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NOTE

From:	General Secretariat of the Council
To:	Special Committee on Agriculture
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Subject:	Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL establishing rules on support for strategic plans to be drawn up by Member States under the Common agricultural policy (CAP Strategic Plans) and financed by the European Agricultural Guarantee Fund (EAGF) and by the European Agricultural Fund for Rural Development (EAFRD) and repealing Regulation (EU) No 1305/2013 of the European Parliament and of the Council and Regulation (EU) No 1307/2013 of the European Parliament and of the Council - *Consolidated text (recitals and articles)*

With a view to the SCA on 23 July 2021, delegations will find in the Annex the consolidated version of the recitals and articles of the abovementioned proposal.

ANNEX

2018/0216 (COD)

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

establishing rules on support for strategic plans to be drawn up by Member States under the Common agricultural policy (CAP Strategic Plans) and financed by the European Agricultural Guarantee Fund (EAGF) and by the European Agricultural Fund for Rural Development (EAFRD) and repealing Regulation (EU) No 1305/2013 of the European Parliament and of the Council and Regulation (EU) No 1307/2013 of the European Parliament and of the Council

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 Article 43(2) thereof,

Having regard to the 1979 Act of Accession, and in particular paragraph 6 of Protocol No 4 on cotton attached thereto,

Having regard to the proposal from the European Commission,

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

Having regard to the opinion of the European Economic and Social Committee[1],

Having regard to the opinion of the Committee of the Regions[2],

[1] OJ C , , p. .
[2] OJ C , , p. .

Having regard to the opinion of the Court of Auditors,

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 entitled 'The Future of Food and Farming' of 29 November 2017 sets out the challenges, objectives and orientations for the future Common Agricultural Policy (CAP) after 2020. These objectives include, inter alia, the need for the CAP to be more result-driven, market-oriented, to boost modernisation and sustainability, including the economic, social, environmental and climate sustainability of the agricultural, forestry and rural areas, and to help reducing the Union legislation-related administrative burden for beneficiaries.

(1b) In order to address the global dimension and implications of the CAP, the Commission should ensure coherence with the Union external policies and instruments, in particular in development cooperation and trade. The Union's commitment to policy coherence for development requires the taking into account of development objectives and principles when designing policies.

(2) Since the CAP needs to sharpen its responses to the challenges and opportunities as they manifest themselves at Union, international, national, regional, local and farm levels, it is necessary to streamline the governance of the CAP and improve its delivery on the Union objectives and to significantly decrease the administrative burden. In the CAP based on delivery of performance ('delivery model'), the Union should set the basic policy parameters, such as objectives of the CAP and basic requirements, while Member States should bear greater responsibility as to how they meet the objectives and achieve targets. Enhanced subsidiarity makes it possible to better take into account local conditions and needs and the particular nature of agricultural activity, which results from the social structure of agriculture and from structural and natural disparities between the various agricultural regions, tailoring the support to maximise the contribution to Union objectives.

(2a) Rules on measures linking effectiveness of Union Funds to sound economic governance, on territorial development and on visibility of support from Union Funds laid down in Regulation (EU) [CPR] of the European Parliament and of the Council should also apply to support for rural development under this Regulation to ensure coherence with the Union Funds concerned on these aspects.

(3) Member States should be given the flexibility to specify certain definitions in their CAP Strategic Plan. In order to ensure a common level playing field, a certain framework has, however, to be set at Union level constituting the necessary common elements to be included in those definitions ('framework definitions').

(4) In order to enhance the role of agriculture in providing public goods, it is necessary to establish an appropriate framework definition of agriculture activity. Moreover, in order to ensure that the Union can respect its international obligations on domestic support as set out in the WTO Agreement on Agriculture, and in particular that the basic income support for sustainability and related types of interventions continue to be notified as 'Green Box' support which has no, or at most minimal, trade-distorting effects or effects on production, the framework definition for 'agricultural activity' should provide for both, the production of agricultural products and the maintenance of the agricultural area, while farmers should have the choice between those two types of activities. In light of adjusting to local conditions, Member States should lay down the actual definition of agricultural activity in their CAP Strategic Plans.

(5) In order to retain essential Union-wide element to ensure comparability between Member State decisions, without however limiting Member States in reaching Union objectives, a framework definition for ‘agricultural area’ should be set out. The related framework definitions for ‘arable land’, ‘permanent crops’ and ‘permanent grassland’ should be set out in a broad way to allow Member States to further specify definitions according to their local conditions. The framework definition for ‘arable land’ should be laid down in a way that allows Member States to cover different production forms and that requires to include fallow land areas in order to ensure the decoupled nature of the interventions. The framework definition of ‘permanent crops’ should include both areas actually used for production and not, as well as nurseries and short rotation coppice to be defined by Member States. The framework definition of ‘permanent grassland’ should be set in a way that in cases where grasses and other herbaceous forage remain predominant, it does not exclude other species that can be grazed. It should also, enable Member States to specify further criteria and allow them to include species other than grasses or other herbaceous forage that may produce animal feed, whether used for actual production or not. This could encompass species of which parts of the plant, such as leaves, flowers, stems or fruits can be grazed directly or when they fall to the ground. Member states should also be able to decide whether to limit the land where grasses and other herbaceous forage are not predominant or absent in grazing areas including to land which forms part of established local practices. The framework definitions of ‘agricultural area’ should ensure that Member States cover agroforestry systems, where trees are grown in agricultural parcels on which agricultural activities are carried out to improve the sustainable use of the land.

(6) Synergies between the EAFRD and Horizon Europe should encourage that the EAFRD makes the best use of research and innovation results, in particular those stemming from projects funded by Horizon Europe and the European Innovation Partnership (EIP) for 'agricultural productivity and sustainability', leading to innovations in the farming sector and rural areas.

(7) In order to ensure legal certainty that support is paid for an agricultural area which is at the farmer's disposal and where an agricultural activity is exercised, a framework definition for 'eligible hectare' with the essential elements should be set out. In particular, Member States should set the conditions to determine whether the land is at the farmer's disposal. Considering the likelihood of occasional and temporary use of agricultural land for an activity which is not strictly agricultural, and given the potential of certain non-agricultural activities to contribute to the income diversification of agricultural holdings, Member States should set appropriate conditions to include areas also used for non-agricultural activities as eligible hectares.

