equitable and verifiable calculation. To this end, a body that is independent from the authorities responsible for the calculations and possesses the appropriate expertise shall provide a certificate confirming the adequacy and accuracy of the calculations. That certificate shall be included in the rural development programme.

Article 70

Advances

1. Payment of advances shall be subject to the establishment of a bank guarantee or an equivalent guarantee corresponding to 100% of the amount of the advance. As regards public beneficiaries, advances shall be paid to municipalities, regional authorities and associations thereof, as well as to public law bodies.

A facility provided as a guarantee by a public authority shall be considered equivalent to the guarantee referred to in the first subparagraph, provided that the authority undertakes to pay the amount covered by that guarantee should entitlement to the advance paid not be established.

2. The guarantee may be released when the competent paying agency establishes that the amount of actual expenditure corresponding to the public contribution related to the operation exceeds the amount of the advance.

TITLE VI

Management, control and publicity

Article 71

Responsibilities of the Commission

To ensure, in the context of shared management, sound financial management in accordance with Article 317 of the Treaty, the Commission shall carry out the measures and controls laid down in Regulation (EU) No HR/2012.

Article 72

Responsibilities of the Member States

1. Member States shall adopt all the legislative, statutory and administrative provisions in accordance with Article 60(1) of Regulation (EU) No HR/2012 in order to ensure that the Union's financial interests are effectively protected.
2. Member States shall designate, for each rural development programme, the following authorities:
 - (a) the Managing Authority, which may be either a public or private body acting at national or regional level, or the Member State itself when it carries out that task, to be in charge of the management of the programme concerned;
 - (b) the accredited paying agency within the meaning of Article 7 of Regulation (EU) No HR/2012;
 - (c) the certification body within the meaning of Article 9 of Regulation (EU) No HR/2012.
3. Member States shall ensure for each rural development programme that the relevant management and control system has been set up ensuring a clear allocation and separation of functions between the Managing Authority and other bodies. Member States shall be responsible for ensuring that the systems function effectively throughout the programme period.
4. Member States shall clearly define the tasks of the managing authority, the Paying Agency and, the local action groups under LEADER as regards to the application of eligibility and selection criteria and the project selection procedure.

Article 73

Managing Authority

1. The Managing Authority shall be responsible for managing and implementing the programme in an efficient, effective and correct way and in particular for:
 - (a) ensuring that there is an appropriate secure electronic system to record, maintain, manage and report statistical information on the programme and its implementation required for the purposes of monitoring and evaluation and, in particular, information required to monitor progress towards the defined objectives and priorities;
 - (b) providing the Commission, on a quarterly basis, with relevant indicator data on operations selected for funding, including key characteristics of the beneficiary as well as the project;
 - (c) ensuring that beneficiaries and other bodies involved in the implementation of operations:
 - (i) are informed of their obligations resulting from the aid granted, and maintain either a separate accounting system or an adequate accounting code for all transactions relating to the operation;
 - (ii) are aware of the requirements concerning the provision of data to the Managing Authority and the recording of outputs and results;
 - (d) ensuring that the *ex ante* evaluation referred to in Article 48 of Regulation (EU) No [CSF/2012] conforms to the evaluation and monitoring system and accepting and submitting it to the Commission;
 - (e) ensuring that the evaluation plan referred to in Article 49 of Regulation (EU) No [CSF/2012] is in place, that the *ex post* programme evaluation referred to in Article 50 of Regulation (EU) No [CSF/2012] is conducted within the time limits laid down in that Regulation, ensuring that such evaluations conform to the monitoring and evaluation system and submitting them to the Monitoring Committee and the Commission;
 - (f) providing the Monitoring Committee with the information and documents needed to monitor implementation of the programme in the light of its specific objectives and priorities;
 - (g) drawing up the annual progress report, including aggregate monitoring tables, and, after approval by the Monitoring Committee, submitting it to the Commission;
 - (h) ensuring that the paying agency receives all necessary information, in particular on the procedures operated and any controls carried out in relation to operations selected for funding, before payments are authorised;

- (i) ensuring publicity for the programme, including through the National Rural Network, by informing potential beneficiaries, professional organisations, the economic and social partners, bodies involved in promoting equality between men and women, and the non-governmental organisations concerned, including environmental organisations, of the possibilities offered by the programme and the rules for gaining access to programme funding as well as by informing beneficiaries of the Union contribution and the general public on the role played by the Union in the programme.
2. The Member State or the Managing Authority may designate one or more intermediate bodies including local authorities, regional development bodies or non-governmental organisations, to carry out the management and implementation of rural development operations.

When a part of its tasks is delegated to another body, the Managing Authority shall retain full responsibility for the efficiency and correctness of management and implementation of those tasks. The Managing Authority shall ensure that appropriate provisions are in place to allow the other body to obtain all necessary data and information for execution of these tasks.

3. Where a thematic sub-programme, as referred to in Article 8, is included in the rural development programme, the Managing Authority may designate one or more intermediate bodies, including local authorities, local action groups or non-governmental organisations, to carry out the management and implementation of that strategy. Paragraph 2 shall apply in this case.

The managing authority shall ensure that operations and outputs of this thematic sub-programme are identified separately for the purposes of the monitoring and evaluation system referred to in Article 74.

TITLE VII

Monitoring and evaluation

Chapter I

General provisions

SECTION 1

ESTABLISHMENT AND OBJECTIVES OF A MONITORING AND EVALUATION SYSTEM

Article 74

Monitoring and evaluation system

In accordance with this Title, a common monitoring and evaluation system shall be drawn up in co-operation between the Commission and the Member States and shall be adopted by the Commission by means of implementing acts adopted in accordance with the examination procedure referred to in Article 91.

Article 75

Objectives

The monitoring and evaluation system shall aim:

- (a) to demonstrate the progress and achievements of rural development policy and assess the impact, effectiveness, efficiency and relevance of rural development policy interventions;
- (b) to contribute to better targeted support for rural development;
- (c) to support a common learning process related to monitoring and evaluation.

SECTION 2 TECHNICAL PROVISIONS

Article 76

Common indicators

1. A list of common indicators relating to the initial situation as well as to the financial execution, outputs, results and impact of the programme and applicable to each programme shall be specified in the monitoring and evaluation system provided for in Article 74 to allow for aggregation of data at Union level.
2. The common indicators shall be linked to the structure and objectives of the rural development policy framework and shall allow assessment of the progress, efficiency and effectiveness of policy implementation against objectives and targets at Union, national and programme level.

Article 77

Electronic Information System

1. Key information on the implementation of the programme, on each operation selected for funding, as well as on completed operations, needed for monitoring and evaluation, including the key characteristics of the beneficiary and the project, shall be recorded and maintained electronically.
2. The Commission shall ensure that there is an appropriate secure electronic system to record, maintain and manage key information and report on monitoring and evaluation.

Article 78

Provision of information

Beneficiaries of support under rural development measures and local action groups shall undertake to provide to the Managing Authority and/or to appointed evaluators or other bodies delegated to perform functions on its behalf, all the information necessary to permit monitoring and evaluation of the programme, in particular in relation to meeting specified objectives and priorities.

Chapter II Monitoring

Article 79

Monitoring procedures

1. The Managing Authority and the Monitoring Committee referred to in Article 41 of Regulation (EU) No [CSF/2012] shall monitor the quality of programme implementation.
2. The Managing Authority and the Monitoring Committee shall carry out monitoring of each rural development programme by means of financial, output and target indicators.

Article 80

Monitoring Committee

Member States with regional programmes may establish a national Monitoring Committee to coordinate the implementation of these programmes in relation to the National Framework and the uptake of financial resources.

Article 81

Responsibilities of the Monitoring Committee

1. The Monitoring Committee shall satisfy itself as to the performance of the rural development programme and the effectiveness of its implementation. To that end, in addition to the functions referred to in Article 43 of Regulation (EU) No [CSF] the Monitoring Committee:
 - (a) shall be consulted and issue an opinion, within four months of the decision approving the programme, on the selection criteria for financed operations. The selection criteria shall be revised according to programming needs;
 - (b) shall examine the activities and outputs related to the evaluation plan of the programme;
 - (c) shall examine actions in the programme relating to the fulfilment of *ex ante* conditionalities;
 - (d) shall participate in the National Rural Network to exchange information on programme implementation;

- (e) shall consider and approve the annual implementation reports before they are sent to the Commission.

Article 82

Annual implementation report

1. By 31 May 2016 and by 31 May each subsequent year until and including 2023, the Member State shall submit to the Commission an annual implementation report on implementation of the rural development programme in the previous calendar year. The report submitted in 2016 shall cover the calendar years 2014 and 2015.
2. In addition to what is provided in Article 44 of Regulation (EU) No [CSF/2012] annual implementation reports shall include information *inter alia* on financial commitments and expenditure by measure, and a summary of the activities undertaken in relation to the evaluation plan.
3. In addition to what is provided in Article 44 of Regulation (EU) No [CSF/2012], the annual implementation report submitted in 2017 shall also cover a description of the implementation of any sub-programmes included within the programme, an assessment of progress made in ensuring an integrated approach to use of the EAFRD and other EU financial instruments to support the territorial development of rural areas, including through local development strategies, and the findings relating to the meeting of the targets for each priority included in the RD programme.
4. In addition to what is provided in Article 44 of Regulation (EU) No [CSF/2012], the annual implementation report submitted in 2019 shall also cover, a description of the implementation of any sub-programmes included within the programme and an assessment of progress made in ensuring an integrated approach to use of the EAFRD and other EU financial instruments to support the territorial development of rural areas, including through local development strategies.
5. The Commission shall, by means of implementing acts, adopt rules concerning the presentation of the annual implementation reports. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 91.