In view of the high environmental ambition of the CAP, the eligible area should not be reduced as a result of the implementation of certain rules of conditionality and of the schemes for the climate and the environment under direct payments. Agricultural areas should not become ineligible for direct payments when cultivated with non-agricultural products by way of paludiculture under EU schemes which contribute to one or more environmental or climate related objectives of the Union. Furthermore, agricultural areas should remain eligible for direct payments when subject to certain EU provisions relating to the environmental protection, or afforested under rural development measures, including those afforested under the compliant national schemes, or areas under certain set-aside commitments.

Also, taking into account the need of simplification, Member States should be allowed to decide that landscape features that do not significantly hamper the performance of the agricultural activity on a parcel remain part of the eligible area. When calculating the eligible area of permanent grassland, to deduct the areas occupied by ineligible features, Member States should be allowed to apply simplified methodology.

(8) As regards the areas used for the production of hemp, in order to preserve public health and to ensure the coherence with other bodies of legislation, the use of hemp seeds varieties with tetrahydrocannabinol content below 0.3% should be part of the definition of eligible hectare.

(9) In view of further improving the performance of the CAP, income support should be targeted to active farmers. To ensure a common approach at Union level, a framework definition for 'active farmer' displaying the essential elements should be set out. On the basis of this framework, Member States should define in their CAP Strategic Plans which farmers are considered active farmers based on objective conditions. To reduce the administrative burden Member States should be allowed to grant direct payments to smaller farmers who also contribute to the vitality of rural areas and to establish a negative list of non-agricultural activities compared to which the agricultural activities are typically marginal. The negative list should not be the only way in which the definition is determined but should be used as a complementary tool to help identifying such non-agricultural activities, without prejudice for the persons concerned to prove that they fulfil the criteria of the definition of active farmer. To ensure a better income, strengthen the socio-economic fabric of rural areas or pursue related objectives, the definition of active farmer should not result in excluding from support pluri-active or part-time farmers, who in addition to farming are also engaged in non-agricultural activities.

(9a) Equality between women and men is a core principle of the Union and gender mainstreaming is an important tool in the integration of that principle into to the CAP.

There should therefore be a particular focus on promoting the participation of women in the socio-economic development of rural areas, with special attention to farming, supporting women's key role. Member States should be required to assess the situation of women in farming and address challenges in their strategic plans. Gender equality should be an integral part of the preparation, implementation and evaluation of CAP interventions. Member States should also strengthen their capacity in gender mainstreaming and in the collection of sex-disaggregated data.

(10) In order to ensure consistency between the direct payments types of interventions and rural development types of interventions when addressing the objective of generational renewal, a framework definition for ‘young farmer’ with the essential elements should be set out at Union level.

(10a) In order to ensure consistency between the direct payments types of interventions and rural development types of interventions when addressing the objective of facilitating business development in rural areas, a framework definition for ‘new farmer’ with common elements should be set out at Union level.

(11) In order to give substance to the objectives of the CAP as established by Article 39 of the Treaty on the Functioning of the European Union (TFEU), as well as to ensure that the Union adequately addresses its most recent challenges, it is appropriate to provide for a set of general objectives reflecting the orientations given in the Communication on 'The Future of Food and Farming'. A set of specific objectives should be further defined at Union level and applied by the Member States in their CAP Strategic Plans, taking into account the fact that in the Member States agriculture constitutes a sector closely linked with the economy as a whole. While striking a balance across the dimensions of sustainable development, in line with the impact assessment, these specific objectives should translate the general objectives of the CAP into more concrete priorities and take into account relevant Union legislation, particularly with regard to climate, energy and environment.

(12) A smarter, modernised and more sustainable CAP needs to embrace research and innovation, in order to serve the multi-functionality of Union agriculture, forestry and food systems, investing in technological development and digitalisation, as well as improving the uptake and effective deployment of technologies, digital technologies in particular, and the access to and increased sharing of impartial, sound, relevant and new knowledge.

(12a) The Union needs to foster a modern, competitive, resilient and diversified agricultural sector which reaps the benefits of high-quality production and resource-efficiency, and which ensures long term food security as part of a competitive and productive agri-food sector while safeguarding the family farm model.

(12b) In order to support viable farm income and resilience of the agricultural sector across the Union to enhance long term food security, there is a need to improve the farmers' position in the value chain in particular by encouraging forms of cooperation that involve and benefit farmers, as well as by promoting short supply chains and improving market transparency.

(12c) The Union needs to improve the response to societal demands on food and health, including high quality, safe, and nutritious food produced in a sustainable way. In order to advance in this direction, specific sustainable farming practices, such as organic farming, integrated pest management, agro-ecology, agroforestry or precision farming will need to be promoted. Similarly, actions to promote higher levels of animal welfare and initiatives to combat antimicrobial resistance should also be stimulated.

(13) The delivery model should not lead to a situation in which there are 27 different national agricultural policies, thus endangering the common nature of the CAP and the internal market. It should, however, leave to Member States a certain degree of flexibility within a strong common regulatory framework. This Regulation should therefore set the Union objectives and define the types of interventions as well as the common Union requirements applicable to Member States thus ensuring the common nature of the policy. Member States should be in charge of translating that Union regulatory framework into support arrangements applicable to beneficiaries using an
increased level of flexibility. In that context, Member States should act in line with the Charter of Fundamental Rights, general principles of Union law and ensure that the legal framework for the granting of Union support to beneficiaries be based on their CAP Strategic plans and be in line with the principles and requirements set out under this Regulation and the [Horizontal Regulation]. They should also implement their CAP Strategic Plans as approved by the Commission.

(14) In order to foster a smart and resilient agricultural sector, direct payments keep on constituting an essential part to guarantee a fair income support to farmers. Likewise, investments into farm restructuring, modernisation, innovation, diversification and uptake of new practices and technologies are necessary to improve farmers' market reward.

(15) In the context of greater market-orientation of the CAP, as outlined by the Communication on 'The Future of Food and Farming', market exposure, climate change and associated frequency and severity of extreme weather events, as well as sanitary and phytosanitary crises, may lead to risks of price volatility and increasing pressures on incomes, in particular of primary producers. Thus, although farmers are ultimately responsible for designing their on-farm strategies and for improving the resilience of their farms, a robust framework should be set up to ensure appropriate risk management.

(16) Supporting and improving environmental protection and climate action and contributing to the achievement of Union environmental- and climate-related objectives is a very high priority in the future of Union agriculture and forestry.
The CAP should play a role both in reducing negative impacts on the environment and climate, including biodiversity, and also in increasing the provision of environmental public goods –on all types of farmland and forest land (including high-nature-value areas) and in rural areas as a whole.