Chapter III Evaluation

Article 83

General provisions

1. The Commission shall, by means of implementing acts, provide for the elements to be contained in the *ex ante* and *ex post* evaluations referred to in Articles 48 and 50 of Regulation (EU) No [CSF/2012] and establish the minimum requirements for the

evaluation plan referred to in Article 49 of Regulation (EU) No [CSF/2012]. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 91.

2. Member States shall ensure that the evaluations conform to the common evaluation approach agreed in accordance with Article 74, shall organise the production and gathering of the requisite data, and shall supply the various pieces of information provided by the monitoring system to the evaluators.
3. The evaluation reports shall be made available by the Member States on the internet and by the Commission on the Union website.

Article 84

Ex ante evaluation

Member States shall ensure that the ex ante evaluator is engaged from an early stage in the process of development of the rural development programme, including the development of the analysis referred to in Article 9(1)(b), the design of the programme's intervention logic and the establishment of the programme's targets.

Article 85

Ex post evaluation

In 2023, an *ex post* evaluation report shall be prepared by the Member States for each of their rural development programmes. This report shall be submitted to the Commission by 31 December 2023 at the latest.

Article 86

Syntheses of evaluations

Syntheses at Union level of the *ex ante* and *ex post* evaluation reports shall be undertaken under the responsibility of the Commission.

The syntheses of the evaluation reports shall be completed at the latest by 31 December of the year following the submission of the relevant evaluations.

TITLE VIII

Competition provisions

Article 87

Rules applying to undertakings

Where support under this Regulation is granted to forms of co-operation between undertakings, it may be granted only to such forms of co-operation between undertakings which comply with the competition rules as they apply by virtue of Articles 143 to 145 of the Regulation of the European Parliament and the Council (EU) No sCMO/2012.

Article 88

State aid

1. Save as otherwise provided for in this Title, Articles 107, 108 and 109 of the Treaty shall apply to support for rural development by Member States.
2. Articles 107, 108 and 109 of the Treaty shall not apply to payments made by Member States pursuant to, and in conformity with, this Regulation, or to additional national financing referred to in Article 89, within the scope of Article 42 of the Treaty.

Article 89

Additional national financing

Payments made by the Member States in relation to operations falling within the scope of Article 42 of the Treaty and intended to provide additional financing for rural development for which Union support is granted, shall be notified by Member States and approved by the Commission in accordance with this Regulation as part of the programming referred to in Article 7. When assessing these payments, the Commission shall apply, by way of analogy, the criteria established for the application of Article 107 of the Treaty. The Member State concerned shall not put its proposed additional financing for rural development into effect until it has been approved.

TITLE IX

Commission powers, common provisions and transitional and final provisions

Chapter I

Commission powers

Article 90

Exercise of the delegation

1. The power to adopt delegated acts is conferred on the Commission subject to the conditions laid down in this Article.
2. The power to adopt delegated acts referred to in this Regulation shall be conferred on the Commission for an indeterminate period of time from the date of entry into force of this Regulation.
3. The delegation of power referred to in this Regulation may be revoked at any time by the European Parliament or by the Council. A decision to revoke shall put an end to the delegation of the powers specified in that decision. It shall take effect the day following the publication of the decision in the Official Journal of the European Union or at a later date specified therein. It shall not affect the validity of any delegated acts already in force.
4. As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and to the Council.
5. A delegated act adopted pursuant to this Regulation shall enter into force only if no objection has been expressed either by the European Parliament or the Council within a period of two months of notification of that act to the European Parliament and the Council or if, before the expiry of that period, the European Parliament and the Council have both informed the Commission that they will not object. That period shall be extended by two months at the initiative of the European Parliament or of the Council.

Article 91

Committee procedure

1. The Commission shall be assisted by a committee called "Rural Development Committee". That Committee shall be a committee within the meaning of Regulation (EU) No 182/2011.

2. Where reference is made to this paragraph, Article 5 of Regulation (EU) No 182/2011 shall apply.

Chapter II

Common provisions

Article 92

Exchange of information and documents

The Commission, in collaboration with the Member States, shall establish an information system to permit the secure exchange of data of common interest between the Commission and each Member State. The Commission shall, by means of implementing acts, adopt rules for the operation of that system. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 91.

Article 93

General CAP provisions

Regulation (EU) No HR/2012 and the provisions adopted pursuant to it shall apply in relation to the measures set out in this Regulation.

Chapter III

Transitional and final provisions

Article 94

Repeal

Regulation (EC) No 1698/2005 is repealed.

Regulation (EC) No 1698/2005 shall continue to apply to operations implemented pursuant to programmes approved by the Commission under that Regulation before 1 January 2014.

Article 95

Transitional provisions

In order to facilitate the transition from the system established by Regulation (EC) No 1698/2005 to the system established by this Regulation, the Commission shall be empowered to adopt delegated acts in accordance with Article 90 concerning the conditions under which support approved by the Commission under Regulation (EC) No 1698/2005 may be integrated into support provided for under this Regulation, including for technical assistance and for the ex-post evaluations.

Article 96

Entry into force and application

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

It shall apply from 1 January 2014.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at ,

For the European Parliament
The President

For the Council
The President

ANNEX I

Amounts and support rates

Article	Subject	Maximum amount in EUR or rate	
16(8)	Advisory services, farm management and farm relief services	1.500 200.000	Per advice Per three years for the training of advisors
17(3)	Quality schemes or agricultural products and foodstuffs	3.000	Per holding per year
18(3)	Investment in physical assets	50% 75% 65% 40%	<p><u>Agricultural sector</u></p> <p>Of the amount of eligible investment in less developed regions</p> <p>Of the amount of eligible investment in outermost regions</p> <p>Of the amount of eligible investment in the smaller Aegean islands</p> <p>Of the amount of eligible investment in other regions</p> <p>The above rates may be increased by 20%, provided that maximum combined support does not exceed 90%, for:</p> <ul style="list-style-type: none"> - Young farmers setting up - Collective investments and integrated projects - Areas facing natural constraints as referred to in Article 33. - Operations supported in the framework of the EIP <p><u>Processing and marketing of Annex I</u></p>

		50%	<u>products</u> Of the amount of eligible investment in less developed regions
		75%	Of the amount of eligible investment in outermost regions
		65%	Of the amount of eligible investment in the smaller Aegean islands
		40%	Of the amount of eligible investment in other regions
			The above rates may be increased by 20%, provided that maximum combined support does not exceed 90%, for operations supported in the framework of the EIP
19(5)	Restoring agricultural production potential damaged by natural disasters and introduction of appropriate prevention actions	80%	Of the amount of eligible investment costs for prevention operations carried out by individual farmers.
20(6)	Farm and business development	70.000	Per young farmer under 33(1)(a)(i)
		70.000	Per enterprise under 33(1)(a)(ii)
		15.000	Per small farm under 33(1)(a)(iii)
24(3)	Establishment of agro-forestry systems	80%	<u>Of the amount of eligible investment for the establishment of agro-forestry systems</u>
27(5)	Investments in new forestry technologies and in processing and marketing of forestry products	50%	Of the amount of eligible investment in less developed regions
		75%	Of the amount of eligible investment in outermost regions
		65%	Of the amount of eligible investment in the smaller Aegean islands

		40%	Of the amount of eligible investment in other regions
28(4)	Setting up of producer groups	10%, 10%, 8%, 6%, 4% 5% 5% 4% 3% 2% 100.000	<u>For marketed production up to EUR 1 000 000</u> As a percentage of marketed production during the first five years following recognition, for the 1 st , 2 nd , 3 rd , 4 th and 5 th year respectively. <u>For marketed production exceeding EUR 1 000 000</u> As a percentage of marketed production during the first five years following recognition, for the 1 st , 2 nd , 3 rd , 4 th and 5 th year respectively. Maximum amount per year in all cases.
29(8)	Agri-environment	600(*) 900(*) 450(*) 200(*)	Per ha per year for annual crops Per ha per year for specialised perennial crops Per ha per year for other land uses Per Livestock Unit (“LU”) per year for local breeds in danger of being lost to farmers
30(5)	Organic farming	600(*) 900(*) 450(*)	Per ha per year for annual crops Per ha per year for specialised perennial crops Per ha per year for other land uses
31(7)	Natura 2000 and Water framework directive payments	500(*) 200(*) 50	Per ha per year maximum in the initial period not exceeding five years Per ha per year maximum Per ha per year minimum for Water framework directive payments

32(3)	Payments to areas facing natural or other specific constraints	25 250(*) 300(*)	Minimum per ha per year Maximum per ha per year Maximum per ha per year in mountain areas as defined in Article 46(2)
34(3)	Animal welfare	500	Per LU
35(3)	Forest-Environmental services and forest conservation	200(*)	Per ha per year
38(5)	Crop, animal and plant insurance	65%	Of the insurance premium due
39(5)	Mutual fund for animal and plant diseases and environmental incidents	65%	Of the eligible costs.
40(5)	Income stabilisation tool	65%	Of the eligible costs

* These amounts may be increased in exceptional cases taking into account specific circumstances to be justified in the rural development programmes.

ANNEX II

Biophysical criteria for the delimitation of areas facing natural constraints

CRITERION	DEFINITION	THRESHOLD
CLIMATE		
Low Temperature	Length of Growing Period (number of days) defined by number of days with daily average temperature > 5°C (LGP _{t5}) OR	≤ 180 days
	Thermal-time sum (degree-days) for Growing Period defined by accumulated daily average temperature > 5°C.	≤ 1500 degree-days
Dryness	Ratio of the annual precipitation (P) to the annual potential evapotranspiration (PET)	$P/PET \leq 0.5$
CLIMATE AND SOIL		
Excess Soil Moisture	Number of days at or above Field capacity	≥ 230 days
SOIL		
Limited Soil Drainage	Areas which are water logged for significant duration of the year	Wet within 80cm from the surface for over 6 months, or wet within 40cm for over 11 months OR Poorly or very poorly drained soil OR Gleyic colour pattern within 40cm from the surface
Unfavourable Texture and Stoniness	Relative abundance of clay, silt, sand, organic matter (weight %) and coarse material (volumetric %) fractions	≥ 15% of topsoil volume is coarse material, including rock outcrop, boulder OR
		Topsoil texture class of sand, loamy sand defined as: $silt\% + (2 \times clay\%) \leq 30\%$ OR
		Topsoil texture class is heavy clay (≥ 60% clay) OR
		Organic soil (organic matter ≥30%) of at least 40cm OR

		Topsoil texture class of clay, silty clay, sandy clay and vertic properties within 100cm of the soil surface
Shallow Rooting Depth	Depth (cm) from soil surface to coherent hard rock or hard pan.	$\leq 30\text{cm}$
Poor Chemical Properties	Presence in topsoil of salts, exchangeable sodium, excessive acidity	Salinity: ≥ 4 deci-Siemens per meter (dS/m) OR
		Sodicity: ≥ 6 Exchangeable Sodium Percentage (ESP) OR
		Soil Acidity: $\text{pH} \leq 5$ (in water)
TERRAIN		
Steep Slope	Change of elevation with respect to planimetric distance (%).	$\geq 15\%$

ANNEX III

Indicative list of measures and operations of particular relevance to thematic sub-programmes referred to in Article 8

Young farmers:

Business start-up aid for young farmers setting up for the first time in an agricultural holding

Investments in physical assets

Knowledge transfer and information actions

Advisory services, farm management and farm relief services

Co-operation

Investments in non-agricultural activities

Small farms:

Business start-up aid for the development of small farms

Investments in physical assets

Quality schemes for agricultural products and foodstuffs

Knowledge transfer and information actions

Advisory services, farm management and farm relief services

Co-operation

Investments in non-agricultural activities

Setting up of producer groups

Leader

Mountain areas:

- Payments to areas facing natural or other specific constraints

- Agri-environment operations

- Co-operation

- Investments in physical assets

- Farm and business development in rural areas

- Quality schemes for agricultural products and foodstuffs

- Establishment of agro-forestry systems

Basic services and village renewal in rural areas

Knowledge transfer and information actions

Advisory services, farm management and farm relief services

Setting up of producer groups

Leader

Short supply chains:

Co-operation

Setting up of producer groups

Leader

Quality schemes for agricultural products and foodstuffs

Basic services and village renewal in rural areas

Investments in physical assets

Knowledge transfer and information actions

Advisory services, farm management and farm relief services

ANNEX IV

Ex ante conditionalities for rural development

1. PRIORITIES-LINKED CONDITIONALITIES

EU priority for RD / CSF Thematic Objective (TO)	<i>Ex ante</i> conditionality	Criteria for fulfilment
<p>RD priority 1: fostering knowledge transfer and innovation in agriculture, forestry, and rural areas</p> <p>TO 1: strengthening research, technological development and innovation</p>	<p>1.1. Research and innovation: The existence of a national and/or regional innovation strategy for smart specialisation in line with the National Reform Program, to leverage private R&I expenditure, which complies with the features of well-performing national or regional research and innovation systems³⁵.</p> <p>1.2. Advisory capacity: sufficient advisory capacity to ensure advice on the regulatory requirements and all aspects linked with sustainable management and climate action in agriculture and forestry</p>	<ul style="list-style-type: none"> – A national and/or regional innovation strategy for smart specialisation is in place that: <ul style="list-style-type: none"> – is based on a SWOT analysis to concentrate resources on a limited set of R&I priorities; – outlines measures to stimulate private RTD investment; – contains a monitoring and review system. – A Member State has adopted a framework outlining available budgetary resources for R&D; – A Member State has adopted a multi-annual plan for budgeting and prioritization of investments linked to EU priorities (ESFRI). – A description of the structure of extension/advisory systems at the relevant geographical scale (national/regional) - including their intended role under the scope of RD priority – which demonstrates the fulfilment of ex-ante conditionality 1.2 is included in the programme,

³⁵ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Europe 2020 Flagship Initiative Innovation Union (COM(2010) 546 final of 6.10.2010). Conclusions of the Competitiveness Council: Conclusions on Innovation Union for Europe (doc. 17165/10 of 26.11.2010).

<p>RD priority 2: enhancing competitiveness of all types of agriculture and enhancing farm viability</p> <p>TO 3: enhancing the competitiveness of small and medium-sized enterprises</p>	<p>2-3.1. Business set-up: Specific actions have been carried out for the effective implementation of the Small Business Act (SBA) and its Review of 23 February 2011³⁶ including the "Think Small First" principle</p>	<p>– The specific actions include:</p> <ul style="list-style-type: none"> – measures to reduce the time to set-up business to 3 working days and the cost to €100; – measures to reduce the time needed to get licenses and permits to take up and perform the specific activity of an enterprise to 3 months; – a mechanism for systematic assessment of the impact of legislation on SMEs using an "SME test" while taking into account differences in the size of enterprises, where relevant
<p>RD priority 3: promoting food chain organisation and risk management in agriculture</p> <p>TO 3: enhancing the competitiveness of small and medium-sized enterprises</p>		

³⁶ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Think Small First - A Small Business Act for Europe (COM(2008) 394 of 23.6.2008); Conclusions of the Competitiveness Council: Think Small First – A Small Business Act for Europe (doc. 16788/08, 1.12.2008); Communication from the Commission to the European Parliament, the Council, the Economic and Social Committee and the Committee of the Regions: Review of the "Small Business Act" for Europe (COM(2008) 78 final, 23.2.2011); Conclusions of the Competitiveness Council: Conclusions on the Review of the "Small Business Act" for Europe (doc. 10975/11 of 30.5.2011).

<p>RD priority 4: restoring, preserving and enhancing ecosystems dependant on agriculture and forestry</p> <p>TO 5: promoting climate change adaptation, risk prevention and management</p> <p>TO 6: protecting the environment and promoting the resource efficiency</p>	<p>4.1 Good Agricultural and Environmental Conditions (GAEC): standards for good agricultural and environmental condition of land referred to in Chapter I of Title VI of Regulation (EU) HR/xxxx are established at national level</p> <p>4.2 Minimum requirements for fertilisers and plant protection products: minimum requirements for fertilisers and plant protection products referred to in article 29 Chapter I of Title III of this Regulation are defined at national level</p> <p>4.3 other relevant national standards: relevant mandatory national standards are defined for the purpose of article 29 Chapter I of Title III of this Regulation</p> <p>4.4. Risk prevention: the existence of national risk assessments for disaster management. taking into account climate change adaptation³⁷</p>	<ul style="list-style-type: none"> – GAEC standards are defined in national law and specified in the programmes; – minimum requirements for fertilisers and plant protection products referred to in Chapter I of Title III of this Regulation are specified in the programmes; – relevant mandatory national standards are specified in the programmes; – A national risk assessment shall be in place that includes: <ul style="list-style-type: none"> – A description of the process, methodology, methods and non-sensitive data used for national risk assessment; – Adoption of qualitative and quantitative methods for risk assessment; – Taking into account, where appropriate, national climate change adaptation strategies,
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³⁷ Conclusions of the Justice and Home Affairs Council; Conclusion on further developing risk assessments for disaster management in the European Union. 11-12 April 2011.

<p>RD priority 5: promoting resource efficiency and supporting the shift towards a low carbon and climate resilient economy in the agriculture and food sectors and the forestry sector</p> <p>TO 4: supporting the shift towards a low-carbon economy in all sectors</p> <p>TO 5: promoting climate change adaptation, risk prevention and management</p>	<p>5.1 GHG emissions: compliance with Article 6(1) of Decision No 406/2009/EC of the European Parliament and of the Council of 23 April 2009 on the effort of Member States to reduce their greenhouse gas emissions to meet the Community's greenhouse gas emission reduction commitments up to 2020</p> <p>5.2 Energy efficiency: transposition into national law of Directive 2006/32/EC of the European Parliament and of the Council of 5 April 2006 on energy end-use efficiency and energy services³⁸</p> <p>5.3 Water pricing: the existence of a water pricing policy which ensures an adequate contribution of the different water uses to the recovery of the costs of water services, in accordance with Article 9 of Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework for Community action in the field of water policy³⁹.</p> <p>5.4. Waste management plans: transposition into national law of Directive 2008/98/EC of the European Parliament and of the Council of 19 November 2008 on waste and repealing certain Directives⁴⁰, in particular the development of waste management plans in accordance with the Directive.</p> <p>5.5 Renewable energy: Transposition into national law of</p>	<ul style="list-style-type: none"> – A Member State has submitted to the Commission a report on adopted national policies and measures to pursuant to Article 3 of Decision No 406/2009/EC in 2013-2020; – A Member State has submitted to the Commission a Energy Efficiency Action Plan which translate energy saving objectives into concrete and coherent measures in accordance with article 14 of Directive 2006/32/EC; – A Member State has taken account of the principle of recovery of the costs of water services, including environmental and resource costs in accordance with Article 9(1) of Directive 2000/60/EC; – A Member State has carried out an economic analysis in accordance with Article 5 and Annex III to Directive 2000/60/EC regarding volume, price and cost of water services, and estimates of relevant investments; – A Member State has ensured contribution of the different water uses by sector in accordance with Article 9(3) of Directive 2000/60/EC – A Member State has ensured that its competent authorities establish, in accordance with Articles 1, 4, 13 and 16 of Directive 2008/98/EC, one or more waste management plans as required by Article 28 of the Directive; – A Member State has adopted a national renewable energy action plan in accordance with Article 4 of Directive 2009/28/EC
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³⁸ OJ L 48, 23.2.2011, p. 1
³⁹ OJ L 327, 22.12.2000, p. 1.
⁴⁰ OJ L 312, 22.11.2008, p. 3.
⁴¹ OJ L 140, 5.6.2009, p. 16.