The architecture of the CAP should therefore reflect greater ambition with respect to these objectives. It should include elements which support or otherwise induce a wide range of action in pursuit of the objectives – within agriculture, food production, forestry and rural areas as a whole.

The best combination of types of action for addressing these objectives will vary from one Member State to another. Concurrently with the need to increase efforts on adaptation to climate change, reductions in greenhouse gas emissions and enhanced carbon sequestration, that are both important in mitigating climate change. Energy production and use supported through the CAP should concern energy which clearly displays the characteristics of sustainability including GHG. With regard to the management of natural resources, a lower dependence on chemicals such as artificial fertilizers and pesticides may be particularly helpful including for the protection of biodiversity, where lower dependence on pesticides and action to halt and reverse the decline of pollinator populations is timely needed in many parts of the Union.

As many rural areas in the Union suffer from structural problems such as lack of attractive employment opportunities, skill shortages, underinvestment in broadband and connectivity, digital and other infrastructures and essential services, as well as youth drain, it is fundamental to strengthen the socio-economic fabric in those areas, in line with the Cork 2.0. Declaration, particularly through job creation and generational renewal, by bringing the Commission's jobs and growth to rural areas, and promoting social inclusion, support for young people, greater participation by women in the rural economy, generational renewal and the development of 'Smart Villages' across the European countryside, contributing to mitigate depopulation. With a view to stabilising and diversifying the rural economy, the development, establishment and retention of non-agricultural enterprises should be supported. As indicated in the Communication on 'The Future of Food and Farming', new rural value chains such as renewable energy, the emerging bio-economy, the circular economy, and ecotourism can offer good growth and job potential for rural areas, while conserving natural resources. In this context, financial instruments and the use of the InvestEU guarantee can play a crucial role for ensuring access to financing and for bolstering the growth capacity of farms and enterprises. There is a potential for employment opportunities in rural areas for legally staying third country nationals, promoting their social and economic integration especially in the framework of Community-led Local Development strategies.

(17) The CAP should keep ensuring food security, which should be understood as meaning access to sufficient, safe and nutritious food at all times. Moreover, it should help improving the response of Union agriculture to new societal demands on food and health, including sustainable agricultural production, healthier nutrition, food waste and animal welfare. The CAP should continue to promote production with specific and valuable characteristics, while at the same time helping farmers to proactively adjust their production according to market signals and consumers' demands.

(18) In view of the scope of the reform that is necessary to achieve the objectives and respond to concerns, it is appropriate to provide for a new legal framework in one single Regulation that covers the Union support financed by the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD) and that replaces the arrangements currently laid in Regulation (EU) No 1305/2013 of the European Parliament and of the Council[3] and Regulation (EU) No 1307/2013 of the European Parliament and of the Council[4].

[3] Regulation (EU) No 1305/2013 of the European Parliament and of the Council of 17 December 2013 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) and repealing Council Regulation (EC) No 1698/2005 (OJ L 347, 20.12.2013, p. 487).

[4] Regulation (EU) No 1307/2013 of the European Parliament and of the Council of 17 December 2013 establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy and repealing Council Regulation (EC) No 637/2008 and Council Regulation (EC) No 73/2009 (OJ L 347, 20.12.2013, p. 608).

(19) This Regulation should lay down the rules that apply to Union support financed by the EAGF and the EAFRD and granted in the form of types of interventions specified in a CAP Strategic Plan drawn up by the Member States and approved by the Commission.

(20) In order to ensure that the Union can respect its international obligations on domestic support as set out in the WTO Agreement on Agriculture, certain types of interventions provided for in this Regulation should continue to be notified as 'Green Box' support which has no, or at most minimal, trade-distorting effects or effects on production, or to be notified as 'Blue Box' support under production-limiting programs and is so exempted from reduction commitments. While the provisions set out in this Regulation for such types of interventions are already in compliance with the 'Green Box' requirements as set out in Annex 2 to the WTO Agreement on Agriculture or the 'Blue Box' requirements set out in its Article 6.5, it should be ensured that the interventions planned by Member States in their CAP Strategic Plans for these types of interventions continue to respect those requirements. In particular, the crop specific payment for cotton in this Regulation should continue to be designed to respect the provisions of the "Blue Box".

(20a) Compliance of interventions including coupled income support with the Union's international commitments should be ensured. This includes in particular the requirements of the Memorandum of Understanding between the European Economic Community and the United States of America on oilseeds within the framework of the GATT[5],1 as applicable subsequent to changes to the EU separate base area for oilseeds following changes to the composition of the EU. The Commission should have the power to adopt implementing acts for this purpose of laying down detailed rules in this respect.

[5] Memorandum of Understanding between the Economic Community and the United States of America on oil seeds under GATT (OJ L147, 18/06/1993)

(20b) The information and assessment of the performance of the CAP based on the implementation of the CAP Strategic Plans will be taken into account in the regular assessments of the Policy Coherence for Sustainable Development of the European Commission.

(21) Building on the previous system of cross-compliance implemented until 2020, the system of new conditionality links full receipt of CAP support to the compliance by beneficiaries of basic standards concerning the environment, climate change, public health, plant health and animal welfare. The basic standards encompass in a streamlined form a list of statutory management requirements (SMRs) and standards of good agricultural and environmental conditions of land (GAECs). These basic standards should better take into account the environmental and climate challenges and the new environmental architecture of the CAP, thus delivering a higher level of environmental and climate ambition as the Commission announced in its Communications on the 'Future of Food and Farming' and the Multiannual Financial Framework (MFF). Conditionality aims to contribute to the development of sustainable agriculture through better awareness on the part of beneficiaries of the need to respect those basic standards. It also aims to make the CAP more compatible with the expectations of society through improving consistency of the policy with the environment, public health, plant health and animal welfare objectives. Conditionality should form an integral part of the environmental architecture of the CAP, as part of the baseline for more ambitious environmental and climate commitments, and should be comprehensively applied across the Union. For those farmers who do not comply with those requirements, Member States should ensure that proportionate, effective and dissuasive penalties are applied in accordance with [the HZR Regulation].

(22) The framework of standards of GAECs aims to contribute to the mitigation and adaptation to climate change, to tackle water challenges, the protection and quality of soil and the protection and quality of biodiversity. The framework needs to be enhanced to take into account in particular the practices set until 2022 under the greening of direct payments, the mitigation of climate change and the need to improve farms sustainability and biodiversity contribution. It is acknowledged that each GAEC contributes to multiple objectives. In order to implement the framework, Member States should define a national standard for each of the standards set at Union level taking into account the specific characteristics of the area concerned, including soil and climatic conditions, existing farming conditions, land use, farming practices and farm structures. Given the existing practices under organic farming system, no further requirement will be applicable for organic farmer as regards crop rotation. In addition for the standards on crop rotation and on minimum share of arable land for biodiversity, some exceptions may be considered by Member States to avoid excessive burden on smaller farms or to exclude some farms that already fulfil the objective of standards as a result of being covered to a significant extend by grassland or fallow land. Exception should also be provided for minimum share of arable land requirement for biodiversity in the case of predominantly forested Member States. The Commission should be empowered to adopt delegated provisions exclusively aiming at ensuring a minimum level-playing field for the implementation of GAEC 1.

(23) SMRs need to be fully implemented by Member States in order to become operational at farm level and ensure equal treatment of farmers. To ensure the consistency of the rules on conditionality in enhancing the sustainability of the policy, SMRs should encompass main Union legislation on environment, public health, plant health and animal welfare which implementation at national level imply precise obligations on individual farmers, including obligations under Council Directive 92/43/EEC[6] and Directive 2009/147/EC of the European Parliament and of the Council[7] or Council Directive 91/676/EEC.[8] In order to follow up on the joint statement made by the European Parliament and the Council as annexed to Regulation (EU) No 1306/2013 of the European Parliament and of the Council,[9] the relevant provisions of Directive 2000/60/EC of the European Parliament and of the Council[10] and Directive 2009/128/EC of the European Parliament and of the Council[11] are included as SMRs into the scope of conditionality and the list of GAEC standards is adapted accordingly.

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6 Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora (OJ L 206, 22.7.1992, p. 7).

7 Directive 2009/147/EC of the European Parliament and of the Council of 30 November 2009 on the conservation of wild birds (OJ L 20, 26.1.2010, p. 7).

8 Council Directive 91/676/EEC of 12 December 1991 concerning the protection of waters against pollution caused by nitrates from agricultural sources (OJ L 375, 31.12.1991, p. 1).

9 Regulation (EU) No 1306/2013 of the European Parliament and of the Council of 17 December 2013 on the financing, management and monitoring of the common agricultural policy and repealing Council Regulations (EEC) No 352/78, (EC) No 165/94, (EC) No 2799/98, (EC) No 814/2000, (EC) No 1290/2005 and (EC) No 485/2008 (OJ L 347, 20.12.2013, p. 549).

10 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 policy (OJ L 327, 22.12.2000, p. 1).

11 Directive 2009/128/EC of the European Parliament and of the Council of 21 October 2009 establishing a framework for Community action to achieve the sustainable use of pesticides (OJ L 309, 24.11.2009, p. 71).

(23a) In order to contribute to the development of socially sustainable agriculture through better awareness, on the part of beneficiaries of CAP support, of the employment and social standards, a new mechanism integrating social concerns should be introduced.

Such a mechanism should link full receipt of CAP direct payments and payments under Articles 65, 66 and 67 to the compliance by beneficiaries with basic standards concerning working and employment conditions for farm workers and occupational safety and health; in particular certain standards under Directive 2019/1152/EU on transparent and predictable working conditions, Directive 89/391/EEC on measures to encourage improvements in health and safety of workers and Directive 2009/104/EC on minimum safety and health requirements for use of work equipment by workers. By 2025, the Commission will assess the feasibility of including Regulation 492/2011, Article 7(1) on the free movement of workers and will, if appropriate, propose legislation to that effect.

For those farmers who do not comply with those requirements, Member States should ensure that proportionate, effective and dissuasive penalties are applied in accordance with [the HZR Regulation]. Due to the principle of judicial independence it will not be possible to impose upon the judicial systems specific requirements on how decisions and convictions are made other than what is provided for under the legislation the decision/conviction is based upon.

When establishing the social conditionality mechanism, in order to respect the right of Member States to define the fundamental principles of their social and labour systems, due account should be taken of the diverse national frameworks. Therefore, the Member State's choice of enforcement methods, collective bargaining and the role of social partners, including, where applicable, in the implementation of directives in the social and employment domain, should be considered. National labour market models and the autonomy of the social partners shall be respected. This regulation shall not impose any obligations on the social partners or on Member States regarding enforcement or controls in areas which according to the national labour market models are the responsibility of the social partners.

Because of the complexity of setting up systems at national level which respect the autonomy and specificity of national systems, Member States may choose to implement social conditionality at a later date but in any event no later than 1/1/2025.

(24) Member States should ensure farm advisory services tailored to the various types of productions for the purpose of improving the sustainable management and overall performance of agricultural holdings and rural businesses, covering economic, environmental and social dimensions, and to identify the necessary improvements as regards all measures at farm level provided for in the CAP Strategic Plans as well as for digitalisation. These farm advisory services should help farmers and other beneficiaries of CAP support to become more aware of the relationship between farm management and land management on the one hand, and certain standards, requirements and information, including environmental and climate ones, on the other hand. The list of the latter includes standards applying to or necessary for farmers and other CAP beneficiaries, including cooperatives, and set in the CAP Strategic Plan, as well as those stemming from the legislation on water, on the sustainable use of pesticides, nutrient management as well as the initiatives to combat antimicrobial resistance, the management of risks and innovation support for preparing and implementing emerging EIP Operational Groups, grasping grassroots innovative ideas. In order to enhance the quality and effectiveness of the advice, Member States should integrate all public and private advisors and advisory networks within the Agricultural Knowledge and Innovation Systems (AKIS), in order to be able to deliver up-to-date technological and scientific information developed by research and innovation.

In order to support both the agronomic and the environmental performance of farms, information on nutrient management with focus on nitrogen and phosphate which are the nutrients that from an environmental perspective can pose particular challenges and therefore deserve particular attention, will be provided with the help of a dedicated electronic Farm Sustainability Tool made available by the Member States to individual farmers. The tool should provide on-farm decision support. In order to ensure a level playing field between farmers and across the Union, the Commission may provide support to the Member States in the design of the Tool.

In order to better inform and advise farmers on their obligations towards their workers with regard to the social dimension of the CAP, the farm advisory services should inform about the requirements regarding the provision, in writing, of the information referred to in Article 4 of Directive 2019/1152 and on the health and safety standards which are applicable on farms.

(25) In order to ensure a fairer distribution of income support, Member States should be allowed to reduce the amounts of direct payments above a certain ceiling and the product should either be used for decoupled direct payments and in priority for the complementary redistributive income support for sustainability, or be transferred to the EAFRD. In order to avoid negative effects on employment, Member States should be allowed to take into account labour when applying the mechanism.