	Directive 2009/28/EC of the European Parliament and of the Council of 23 April 2009 on the promotion of the use of energy from renewable sources and amending and subsequently repealing Directives 2001/77/EC and 2003/30/EC ⁴¹	
<p>RD priority 6: promoting social inclusion poverty reduction and economic development in rural areas</p> <p>TO 8: promoting employment and supporting labour mobility</p> <p>TO 9: promoting social inclusion and combating poverty</p>	<p>6.1 Access to EAFRD: The provision of support for relevant stakeholders in accessing the EAFRD</p> <p>6.2 Self-employment, entrepreneurship and business creation: the existence of a comprehensive and inclusive strategy for inclusive start-up support in accordance with the Small Business Act⁴² and in coherence with employment guideline 7, regarding the enabling conditions for job creation</p> <p>6.3 NGA Infrastructure (Next Generation Access Networks): The existence of national NGA Plans which take account of regional actions in order to reach the EU high-speed Internet access targets⁴³, focusing on areas where the market fails to provide an open infrastructure at an affordable cost and to an adequate quality</p>	<ul style="list-style-type: none"> – Relevant stakeholders are provided support for submitting project applications and for implementing and managing the selected projects – Member States have a comprehensive and inclusive strategy in place which will include: <ul style="list-style-type: none"> – measures to significantly reduce the time and cost to set-up business in accordance with the Small Business Act; – measures to reduce the time needed to get licenses and permits to take up and perform the specific activity of an enterprise business in accordance with the Small Business Act; – actions linking suitable business development services and financial services (access to capital), including the outreach to disadvantaged groups and areas – A national NGA Plan is in place that contains: <ul style="list-style-type: none"> – a plan of infrastructure investments through demand aggregation and a mapping of infrastructure and services, regularly updated; – sustainable investment models that enhance competition and provide access to open, affordable, quality and future proof infrastructure and services; – measures to stimulate private investment.

⁴²

Reference to be included

⁴³

Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: A Digital Agenda for Europe (COM(2010) 245 final/2 of 26.8.2010); Commission Staff Working Paper: Digital Agenda Scoreboard (SEC(2011) 708 of 31.5.2011). Scoreboard: http://ec.europa.eu/information_society/digital-agenda/scoreboard/index_en.htm

2. HORIZONTAL CONDITIONALITIES APPLYING TO SEVERAL PRIORITIES

	<p>HC.1 Member States administrative efficiency: the existence of a strategy for reinforcing the country's administrative efficiency including public administration reform⁴⁴</p> <p>HC.2 Human resources allocation: sufficient capacity in human resources allocation, training management and IT systems is available within the bodies responsible for the management and implementation of rural development programmes</p> <p>HC. 3 Selection criteria: an appropriate approach laying down principles with regard to the setting of selection criteria for projects and local development is defined</p>	<ul style="list-style-type: none"> – A strategy for reinforcing a Member States' administrative efficiency is in place and in the process of being implemented⁴⁵; the strategy includes: <ul style="list-style-type: none"> – an analysis and strategic planning of legal, organisational and/or procedural reform actions; – the development of quality management systems; – integrated actions for simplification and rationalisation of administrative procedures; – the development of skills at all levels; – the development of procedures and tools for monitoring and evaluation; – A description of human resources allocation, training management and IT systems within the Managing Authorities of the programme, which demonstrates the fulfilment of ex –ante conditionality HC.2 is included in the programme – A description of the chosen approach to the setting of selection criteria for projects and local development, which demonstrates the fulfilment of ex–ante conditionality HC.3 is included in the programme
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⁴⁴ If a Country Specific Council Recommendation is in place, directly linked to this conditionality provision, then the assessment of its fulfilment will take account of the assessment of progress made on the fulfilment of the Country Specific Council Recommendation.

⁴⁵ Deadlines for delivery on all elements here contained where it concerns the implementation of the strategy may be set during the programme implementation period.

ANNEX V

Indicative list of measures with relevance to one or more Union priorities for rural development

Measures of particular relevance to several Union priorities

Article 16 Advisory services, farm management and farm relief services

Article 18 Investments in physical assets

Article 20 Farm and business development

Article 36 Co-operation

Article 42 – 45 LEADER

Measures of particular relevance to fostering knowledge transfer and innovation in agriculture, forestry, and rural areas

Article 15 Knowledge transfer and information actions

Article 27 Investments in new forestry technologies and in processing and marketing of forestry products

Measures of particular relevance for enhancing competitiveness of all types of agriculture and enhancing farm viability

Article 17 Quality schemes for agricultural products and foodstuffs

Article 32 -33 Payments to areas facing natural or other specific constraints

Measures of particular relevance to promoting food chain organisation and risk management in agriculture

Article 19 Restoring agricultural production potential damaged by natural disasters and catastrophic events and introduction of appropriate prevention actions

Article 25 Prevention and restoration of damage to forests from forest fires and natural disasters and catastrophic events

Article 28 Setting up of producer groups

Article 34 Animal welfare

Article 37 Risk management

Article 38 Crop, animal, and plant insurance

Article 39 Mutual funds for animal and plant diseases and environmental incidents

Article 40 Income stabilisation tool

Measure of particular relevance to restoring, preserving and enhancing ecosystems dependent on agriculture and forestry

and

Promoting resource efficiency and supporting the shift towards a low carbon and climate resilient economy in agriculture, food and forestry sectors

Article 22 Investments in forest area development and improvement of the viability of forests

Article 23 Afforestation and creation of woodland

Article 24 Establishment of agro-forestry systems

Article 26 Investments improving the resilience and environmental value of forest ecosystems

Article 29 Agri-environment- climate

Article 30 Organic farming

Article 31 Natura 2000 and Water framework directive payments

Article 35 Forest-environmental and climate services and forest conservation

Measure of particular relevance to promoting social inclusion, poverty reduction and economic development in rural areas

Article 21 Basic services and village renewal in rural areas

Article 42 – 45 LEADER

LEGISLATIVE FINANCIAL STATEMENT

1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

1.1. Title of the proposal/initiative

- Proposal for a Regulation of the European Parliament and of the Council establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy;
- Proposal for a Regulation of the European Parliament and of the Council establishing a common organisation of the markets in agricultural products (Single CMO Regulation);
- Proposal for a Regulation of the European Parliament and of the Council on support for rural development by the European Agricultural Fund for Rural Development (EAFRD);
- Proposal for a Regulation of the European Parliament and of the Council on the financing, management and monitoring of the common agricultural policy;
- Proposal for a Regulation of the European Parliament and of the Council amending Council Regulation (EC) No 73/2009 as regards the application of direct payments to farmers in respect of the year 2013;
- Proposal for a Council Regulation determining measures on fixing certain aids and refunds related to the common organisation of the markets in agricultural products;
- Proposal for a Regulation of the European Parliament and of the Council amending Council Regulation (EC) No 1234/2007 as regards the regime of the single payment scheme and support to vine-growers.

1.2. Policy area(s) concerned in the ABM/ABB structure⁴⁶

Policy Area Title 05 of Heading 2

1.3. Nature of the proposal/initiative (Legislative framework for the CAP post 2013)

The proposal/initiative relates to **a new action**

The proposal/initiative relates to **a new action following a pilot project/preparatory action**⁴⁷

The proposal/initiative relates to **the extension of an existing action**

The proposal/initiative relates to **an action redirected towards a new action**

⁴⁶ ABM: Activity-Based Management – ABB: Activity-Based Budgeting.
⁴⁷ As referred to in Article 49(6)(a) or (b) of the Financial Regulation.

1.4. Objectives

1.4.1. *The Commission's multiannual strategic objective(s) targeted by the proposal/initiative*

In order to promote resource efficiency with a view to smart, sustainable and inclusive growth for EU agriculture and rural development in line with the Europe 2020 Strategy, the objectives of the CAP are:

- Viable food production;
- Sustainable management of natural resources and climate action;
- Balanced territorial development.

1.4.2. *Specific objective(s) and ABM/ABB activity(ies) concerned*

Specific objectives for Policy area 05:

Specific objective No 1:

To provide environmental public goods

Specific objective No 2:

To compensate for production difficulties in areas with specific natural constraints

Specific objective No 3:

To pursue climate change mitigation and adaptation actions

Specific objective No 4:

To manage the EU budget (CAP) in accordance with high standards of financial management

Specific objective for ABB 05 02 - Interventions in agricultural markets:

Specific objective No 5:

To improve the competitiveness of the agricultural sector and enhance its value share in the food chain

Specific objective for ABB 05 03 - Direct aids:

Specific objective No 6:

To contribute to farm incomes and limit farm income variability

Specific objectives for ABB 05 04 – Rural development:

Specific objective No 7

To foster green growth through innovation

Specific objective No 8:

To support rural employment and maintain the social fabric of rural areas

Specific objective No 9

To improve the rural economy and promote diversification

Specific objective No 10

To allow for structural diversity in farming systems

1.4.3. Expected result(s) and impact

It is not possible to set quantitative targets for impact indicators at this stage. Although the policy can steer in a certain direction, the broad economic, environmental and social outcomes measured by such indicators would ultimately also depend on the impact from a range of external factors, which recent experience indicates have become significant and unpredictable. Further analysis is on-going, to be ready for the period post-2013.

As regards the direct payments, Member States will have the possibility to decide, to a limited degree, on the implementation of certain components of the direct payment schemes.

For rural development, the expected results and impact will depend on the rural development programmes that Member States will submit to the Commission. Member States will be asked to set targets in their programmes.

1.4.4. Indicators of results and impact

The proposals provide for the establishment of a common monitoring and evaluation framework with a view to measuring the performance of the Common Agricultural Policy. That framework shall include all instruments related to the monitoring and evaluation of CAP measures and in particular of the direct payments, market measures, rural development measures and of the application of cross compliance.

The impact of these CAP measures shall be measured in relation to the following objectives:

- (a) viable food production, with a focus on agricultural income, agricultural productivity and price stability;
- (b) sustainable management of natural resources and climate action, with a focus on greenhouse gas emissions, biodiversity, soil and water;

(c) balanced territorial development, with a focus on rural employment, growth and poverty in rural areas.

By means of implementing acts, the Commission shall define the set of indicators specific to these objectives and areas.

Moreover, as regards rural development, a reinforced common monitoring and evaluation system is proposed. That system aims (a) to demonstrate the progress and achievements of rural development policy and assess the impact, effectiveness, efficiency and relevance of rural development policy interventions, (b) to contribute to better targeted support for rural development, and (c) to support a common learning process related to monitoring and evaluation. The Commission will establish, by means of implementing act, a list of common indicators linked to the policy priorities.

1.5. Grounds for the proposal/initiative

1.5.1. Requirement(s) to be met in the short or long term

In order to meet the multi-annual strategic objectives of the CAP which are a direct translation of the Europe 2020 strategy for European rural areas and to fulfil the relevant requirements of the Treaty, the proposals aim to lay down the legislative framework for the Common Agricultural Policy for the period after 2013.

1.5.2. Added value of EU involvement

The future CAP will not only be a policy that caters for a small, albeit essential, part of the EU economy, but also a policy of strategic importance for food security, the environment and territorial balance. Thus, the CAP, as a truly common policy, makes the most efficient use of limited budgetary resources in maintaining a sustainable agriculture throughout the EU, addressing important cross-border issues such as climate change and reinforcing solidarity among Member States.

As mentioned in the Commission communication "A Budget for Europe 2020"⁴⁸, the CAP is a genuinely European policy. Instead of operating 27 separate agricultural policies and budgets, Member States pool resources to operate a single European policy with a single European budget. This naturally means that the CAP accounts for a significant proportion of the EU budget. However, this approach is both more efficient and economical than an uncoordinated national approach.

1.5.3. Lessons learned from similar experiences in the past

On the basis of the evaluation of the current policy framework, an extensive consultation with stakeholders as well as an analysis of future challenges and needs, a comprehensive impact assessment has been carried out. More details can be found in the impact assessment and the explanatory memorandum that are accompanying the legal proposals.

⁴⁸ COM(2011)500 final of 29 June 2011.

1.5.4. Coherence and possible synergy with other relevant instruments

The legislative proposals concerned by this financial statement should be seen in the broader context of the proposal for a single framework regulation with common rules for the common strategic framework funds (EAFRD, ERDF, ESF, Cohesion Fund and EMFF). That framework regulation will make an important contribution to reducing administrative burden, to spending EU funds in an effective way, and to put simplification into practice. This also underpins the new concepts of the common strategic framework for all these funds and the upcoming Partnership Contracts which will also cover these funds.

The common strategic framework, which will be established, will translate the objectives and priorities of the Europe 2020 Strategy into priorities for the EAFRD together with the ERDF, ESF, Cohesion Fund and EMFF, which will ensure an integrated use of the funds to deliver common objectives.

The common strategic framework will also set out coordination mechanisms with other relevant Union policies and instruments.

Moreover, as regards the CAP, significant synergies and simplification effects will be obtained by harmonising and aligning the management and control rules for the first (EAGF) and second (EAFRD) pillar of the CAP. The strong link between the EAGF and the EAFRD should be maintained and the structures already in place in the Member States be sustained.

1.6. Duration and financial impact

x Proposal/initiative of **limited duration (for the draft regulations on direct payment schemes, rural development and transitional regulations)**

- x Proposal/initiative in effect from 01/01/2014 to 31/12/2020
- x Financial impact for the period of the next multi-annual financial framework. For rural development, impact on payments to 2023.

x Proposal/initiative of **unlimited duration (for the draft regulation on the single CMO and the horizontal regulation)**

- Implementation from 2014.

1.7. Management mode(s) envisaged⁴⁹

x **Centralised direct management** by the Commission

Centralised indirect management with the delegation of implementation tasks to:

- executive agencies
- bodies set up by the Communities⁵⁰

⁴⁹ Details of management modes and references to the Financial Regulation may be found on the BudgWeb site: http://www.cc.cec/budg/man/budgmanag/budgmanag_en.html

- national public-sector bodies/bodies with public-service mission
 - persons entrusted with the implementation of specific actions pursuant to Title V of the Treaty on European Union and identified in the relevant basic act within the meaning of Article 49 of the Financial Regulation
- x **Shared management** with the Member States
- Decentralised management** with third countries
 - Joint management** with international organisations (*to be specified*)

Comments

No substantive change compared to the present situation, i.e. the bulk of expenditure concerned by the legislative proposals on the CAP reform will be managed by shared management with the Member States. However, a very minor part will continue to fall under centralised direct management by the Commission.

⁵⁰ As referred to in Article 185 of the Financial Regulation.

2. MANAGEMENT MEASURES

2.1. Monitoring and reporting rules

In terms of monitoring and evaluation of the CAP, the Commission will present a report to the European Parliament and the Council every 4 years, with the first report to be presented not later than end 2017.

This is complemented by specific provisions in all areas of the CAP, with various comprehensive reporting and notifications requirements to be specified in the implementing rules.

As regards rural development, rules are also provided for monitoring at programme level, which will be aligned with the other funds, and which will be coupled with ex ante, on-going and ex post evaluations.

2.2. Management and control system

2.2.1. Risk(s) identified

There are more than seven million beneficiaries of the CAP, receiving support under a large variety of different aid schemes, each of which having detailed and sometimes complex eligibility criteria.

The reduction in the error rate in the domain of the common agricultural policy can already be considered as a trend. Thus, most recently an error rate close to 2% confirms the overall positive assessment of previous years. It is the intention to continue the efforts in order to achieve an error rate below 2%.

2.2.2. Control method(s) envisaged

The legislative package, in particular the proposal for the regulation on the financing, management and monitoring of the common agricultural policy, envisages maintaining and reinforcing the current system established by Regulation (EC) No 1290/2005. It provides for a compulsory administrative structure at Member State level, centred around accredited paying agencies, which are responsible for carrying out controls at final beneficiary level in accordance with the principles set out under point 2.3. Every year, the head of each paying agency is required to provide a statement of assurance which covers the completeness, accuracy and veracity of the accounts, the proper functioning of the internal control systems and the legality and regularity of the underlying transactions. An independent audit body is required to provide an opinion on all these three elements.

The Commission will continue to audit agricultural expenditure, using a risk-based approach in order to ensure that its audits are targeted to the areas of highest risk. Where these audits reveal that expenditure has been incurred in breach of Union rules, it will exclude the amounts concerned from Union financing under the conformity clearance system.

As regards the cost of controls, a detailed analysis is provided in annex 8 to the impact assessment accompanying the legislative proposals.

2.3. Measures to prevent fraud and irregularities

The legislative package, in particular the proposal for the regulation on the financing, management and monitoring of the common agricultural policy, envisages maintaining and reinforcing the current detailed systems for controls and penalties to be applied by the paying agencies, with common basis features and special rules tailored to the specificities of each aid regime. The systems generally provide for exhaustive administrative controls of 100% of the aid applications, cross-checks with other databases where this is considered appropriate as well as pre-payment on-the-spot checks of a minimum number of transactions, depending on the risk associated with the regime in question. If these on-the-spot checks reveal a high number of irregularities, additional checks must be carried out. In this context, the by far most important system is the Integrated Administration and Control System (IACS), which in financial year 2010 covered around 80% of total expenditure under the EAGF and the EAFRD. For Member States with properly functioning control systems and low error rates, the Commission will be empowered to allow for a reduction of the number of on-the-spot checks.