(25a) To avoid the excessive administrative burden caused by managing numerous payments of small amounts and to ensure an effective contribution of the support to the objectives of the CAP to which the direct payments contribute, Member States should set requirements in terms of minimum area or support-related minimum amount for receiving direct payments in their CAP Strategic Plan. When Member States decide to grant animal-related coupled income support, they should always set a threshold in terms of minimum amount to avoid penalizing farmers, who are eligible for this support, but whose area is below the threshold. Due to the very specific farming structure in the smaller Aegean Islands, Member States should be able to decide whether any minimum threshold should apply in this area.

(25b) Considering the importance of farmers' participation in risk management tools, Member States should be allowed to assign a certain percentage of direct payments to support the farmers' contributions to such tools.

(26) In order to guarantee a minimum level of agricultural income support for all active farmers, as well as to comply with the Treaty objective in ensuring a fair standard of living for the agricultural community, an annual area-based decoupled payment should be established as the type of intervention 'basic income support for sustainability'. In order to enhance better targeting of this support, the payment amounts can be differentiated, by groups of territories, based on socio-economic and/or agronomic conditions. In view of avoiding disruptive effects for farmers' income, Member States may choose to implement the basic income support for sustainability based on payment entitlements. In this case, the value of payment entitlements before any further convergence should be proportional to their value as established under the basic payment schemes pursuant to Regulation (EU) No 1307/2013, taking also into account the payments for agricultural practices beneficial for the climate and the environment. Member States should also achieve further convergence in order to continue to move progressively away from historical values.

(27) When providing decoupled direct support based on the system of payment entitlements, Member States should continue to manage a national reserve or reserves per group of territories. Such reserves should be used, as a matter of priority, for young farmers and farmers commencing their agricultural activity. Rules on the use and transfers of payment entitlements are also necessary in order to guarantee a smooth functioning of the system.

(28) Small farms remain a cornerstone of Union agriculture as they play a vital role in supporting rural employment and contribute to territorial development. In order to promote a more balanced distribution of support and to reduce administrative burden for beneficiaries of small amounts, Member States should have the option to design a specific intervention for small farmers replacing the other direct payments interventions. In order to enhance better targeting of this support, a differentiation of the payment should be possible. To enable small farmers to choose the system that best suit their needs, participation of farmers in the intervention should be optional.

(29) In view of the acknowledged need to promote a more balanced distribution of support towards small and/or medium-sized farmers in a visible and measurable way, Member States should implement a complementary redistributive income support for sustainability and, as laid down in the provisions on minimum allocations, dedicate at least 10% of the direct payments envelope to this intervention. To allow for a better targeting of this complementary support and in view of acknowledging the differences in farm structures across the Union, Member States should have the possibility to provide different amounts of complementary support to different ranges of hectares as well as to differentiate the support by regional level or by the same groups of territories as set in their CAP Strategic Plan for the basic income support for sustainability.

(29a) It is within the responsibility of Member States to provide for a targeted distribution of direct payments and to reinforce income support for those who need it most. Various instruments available for Member States can effectively contribute to this objective, including capping and degressivity, and interventions such as the complementary redistributive income support for sustainability and the payment for small farmers. An overview of Member States' efforts in this respect should be laid down in the respective CAP Strategic Plan. Based on the needs in terms of fairer distribution of direct payments, including needs based on specific farm structure, Member States should have the possibility to opt either for the application of a mandatory redistributive payment and the corresponding minimum percentage, or for other appropriate measures, including the redistributive payment at a lower percentage.

(30) The creation and development of new economic activity in the agricultural sector by young farmers is financially challenging and constitutes an element that should be considered when designing the intervention strategy in the allocation and targeting of direct payments. This development is essential for the competitiveness of the agricultural sector in the Union and, for this reason, Member States may establish a complementary income support for young farmers. This type of interventions should provide young farmers with an additional income support after the initial setting up. Based on their needs assessment, Member States should be able to decide on a calculation method for the payment, either per hectare or as a lump sum, and possibly limited to a maximum number of hectares. Since it should only cover the initial period of the life of the business, such payment should only be granted during a maximum duration after the submission of aid application and shortly after the initial setting up. Where the duration of the payment goes beyond 2027, Member States should ensure that no legal expectations of beneficiaries are created for the period after 2027.

(31) The CAP should ensure that Member States increase the environmental delivery by respecting local needs and farmers' actual circumstances. Member States should under direct payments in the CAP Strategic Plan set up Eco-schemes voluntary for farmers, which should be fully coordinated with the other relevant interventions. They should be defined by the Member States as a payment granted either for incentivising and remunerating the provision of public goods by agricultural practices beneficial to the environment and climate or as a compensation for carrying out these practices. In both cases they should aim at enhancing the environmental and climate performance of the CAP and should consequently be conceived to go beyond the mandatory requirements already prescribed by the system of conditionality. To ensure efficiency, eco-schemes should in principle cover at least two areas of action for the climate, the environment, animal welfare and antimicrobial resistance For the same purpose, while compensation should be based on costs incurred, income loss and transaction costs stemming from the agricultural practices committed, taking into account the targets set under eco-schemes, the payments additional to basic income support need to reflect the level of ambition of the practices committed, Member States may decide to set up eco-schemes for agricultural practices carried out by farmers on agricultural areas, including but not limited to agricultural activities, such as the enhanced management of permanent pastures and landscape features, rewetting of peatlands and paludiculture, and organic farming. Organic farming, as regulated by Regulation (EU) 2018/848 of the European Parliament and of the Council, is a farming system that has the potential to substantially contribute to the achievement of multiple CAP specific objectives as laid out in Article 6(1) of this Regulation; and in particular to the specific environmental- and climate-related objectives set out in points (d), (e) and (f) of Article 6(1). In view of the positive effects of organic farming on the environment and the climate, Member States may in particular consider organic farming when setting up eco-schemes for agricultural practices and assess in this context the level of support needed for agricultural land managed under the organic scheme. Eco-schemes may also include ‘entry-level schemes’ which may be a condition for taking up more ambitious environmental, climate and animal welfare commitments under rural development and enhanced eco-schemes to ensure simplification. Member States may also plan eco-schemes for supporting practices on animal welfare and antimicrobial resistance.

(32) Member States should be allowed to use part of their financial ceiling available for direct payments for coupled income support in order to improve competitiveness, sustainability, and/or quality in certain sectors and productions that are particularly important for social, economic or environmental reasons and undergo certain difficulties. When designing these interventions, Member States should take their potential impact on the internal market into account.

(32a) As it is widely recognised that production of protein crops undergoes in the EU serious difficulties, there is no need to demonstrate such difficulties in the case of coupled income support interventions that target these crops. Besides, Member States should also be allowed to use an additional part of their financial ceiling available for direct payments to grant coupled income support specifically for the support of protein crop production in order to reduce the Union's deficit in this regard. Furthermore, Member States should be able to support mix between legumes and grasses under coupled income support as long as the former remains predominant in this mixture.

(34) In accordance with the objectives set out in Protocol No 4 on cotton attached to the 1979 Act of Accession, it is necessary to continue a 'crop-specific payment' per eligible hectare linked with the cultivation of cotton, as well as the support for inter-branch organisations in the cotton producing regions. However, since the budgetary allocation for cotton is fixed and cannot be used for other purposes and because the implementation of this program has a Treaty law basis, the payment for cotton should not be part of the interventions approved in the CAP Strategic Plan and should not be subject to performance clearance and performance review. Specific rules as well as derogations from Regulation (EU)…/…[CAP Strategic Plan Regulation] and Regulation (EU)…/…[HZR] should thus be laid down accordingly. For the sake of consistency, it is appropriate that they are set out in Regulation (EU)…/…[CAP Strategic Plan Regulation]. In order to ensure the efficient application and management of the crop-specific payment for cotton, the power to adopt certain acts should be delegated to the Commission.

(35) Types of interventions in certain sectors are needed to contribute to the CAP objectives and reinforce synergies with other CAP instruments. In line with the delivery model, minimum requirements concerning the contents and objectives for such types of interventions in certain sectors should be elaborated at Union level in order to ensure a level playing field in the internal market and avoid conditions of unequal and unfair competition. Member States should justify their inclusion in their CAP Strategic Plans and ensure consistency with other interventions at sectoral level. The broad types of interventions to be established at Union level should be laid down for the fruit and vegetables, wine, apiculture products, olive oil and table olives and hops sectors, as well as for other sectors among the sectors referred to in Article 1(2) of Regulation (EU) No 1308/2013 and sectors covering products to be listed in an Annex to this Regulation, for which the establishment of sectoral programmes is deemed to have beneficial effects on the achievement of some or all of the general and specific objectives of the CAP pursued by this Regulation. In particular, given the Union's deficit on plant protein and the environmental benefits their production brings, legumes should be included among the products listed in that Annex while respecting the EU WTO schedule on oilseeds, and these benefits to be promoted to farmers through, inter alia, the Farm Advisory Service.

(36) National financial envelopes or other limitations in form of caps are needed in order to maintain specificity of intervention and facilitate programming interventions for wine, olive oil and table olives, hops and other agricultural products to be defined in this Regulation. However, in the fruit and vegetables and apiculture sectors Union financial assistance should continue to be granted in accordance with the rules laid down in Regulation (EU) No 1308/2013 of the European Parliament and of the Council[12] in order not to undermine the achievement of the additional objectives that are specific to these types of interventions. Where Member States would introduce support for types of interventions in 'other sectors' in their CAP Strategic Plans, the corresponding financial allocation should be deducted from the allocation for the type of interventions in the form of direct payments of the Member State concerned in order to remain financially neutral. Where a Member State would choose not to implement sectoral interventions for hops and olive oil, the related allocations for that Member State should be made available as additional allocations for types of interventions in the form of direct payments.

[12] Regulation (EU) No 1308/2013 of the European Parliament and of the Council of 17 December 2013 establishing a common organisation of the markets in agricultural products and repealing Council Regulations (EEC) No 922/72, (EEC) No 234/79, (EC) No 1037/2001 and (EC) No 1234/2007 (OJ L 347, 20.12.2013, p. 671).

(37) For interventions for rural development, principles are defined at Union level, particularly with regard to the basic requirements for the Member States to apply selection criteria. However, Member States should have ample discretion to define specific conditions according to their needs. Types of interventions for rural development include payments for environmental, climate and other management commitments that Member States should support throughout their territories, in accordance with their national, regional or local specific needs. Member States should grant payments to farmers and other land managers who undertake, on a voluntary basis, management commitments that contribute to climate change mitigation and adaptation and to the protection and improvement of the environment including water quality and quantity, air quality, soil, biodiversity and ecosystem services including voluntary commitments in Natura 2000 and support for genetic diversity. Support under payments for management commitments may also be granted in the form of locally-led, integrated or cooperative approaches and result-based interventions.

(38) Support for management commitments may in particular include organic farming premia for the maintenance of and the conversion to organic land. Member States should, on the basis of their in depth analysis of the organic sector and taking into account the objectives they intend to achieve in relation to organic production, consider organic farming for management commitments in accordance with their specific territorial needs, allocate support to increase the share of agricultural land managed under the organic farming scheme and ensure that allocated budgets match the expected growth in organic production. Support for management commitments may also include payments for other types of interventions supporting environmentally friendly production systems such as agro-ecology, conservation agriculture and integrated production; forest environmental and climate services and forest conservation; premia for forests and establishment of agroforestry systems; animal welfare; conservation, sustainable use and development of genetic resources in particular through traditional breeding methods. Member States may develop other schemes under this type of interventions on the basis of their needs. This type of payments should cover additional costs and income foregone only resulting from commitments going beyond the baseline of mandatory standards and requirements established in Union and national law, as well as conditionality, as laid down in the CAP Strategic Plan. Commitments related to this type of interventions may be undertaken for a pre-established annual or pluri-annual period and might go beyond seven years where duly justified.

(39) Forestry interventions should contribute to the implementation of the Union Forest Strategy and, where appropriate, to widening the use of agroforestry systems. They should be based on Member States' national or sub-national forest programs or equivalent instruments, which should build on the commitments stemming from Regulation (EU) 2018/841 of the European Parliament and of the Council[13] and those made by the Ministerial Conferences on the Protection of Forests in Europe. Interventions should be based on sustainable forest management plans or equivalent instruments that duly consider effective carbon storage and sequestration from the atmosphere while enhancing biodiversity protection and may comprise forest area development and sustainable management of forests, including the afforestation of land, fire prevention and the creation and regeneration of agroforestry systems; the protection, restoration and improvement of forest resources, taking into account adaptation needs; investments to guarantee and enhance forest conservation and resilience, and the provision of forest ecosystem and climate services; and measures and investments in support of the renewable energy and bio-economy.

(40) In order to ensure a fair income and a resilient agricultural sector across the Union territory, Member States may grant support to farmers in areas facing natural and other area-specific constraints, including mountain areas and island regions. As regards payments for ANC, the designation made pursuant to article 32 of Regulation (EU) N°1305/2013 should continue to apply.