The package further envisages that Member States shall prevent, detect and correct irregularities and fraud, impose effective, dissuasive and proportionate penalties as laid down in Union legislation or national law, and recover any irregular payments plus interests. It includes an automatic clearance mechanism for irregularity cases, which provides that if recovery has not taken place within four years of the date of the recovery request, or within eight years in the case of legal proceedings, the amounts not recovered shall be borne by the Member State concerned. This mechanism will be a strong incentive for Member States to recover irregular payments as quickly as possible.

3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

The amounts indicated in this financial statement are expressed in current prices and in commitments.

In addition to the changes resulting from the legislative proposals as listed in the accompanying tables below, the legislative proposals imply further changes which have no financial impact.

For any of the years in the period 2014-2020, the application of financial discipline cannot be excluded at this stage. However, this will not depend on the reform proposals as such, but on other factors, such as the execution of direct aids or future developments in the agricultural markets.

As concerns direct aids, the extended net ceilings for 2014 (calendar year 2013) included in the proposal regarding transition are higher than the amounts allocated to direct aids indicated in the accompanying tables. The purpose of this extension is to ensure a continuation of the existing legislation in a scenario in which all the other elements would remain unchanged, without prejudice to the possible need for applying the financial discipline mechanism.

The reform proposals contain provisions giving Member States a set degree of flexibility in relation to their allocation of direct aids respectively rural development. In case Member States decide to use that flexibility, this will have financial consequences within the given financial amounts, which cannot be quantified at this stage.

This financial statement does not take into account the possible use of the crises reserve. It should be underlined that the amounts taken into account for market-related expenditure are based on no public intervention buying-in and other measures related to a crisis situation in any sectors.

3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected

Table 1: Amounts for the CAP including complementary amounts foreseen in the MFF proposals and the CAP reform proposals

In million EUR (current prices)

Budget year	2013	2013 adjusted (1)	2014	2015	2016	2017	2018	2019	2020	TOTAL 2014-2020
Inside MFF										
Heading 2										
Direct aids and market-related expenditure (2) (3) (4)	44 939	45 304	44 830	45 054	45 299	45 519	45 508	45 497	45 485	317 193
Estimated assigned revenue	672	672	672	672	672	672	672	672	672	4 704
P1 Direct aids and market-related expenditure (with assigned revenue)	45 611	45 976	45 502	45 726	45 971	46 191	46 180	46 169	46 157	321 897
P2 Rural development (4)	14 817	14 451	14 451	14 451	14 451	14 451	14 451	14 451	14 451	101 157
Total	60 428	60 428	59 953	60 177	60 423	60 642	60 631	60 620	60 608	423 054
Heading 1										
CSF Agricultural research and innovation	N.A.	N.A.	682	696	710	724	738	753	768	5 072
Most deprived persons	N.A.	N.A.	379	387	394	402	410	418	427	2 818
Total	N.A.	N.A.	1 061	1 082	1 104	1 126	1 149	1 172	1 195	7 889
Heading 3										
Food safety	N.A.	N.A.	350	350	350	350	350	350	350	2 450
Outside MFF										
Reserve for agricultural crises	N.A.	N.A.	531	541	552	563	574	586	598	3 945
European Globalisation Fund (EGF)										
Of which maximum available for agriculture: (5)	N.A.	N.A.	379	387	394	402	410	418	427	2 818
TOTAL										
TOTAL Commission proposals (MFF + outside MFF) + assigned revenue	60 428	60 428	62 274	62 537	62 823	63 084	63 114	63 146	63 177	440 156
TOTAL MFF proposals (i.e. excluding Reserve and EGF) + assigned revenue	60 428	60 428	61 364	61 609	61 877	62 119	62 130	62 141	62 153	433 393

Notes:

- (1) Taking into account legislative changes already agreed, i.e. voluntary modulation for the UK and Article 136 "unspent amounts" will cease to apply by the end of 2013.
- (2) The amounts relate to the proposed annual ceiling for the first pillar. However, it should also be noted that it is proposed to move negative expenditure from accounting clearance (currently under budget item 05 07 01 06) to assigned revenue (under item 67 03). For details, see estimated revenue table on the page below.
- (3) The 2013 figures include the amounts for veterinary and phytosanitary measures as well as market measures for the fisheries sector.
- (4) The amounts in the table above are in line with those in the Commission communication "A Budget for Europe 2020" (COM(2011)500 final of 29 June 2011). However, it remains to be decided if the MFF will reflect the transfer that is proposed for the envelope of one Member State of the cotton national restructuring programme to rural development as from 2014, implying an adjustment (4 million EUR per year) of the amounts for respectively the EAGF sub-ceiling and for pillar 2. In the tables in the sections below, the amounts have been transferred, irrespective of them being reflected in the MFF.
- (5) In accordance with the Commission communication "A Budget for Europe 2020" (COM(2011)500 final), a total amount of up to 2.5 billion EUR in 2011 prices will be available under the European Globalisation Fund for providing additional support to farmers suffering from effects of globalisation. In the table above, the breakdown by year in current prices is only **indicative**. The proposal for the inter-institutional agreement between the European Parliament, the Council and the Commission on cooperation in budgetary matters and on sound financial management (COM(2011)403 final of 29 June 2011) sets out, for the EGF, an overall maximum annual amount of 429 million EUR in 2011 prices.

3.2. Estimated impact on expenditure

3.2.1. Summary of estimated impact on expenditure

Table 2: Estimated revenue as well as expenditure for Policy Area 05 within Heading 2

In million EUR (current prices)

Budget year	2013	2013 adjusted	2014	2015	2016	2017	2018	2019	2020	TOTAL 2014-2020
REVENUE										
123 – Sugar production charge (own resources)	123	123	123	123						246
67 03 - Assigned revenue	672	672	741	741	741	741	741	741	741	5 187
of which: ex 05 07 01 06 - Accounting clearance	0	0	69	69	69	69	69	69	69	483
Total	795	795	864	864	741	741	741	741	741	5 433
EXPENDITURE										
05 02 - Markets (1)	3 311	3 311	2 622	2 641	2 670	2 699	2 722	2 710	2 699	18 764
05 03 - Direct aids (before capping) (2)	42 170	42 535	42 876	43 081	43 297	43 488	43 454	43 454	43 454	303 105
05 03 – Direct aids (after capping)	42 170	42 535	42 876	42 917	43 125	43 303	43 269	43 269	43 269	302 027
05 04 - Rural development (before capping)	14 817	14 451	14 455	14 455	14 455	14 455	14 455	14 455	14 455	101 185
05 04 - Rural development (after capping)	14 817	14 451	14 455	14 619	14 627	14 640	14 641	14 641	14 641	102 263
05 07 01 06 - Accounting clearance	-69	-69	0	0	0	0	0	0	0	0
Total	60 229	60 229	59 953	60 177	60 423	60 642	60 631	60 620	60 608	423 054
NET BUDGET after assigned revenue			59 212	59 436	59 682	59 901	59 890	59 879	59 867	417 867

Notes:

- (1) For 2013, preliminary estimate based on Draft Budget 2012 taking into account legal adjustments already agreed for 2013 (e.g. wine ceiling, abolition of potato starch premium, dried fodder) as well as some foreseen developments. For all years, the estimates assume that there will be no additional financing need for support measures due to market disturbances or crises.
- (2) The 2013 amount includes an estimate of wine grubbing-up 2012.

Table 3: Calculation of the financial impact by budget chapter of the CAP reform proposals as regards revenue and CAP expenditure

In million EUR (current prices)

Budget year	2013	2013 adjusted								TOTAL 2014-2020
			2014	2015	2016	2017	2018	2019	2020	
REVENUE										
123 – Sugar production charge (own resources)	123	123	0	0	0	0	0	0	0	0
67 03 - Assigned revenue	672	672	69	69	69	69	69	69	69	483
of which: ex 05 07 01 06 - Accounting clearance	0	0	69	69	69	69	69	69	69	483
Total	795	795	69	69	69	69	69	69	69	483
EXPENDITURE										
05 02 - Markets (1)	3 311	3 311	-689	-670	-641	-612	-589	-601	-612	-4 413
05 03 - Direct aids (before capping) (2)	42 170	42 535	-460	-492	-534	-577	-617	-617	-617	-3 913
05 03 - Direct aids – Estimated product of capping to be			0	-164	-172	-185	-186	-186	-186	-1 078
05 04 - Rural development (before capping)	14 817	14 451	4	4	4	4	4	4	4	28
05 04 - Rural development – Estimated product of capping to be			0	164	172	185	186	186	186	1 078
05 07 01 06 - Accounting clearance	-69	-69	69	69	69	69	69	69	69	483
Total	60 229	60 229	-1 076	-1 089	-1 102	-1 115	-1 133	-1 144	-1 156	-7 815
NET BUDGET after assigned revenue			-1 145	-1 158	-1 171	-1 184	-1 202	-1 213	-1 225	-8 298

Notes:

- (1) For 2013, preliminary estimate based on Draft Budget 2012 taking into account legal adjustments already agreed for 2013 (e.g. wine ceiling, abolition of potato starch premium, dried fodder) as well as some foreseen developments. For all years, the estimates assume that there will be no additional financing need for support measures due to market disturbances or crises.
- (2) The 2013 amount includes an estimate of wine grubbing-up 2012.