[13] Regulation (EU) 2018/841 of the European Parliament and of the Council of 30 May 2018 on the inclusion of greenhouse gas emissions and removals from land use, land use change and forestry in the 2030 climate and energy framework, and amending Regulation (EU) No 525/2013 and Decision No 529/2013/EU (OJ L 156, 19.6.2018, p. 1).

For the CAP to deliver enhanced Union added value on the environment and reinforce its synergies with the financing of investments in nature and biodiversity, it is necessary to keep a separate measure aiming at compensating beneficiaries for disadvantages related to the implementation of Natura 2000 established by Council Directive 92/43/EEC[14] and of the Water Framework Directive. Support should therefore continue to be granted to farmers and forest holders to help address specific disadvantages resulting from the implementation of Directive 2009/147/EC and Directive 92/43/EEC and in order to contribute to the effective management of Natura 2000 sites. Support should also be made available to farmers to help address disadvantages in river basin areas resulting from the implementation of the Water Framework Directive. Support should be linked to specific requirements described in the CAP Strategic Plans that go beyond relevant mandatory standards and requirements. Member States should also ensure that payments to farmers do not lead to double funding with eco schemes, while at the same time allowing enough flexibility in Strategic Plans to facilitate complementarity between different interventions. Furthermore, the specific needs of Natura 2000 areas should be taken into account by Member States in the overall design of their CAP Strategic Plans.

[14] Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora (OJ L 206, 22.7.1992, p. 7).

(41) The objectives of the CAP should also be pursued through support for investments, productive as well as non-productive, on farm as well as off-farm. Such investments may concern, inter alia, infrastructures related to the development, modernisation or adaptation to climate change of agriculture and forestry, including access to farm and forest land, land consolidation and improvement, agro-forestry practices and the supply and saving of energy and water. It may also cover investments in the restoration of agricultural or forestry potential following natural disasters, adverse climatic events or catastrophic events, including fires, storms, floods, pests and diseases. In order to better ensure the consistency of the CAP Strategic Plans with Union objectives, as well as a level playing field between Member States, a negative list of investment topics is included in this Regulation. Member States should make best use of the available funds for investments by aligning support to investments to the relevant Union rules in the areas of environment and animal welfare.

Young Farmers even more than others need to modernise their farms to make them viable in the long term. However they are also often facing low turn-over during the first years of business. It is therefore important that Member States facilitate and give priority to investment interventions carried out by young farmers. To this aim, Member States may set in their CAP Strategic Plans higher support rates and other preferential conditions for investments on young farmers' holdings. Member may also give increased investment support to small farms.

(41a) When providing support for investments, Member States should pay particular attention to the cross-cutting general objective of modernising the sector by fostering and sharing of knowledge, innovation and digitalisation in agriculture and rural areas, and encouraging their uptake. Support for investments in installation of digital technologies in agriculture, forestry and rural areas, such as investments in precision farming, Smart Villages, rural businesses and ICT infrastructures, should be included in the description in the CAP Strategic Plans of the contribution of the Plan to the cross-cutting general objective.

(41b) Considering the EU objective of good status for water bodies, and the need for investments to be in line with that objective, it is important to set rules as regards the support for the modernisation and the development of irrigation infrastructures so that agricultural water use does not put that objective at risk.

(42) In the light of the need to fill the investment gap in the Union agricultural sector and improve access to finance for priority groups, notably young farmers and new entrants with higher risk profiles, use of the InvestEU guarantee and combination of grants and financial instruments should be encouraged. Since the use of financial instruments across Member States varies considerably as a result of differences in terms of access to finance, banking sector development, presence of risk capital, familiarity of public administrations and potential range of beneficiaries, Member States should establish in the CAP Strategic Plan appropriate targets, beneficiaries and preferential conditions, and other possible eligibility rules.

(43) Young farmers and new farmers still face significant barriers regarding access to land, high prices and access to credit. Their businesses are more threatened by price volatility (for both inputs and produce) and their needs in terms of training in entrepreneurial, risk prevention and management skills are high. It is therefore essential to continue the support for the setting up of new businesses and new farms. Member States may also set in their CAP Strategic Plans preferential conditions for financial instruments for young farmers and new entrants. An increase of the maximum amount of aid for the installation of young farmers and rural business start-ups, up to EUR 100.000, which can be accessed also through or in combination with financial instrument form of support, should be established.

(44) In the light of the need to ensure appropriate risk management tools, support to help farmers manage their production and income risks should be maintained and widened under the EAFRD. Specifically, insurances premia and mutual funds, including income stabilization tool, should remain possible, but support shall also be made available for other risk management tools. Furthermore, all types of risk management tools should have the scope to cover production or income risks, as well as be targetable to agricultural sectors or territorial areas where needed. Member States should be allowed to make use of procedural simplifications, such as relying on indexes to calculate the production and income of the farmer, while ensuring appropriate responsiveness of the tools to the farmers' individual performance and avoiding overcompensation of losses.

(45) Support should enable the establishment and implementation of cooperation between at least two entities in view of achieving CAP objectives. Support can entail all aspects of such cooperation, such as the setting up, information and promotion activities for quality schemes; collective environmental and climate action; the promotion of short supply chain and local markets; pilot projects; Operational Group projects within the EIP for agricultural productivity and sustainability local development projects, Smart Villages, buyers' clubs and machinery rings; farm partnerships; forest management plans; networks and clusters; social farming; community supported agriculture; actions within the scope of LEADER; and the setting up of producer groups and producer organisations, as well as other forms of cooperation deemed necessary to achieve the specific objectives of the CAP.

It is important to support preparation of certain kind of cooperation, notably for Operational Groups, Leader Groups, Smart Villages Strategies.

(46) The Communication on 'The Future of Food and Farming' mentions the exchange of knowledge and focus on innovation as a cross cutting objective for the new CAP. The CAP should continue to support the interactive innovation model, which enhances the collaboration between actors to make best use of complementary knowledge with a view to spreading solutions ready for practice. Farm advisory services should be strengthened within the AKIS. The CAP Strategic Plan should provide information on how advisors, researchers and the national CAP network will work together. Each Member State or region, as appropriate, in order to strengthen AKIS and in line with its AKIS strategic approach can fund a number of actions aimed at knowledge exchange and innovation, as well as at facilitating farmers to develop farm-level strategies to increase farm resilience of their holdings, using the types of interventions developed in this Regulation. In addition, each Member State will establish a strategy for the development of digital technologies and for the use of these technologies to demonstrate how digitalisation in agriculture and rural areas will be boosted.