Table 4: Calculation of the financial impact of the CAP reform proposals as regards CAP market-related expenditure

In million EUR (current prices)

BUDGET YEAR		Legal base	Estimated needs	Changes to 2013							TOTAL 2014-2020	
			2013 (1)	2014	2015	2016	2017	2018	2019	2020		
Exceptional measures: streamlined and extended scope of legal base		Art. 154, 155, 156	pm	pm	pm	pm	pm	pm	pm	pm	pm	pm
Removal of intervention for durum wheat and sorghum		ex Art.10	pm	-	-	-	-	-	-	-	-	-
Food programmes for most deprived	(2)	Ex-Art. 27 of Reg 1234/2007	500.0	-500.0	-500.0	-500.0	-500.0	-500.0	-500.0	-500.0	-500.0	-3 500.0
Private storage (Flax fibre)		Art. 16	N.A.	pm	pm	pm	pm	pm	pm	pm	pm	Pm
Aid for cotton - Restructuring	(3)	ex Art. 5 of Reg. 637/2008	10.0	-4.0	-4.0	-4.0	-4.0	-4.0	-4.0	-4.0	-4.0	-28.0
Setting-up aid for F&V producer groups		ex Art. 117	30.0	0.0	0.0	0.0	-15.0	-15.0	-30.0	-30.0	-30.0	-90.0
School fruit scheme		Art. 21	90.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	420.0
Abolition hops PO		ex Art. 111	2.3	-2.3	-2.3	-2.3	-2.3	-2.3	-2.3	-2.3	-2.3	-15.9
Optional private storage for skimmed-milk powder		Art. 16	N.A.	pm	pm	pm	pm	pm	pm	pm	pm	pm
Abolition aid for use of skimmed milk/SMP as feedingstuff/casein and use of casein		ex Art. 101, 102	pm	-	-	-	-	-	-	-	-	-
Optional private storage for butter	(4)	Art. 16	14.0	[-1.0]	[-14.0]	[-14.0]	[-14.0]	[-14.0]	[-14.0]	[-14.0]	[-14.0]	[-85.0]
Abolition milk promotional levy		ex Art. 309	pm	-	-	-	-	-	-	-	-	-
TOTAL 05 02												
Net effect of reform proposals (5)				-446.3	-446.3	-446.3	-461.3	-461.3	-476.3	-476.3	-476.3	-3 213.9

Notes:

- (1) The 2013 needs are estimated based on the Commission's Draft Budget 2012, except for (a) the fruit & vegetables sectors where the needs are based on the financial statement of the respective reforms and (b) any legal changes already agreed.
- (2) The 2013 amount corresponds to Commission proposal COM(2010)486. As from 2014, the measure will be financed within Heading 1.
- (3) The envelope for the cotton restructuring programme for Greece (4 million EUR/year) will be transferred to rural development as from 2014. The envelope for Spain (6.1 million EUR/year) will go to the Single Payment Scheme as from 2018 (already decided).
- (4) Estimated effect in case of non-application of the measure.
- (5) In addition to expenditure within chapters 05 02 and 05 03, it is anticipated that direct expenditure within chapters 05 01, 05 07 and 05 08 will be financed by revenue that will be assigned to the EAGF.

Table 5: Calculation of the financial impact of the CAP reform proposals as regards direct aids

In million EUR (current prices)

BUDGET YEAR	Legal base	Estimated needs		Changes to 2013							TOTAL 2014-2020
		2013 (1)	2013 adjusted (2)	2014	2015	2016	2017	2018	2019	2020	
Direct aids		42 169.9	42 535.4	341.0	381.1	589.6	768.0	733.2	733.2	733.2	4 279.3
- Changes already decided:											
Phasing-in EU 12				875.0	1 133.9	1 392.8	1 651.6	1 651.6	1 651.6	1 651.6	10 008.1
Cotton restructuring				0.0	0.0	0.0	0.0	6.1	6.1	6.1	18.4
Health Check				-64.3	-64.3	-64.3	-90.0	-90.0	-90.0	-90.0	-552.8
Previous reforms				-9.9	-32.4	-32.4	-32.4	-32.4	-32.4	-32.4	-204.2
- Changes due to new CAP reform proposals				-459.8	-656.1	-706.5	-761.3	-802.2	-802.2	-802.2	-4 990.3
Of which: capping				0.0	-164.1	-172.1	-184.7	-185.6	-185.6	-185.6	-1 077.7
TOTAL 05 03											
Net effect of reform proposals				-459.8	-656.1	-706.5	-761.3	-802.2	-802.2	-802.2	-4 990.3
TOTAL EXPENDITURE		42 169.9	42 535.4	42 876.4	42 916.5	43 125.0	43 303.4	43 268.7	43 268.7	43 268.7	302 027.3

Notes:

- (1) The 2013 amount includes an estimate of wine grubbing-up 2012.
- (2) Taking into account legislative changes already agreed, i.e. voluntary modulation for the UK and Article 136 "unspent amounts" will cease to apply by the end of 2013.

Table 6: Components of direct aids

In million EUR (current prices)

BUDGET YEAR	2015	2016	2017	2018	2019	2020	TOTAL 2014-2020
Annex II	42 407.2	42 623.4	42 814.2	42 780.3	42 780.3	42 780.3	256 185.7
Payment for agricultural practices beneficial for the climate and environment (30%)	12 866.5	12 855.3	12 844.3	12 834.1	12 834.1	12 834.1	77 068.4
Maximum that can be allocated to the Payment for young farmers (2%)	857.8	857.0	856.3	855.6	855.6	855.6	5 137.9
Basic Payment Scheme, Payment for areas with Natural Constraints, Voluntary Coupled Support	28 682.9	28 911.1	29 113.6	29 090.6	29 090.6	29 090.6	173 979.4
Maximum that can be taken from the above lines to finance the Small Farmer Scheme (10%)	4 288.8	4 285.1	4 281.4	4 278.0	4 278.0	4 278.0	25 689.3
Wine transfers included in Annex II ⁵¹	159.9	159.9	159.9	159.9	159.9	159.9	959.1
Capping	-164.1	-172.1	-184.7	-185.6	-185.6	-185.6	-1 077.7
Cotton	256.0	256.3	256.5	256.6	256.6	256.6	1 538.6
POSEI/Small Aegean Islands	417.4	417.4	417.4	417.4	417.4	417.4	2 504.4

⁵¹ Direct aids for the period 2014-2020 include an estimate of the wine transfers to SPS based on the decisions taken by the Member States for 2013.

Table 7: Calculation of the financial impact of the CAP reform proposals as regards transitional measures for granting direct aids in 2014

In million EUR (current prices)

BUDGET YEAR	Legal base	Estimated needs		Changes to 2013
		2013 (1)	2013 adjusted	2014 (2)
Annex IV to Council Regulation (EC) No 73/2009		40 165.0	40 530.5	541.9
Phasing-in EU 10				616.1
Health Check				-64.3
Previous reforms				-9.9

TOTAL 05 03				
TOTAL EXPENDITURE		40 165.0	40 530.5	41 072.4

Notes:

- (1) The 2013 amount includes an estimate of wine grubbing-up 2012.
- (2) The extended net ceilings include an estimate of the wine transfers to SPS based on the decisions taken by the Member States for 2013.

Table 8: Calculation of the financial impact of the CAP reform proposals as regards rural development

In million EUR (current prices)

BUDGET YEAR		Legal base	Rural development allocation		Changes to 2013							TOTAL 2014-2020	
			2013	2013 adjusted (1)	2014	2015	2016	2017	2018	2019	2020		
Rural development programmes			14 788.9	14 423.4									
Aid for cotton - Restructuring	(2)				4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	28.0
Product of capping of direct aids						164.1	172.1	184.7	185.6	185.6	185.6	185.6	1 077.7
RD envelope excluding technical assistance	(3)				-8.5	-8.5	-8.5	-8.5	-8.5	-8.5	-8.5	-8.5	-59.4
Technical assistance	(3)		27.6	27.6	8.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	29.4
Prize for local innovative co-operation projects	(4)		N.A.	N.A.	0.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	30.0

TOTAL 05 04													
Net effect of reform proposals					4.0	168.1	176.1	188.7	189.6	189.6	189.6	189.6	1 105.7
TOTAL EXPENDITURE (before capping)			14 816.6	14 451.1	14 455.1	14 455.1	14 455.1	14 455.1	14 455.1	14 455.1	14 455.1	14 455.1	101 185.5
TOTAL EXPENDITURE (after capping)			14 816.6	14 451.1	14 455.1	14 619.2	14 627.2	14 639.8	14 640.7	14 640.7	14 640.7	14 640.7	102 263.2

Notes:

- (1) Adjustments in line with the existing legislation only applicable until the end of financial year 2013.
- (2) The amounts in table 1 (section 3.1) are in line with those in the Commission communication "A Budget for Europe 2020" (COM(2011)500 final). However, it remains to be decided if the MFF will reflect the transfer that is proposed for the envelope of one Member State of the cotton national restructuring programme to rural development as from 2014, implying an adjustment (4 million EUR per year) of the amounts for respectively the EAGF sub-ceiling and for pillar 2. In table 8 above, the amounts have been transferred, irrespective of them being reflected in the MFF.
- (3) The 2013 amount for technical assistance was fixed based on the initial rural development envelope (transfers from pillar 1 not included).
Technical assistance for 2014-2020 is fixed at 0.25% of the total rural development envelope.
- (4) Covered by the amount available for technical assistance.

Heading of multiannual financial framework:	5	" Administrative expenditure "
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EUR million (to 3 decimal places)

Note: It is estimated that the legislative proposals will have no impact on appropriations of an administrative nature, i.e. it is the intention that the legislative framework can be implemented with the present level of human resources and administrative expenditure.

		Year 2014	Year 2015	Year 2016	Year 2017	Year 2018	Year 2019	Year 2020	TOTAL
DG: AGRI									
• Human resources		136.998	136.998	136.998	136.998	136.998	136.998	136.998	958.986
• Other administrative expenditure		9.704	9.704	9.704	9.704	9.704	9.704	9.704	67.928
TOTAL DG AGRI	Appropriations	146.702	146.702	146.702	146.702	146.702	146.702	146.702	1 026.914

TOTAL appropriations under HEADING 5 of the multiannual financial framework	(Total commitments = Total payments)	146.702	146.702	146.702	146.702	146.702	146.702	146.702	1 026.914
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EUR million (to 3 decimal places)

		Year N ⁵²	Year N+1	Year N+2	Year N+3	... enter as many years as necessary to show the duration of the impact (see point 1.6)	TOTAL

⁵² Year N is the year in which implementation of the proposal/initiative starts.

TOTAL appropriations under HEADINGS 1 to 5 of the multiannual financial framework	Commitments								
	Payments								

3.2.2. Estimated impact on operational appropriations

- The proposal/initiative does not require the use of operational appropriations
- x The proposal/initiative requires the use of operational appropriations, as explained below:

Commitment appropriations in EUR million (to 3 decimal places)

Indicate objectives and outputs ↓			Year 2014	Year 2015	Year 2016	Year 2017	Year 2018	Year 2019	Year 2020	TOTAL									
	OUTPUTS																		
	Type of output	Average cost of the output	Number of outputs	Cost	Number of outputs	Cost	Number of outputs	Cost	Number of outputs	Cost	Number of outputs	Cost	Number of outputs	Cost	Number of outputs	Cost	Total number of outputs	Total cost	
SPECIFIC OBJECTIVE No 5: To improve the competitiveness of the agricultural sector and enhance its value share in the food chain																			
- Fruit & vegetables: Marketing through producer organisations (POs) ⁵³	Proportion of the value of production marketed through POs in value of		830.0		830.0		830.0		830.0		830.0		830.0		830.0		830.0		5 810.0

⁵³ Based on past execution and estimates in the 2012 Draft Budget. For the producer organisations in the fruit & vegetables sector, the amounts are in line with the reform of that sector and, as already indicated in the activity statements of the 2012 Draft Budget, outputs will only be known in late 2011.

	the total production																	
- Wine: National envelope – Restructuring ⁵³	Number of hectares		54 326	475.1	54 326	475.1	54 326	475.1	54 326	475.1	54 326	475.1	54 326	475.1	54 326	475.1		3 326.0
- Wine: National envelope – Investments ⁵³			1 147	178.9	1 147	178.9	1 147	178.9	1 147	178.9	1 147	178.9	1 147	178.9	1 147	178.9		1 252.6
- Wine: National envelope – By-product distillation ⁵³	Hecto-litres		700 000	98.1	700 000	98.1	700 000	98.1	700 000	98.1	700 000	98.1	700 000	98.1	700 000	98.1		686.4
- Wine: National envelope – Potable alcohol ⁵³	Number of hectares		32 754	14.2	32 754	14.2	32 754	14.2	32 754	14.2	32 754	14.2	32 754	14.2	32 754	14.2		14.2
- Wine: National envelope – Use of concentrated must ⁵³	Hecto-litres		9	37.4	9	37.4	9	37.4	9	37.4	9	37.4	9	37.4	9	37.4		261.8
- Wine: National envelope – promotion ⁵³				267.9		267.9		267.9		267.9		267.9		267.9		267.9		1 875.3
- Other				720.2		739.6		768.7		797.7		820.3		808.8		797.1		5 452.3
Sub-total for specific objective N°5				2 621.8		2 641.2		2 670.3		2 699.3		2 721.9		2 710.4		2 698.7		18 763.5

SPECIFIC OBJECTIVE No 6: To contribute to farm incomes and limit farm income variability																	
- Direct income support ⁵⁴	Number of hectares paid (in million)	161.014	42 876.4	161.014	43 080.6	161.014	43 297.1	161.014	43 488.1	161.014	43 454.3	161.014	43 454.3	161.014	43 454.3	161.014	303 105.0
Sub-total for specific objective N°6			42 876.4		43 080.6		43 297.1		43 488.1		43 454.3		43 454.3		43 454.3		303 105.0
TOTAL COST																	

Note: For specific objectives 1 to 4 and 7 to 10, the outputs are still to be determined (see section 1.4.2 above).

⁵⁴ Based on potentially eligible areas for 2009.

3.2.3. Estimated impact on appropriations of an administrative nature

3.2.3.1. Summary

- The proposal/initiative does not require the use of administrative appropriations
- x The proposal/initiative requires the use of administrative appropriations, as explained below:

EUR million (to 3 decimal places)

	Year 2014	Year 2015	Year 2016	Year 2017	Year 2018	Year 2019	Year 2020	TOTAL
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HEADING 5 of the multiannual financial framework								
Human resources ⁵⁵	136.998	136.998	136.998	136.998	136.998	136.998	136.998	958.986
Other administrative expenditure	9.704	9.704	9.704	9.704	9.704	9.704	9.704	67.928
Subtotal HEADING 5 of the multiannual financial framework								

Outside HEADING 5 of the multiannual financial framework								
Human resources								
Other expenditure of an administrative nature								
Subtotal outside HEADING 5 of the multiannual financial framework								

TOTAL	146.702	146.702	146.702	146.702	146.702	146.702	146.702	1 026.914
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⁵⁵ Based on an average cost of 127 000 EUR for establishment plan post of officials and temporary agents.

3.2.3.2. Estimated requirements of human resources

- The proposal/initiative does not require the use of human resources
- x The proposal/initiative requires the use of human resources, as explained below:

Note: It is estimated that the legislative proposals will have no impact on appropriations of an administrative nature, i.e. it is the intention that the legislative framework can be implemented with the present level of human resources and administrative expenditure. The figures for the period 2014-2020 are based on the situation for 2011.

Estimate to be expressed in full amounts (or at most to one decimal place)

	Year 2014	Year 2015	Year 2016	Year 2017	Year 2018	Year 2019	Year 2020
• Establishment plan posts (officials and temporary agents)							
XX 01 01 01 (Headquarters and Commission's Representation Offices)	1 034	1 034	1 034	1 034	1 034	1 034	1 034
XX 01 01 02 (Delegations)	3	3	3	3	3	3	3
XX 01 05 01 (Indirect research)							
10 01 05 01 (Direct research)							
• External personnel (in Full Time Equivalent unit: FTE)⁵⁶							
XX 01 02 01 (CA, INT, SNE from the "global envelope")	78	78	78	78	78	78	78
XX 01 02 02 (CA, INT, JED, LA and SNE in the delegations)							
XX 01 04 yy	- at Headquarters						
	- in delegations						
XX 01 05 02 (CA, INT, SNE - Indirect research)							
10 01 05 02 (CA, INT, SNE - Direct research)							
Other budget lines (specify)							
TOTAL⁵⁷	1 115	1 115	1 115	1 115	1 115	1 115	1 115

XX is the policy area or budget title concerned.

The human resources required will be met by staff from the DG who are already assigned to management of the action and/or have been redeployed within the DG, together if necessary

⁵⁶ CA= Contract Agent; INT= agency staff ("Intérimaire"); JED= "Jeune Expert en Délégation" (Young Experts in Delegations); LA= Local Agent; SNE= Seconded National Expert;

⁵⁷ This does not include the sub-ceiling on budget line 05.010404.

with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

Description of tasks to be carried out:

Officials and temporary agents	
External personnel	

3.2.4. *Compatibility with the current multiannual financial framework*

- x Proposal/initiative is compatible with the **PROPOSALS FOR THE 2014-2020** multiannual financial framework.
- Proposal/initiative will entail reprogramming of the relevant heading in the multiannual financial framework.
- Proposal/initiative requires application of the flexibility instrument or revision of the multiannual financial framework.

3.2.5. *Third-party contributions*

- The proposal/initiative does not provide for co-financing by third parties
- X The proposal regarding rural development (EAFRD) provides for the co-financing estimated below:

Appropriations in EUR million (to 3 decimal places)

	Year 2014	Year 2015	Year 2016	Year 2017	Year 2018	Year 2019	Year 2020	Total
Specify the co-financing body	MS	MS	MS	MS	MS	MS	MS	MS
TOTAL appropriations cofinanced ⁵⁸	To be determined	To be determined	To be determined	To be determined	To be determined	To be determined	To be determined	To be determined

⁵⁸ This will be set out in the rural development programmes to be submitted by the Member States.

3.3. Estimated impact on revenue

- Proposal/initiative has no financial impact on revenue.
- Proposal/initiative has the following financial impact:
 - on own resources
 - on miscellaneous revenue

EUR million (to 3 decimal places)

Budget revenue line:	Appropriations available for the ongoing budget year	Impact of the proposal/initiative ⁵⁹						
		Year N	Year N+1	Year N+2	Year N+3	... insert as many columns as necessary in order to reflect the duration of the impact (see point 1.6)		

For miscellaneous assigned revenue, specify the budget expenditure line(s) affected.

See tables 2 and 3 in section 3.2.1.

⁵⁹

As regards traditional own resources (customs duties, sugar levies), the amounts indicated must be net amounts, i.e. gross amounts after deduction of 25% for collection costs.