(47) The EAGF should continue financing types of interventions in the form of direct payments and sectoral types of interventions, whereas the EAFRD should continue financing types of interventions for rural development as described in this Regulation. The rules for the financial management of the CAP should be laid down separately for the two funds and for the activities supported by each of them, taking into account that the new delivery model gives more flexibility and subsidiarity for Member States to reach their objectives. Types of interventions under this Regulation should cover the period from 1 January 2023 to 31 December 2027.

(48) Support for direct payments under the CAP Strategic Plans should be granted within national allocations to be fixed by this Regulation. These national allocations should reflect a continuation of the changes whereby the allocations to Member States with the lowest support level per hectare are gradually increased to close 50% of the gap towards 90% of the Union average. In order to take into account the reduction of payments' mechanism and the use of its product in the Member State, the total indicative financial allocations per year in the CAP Strategic Plan of a Member State should be allowed to exceed the national allocation.

(49) In order to facilitate the management of EAFRD funds, a single contribution rate for support from the EAFRD should be set in relation to public expenditure in the Member States. In order to take account of their particular importance or nature, specific contribution rates should be set in relation to certain types of operations. In order to mitigate the specific constraints resulting from the level of development, the remoteness and insularity, an appropriate EAFRD contribution rate should be set for less developed regions, the outermost regions referred to in Article 349 TFEU and the smaller Aegean islands.

(49a) Objective criteria should be established for categorising regions and areas at Union level for support from the EAFRD. To that end, the identification of the regions and areas at Union level should be based on the common system of classification of the regions established by Regulation (EC) No 1059/2003 of the European Parliament and the Council[15].The latest classifications and data should be used to ensure adequate support, in particular for addressing lagging behind regions and interregional disparities inside a Member State.

[15] Regulation (EC) No 1059/2003 of the European Parliament and of the Council of 26 May 2003 on the establishment of a common classification of territorial units for statistics (NUTS) (OJ L 154, 21.6.2003, p. 1).

(50) EAFRD should not provide support to investments that would harm the environment. Hence it is necessary to provide in this Regulation a number of exclusion rules. Notably, the EAFRD should not finance investments in irrigation which do not contribute towards the achievement, or the preservation, of good status of the associated water body or bodies and investments in afforestation which are not consistent with climate and environmental objectives in line with sustainable forest management principles.

(51) For the purpose of ensuring adequate financing for certain priorities, rules on minimum and maximum financial allocations for these priorities should be set. Member States should notably reserve at least an amount corresponding to 3% of their annual direct payments envelope before any transfer for interventions targeting generational renewal. Such interventions may include enhanced income support and installation support. Considering the importance of investment support for young farmers to make their farms viable in the long term and reinforce the attractiveness of the sector, a share of the expenditure for the investment interventions with higher support rate for young farmers should also count towards the minimum amount to be reserved for contributing to the specific objective 'attract young farmers and facilitate business development'.

In view of ensuring that sufficient financing is made available under the CAP to deliver on the environmental, climate and animal welfare objectives in line with the Union's priorities, a certain share of both EAFRD support, including investments, and direct payments should be reserved for these purposes. Given that the schemes for environment and climate are introduced for the first time under direct payments, certain flexibilities in terms of planning and implementation should be granted, in particular in the first two years, to allow Member States and farmers to gain experience and ensure a smooth and successful implementation, taking also the level of the environmental and climate ambitions under EAFRD into account. With a view to respect the overall environmental and climate ambition, such flexibility should be framed and subject to compensation within certain limits.

The LEADER approach for local development has proven its effectiveness 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 with a minimum allocation under EAFRD.

For the sake of ensuring a level playing field between farmers, a maximum allocation should also be set for the coupled support under direct payments. Furthermore, Member States should also be allowed to use an additional part of their financial ceiling available for direct payments to grant coupled income support specifically for improving the competitiveness, sustainability, and/or quality of the protein crop production.

(51a) Where unit amounts are not based on actual costs or income foregone, Member States should set the appropriate level of support based on the needs assessment. It has to be acknowledged that, the appropriate unit amount might be a range of appropriate unit amounts rather than one single uniform or average unit amount. For these reasons, Member States should also be allowed to lay down, in their CAP plan, a justified maximum or minimum unit amount for certain interventions without prejudice to the provisions relating to the level of payments for the relevant interventions.

(52) Reflecting the importance of tackling climate change in line with the Union's commitments to implement the Paris Agreement and the United Nations Sustainable Development Goals, this Program will contribute to mainstream climate action in the Union's policies and to the achievement of an overall target of 30% of the EU budget expenditures supporting climate objectives. Actions under the CAP are expected to contribute 40 % of the overall financial envelope of the CAP to climate objectives. Relevant actions will be identified during the Program's preparation and implementation, and reassessed in the context of the relevant evaluations and review processes.

(53) The transfer of responsibility to Member States for assessing needs and achieving targets goes hand in hand with an increased flexibility to set up the combination of both types of interventions in the form of direct payments, sectoral types of interventions and types of interventions for rural development. This should be supported by some flexibility to adjust the relevant national allocations of funds. When Member States estimate that the pre-allocated envelope is too low to have room for all intended measures, a certain degree of flexibility is therefore justified, while at the same time avoiding considerable fluctuations in the level of annual direct income support versus the amounts available for multi-annual interventions under EAFRD.

(54) To enhance the Union added value and to preserve a functioning agricultural internal market, as well as to pursue the above-mentioned general and specific objectives, Member States should not take decisions according to this Regulation in isolation but in the framework of a structured process that should materialise in a CAP Strategic Plan. Union top-down rules should lay down the specific Union-wide objectives of the CAP, the main types of interventions, the performance framework and the governance structure. Such a distribution of tasks is aimed at ensuring full correspondence between financial resources invested and results achieved.

(55) In order to ensure a clear strategic nature of these CAP Strategic Plans, and to facilitate the links with other Union policies, and notably with established long-term national targets deriving from Union legislation or international agreements such as those related to climate change, forests, biodiversity, and water, it is appropriate that there should be one single CAP Strategic Plan per Member State taking into account its constitutional and institutional provisions. The Strategic Plan may where appropriate include regionalised interventions.

(56) In the process of development of their CAP Strategic Plans, Member States should analyse their specific situation and needs, set targets linked to the achievement of the objectives of the CAP and design the interventions which will allow reaching these targets, while being adapted to the national and specific regional contexts, including the outermost regions pursuant to Article 349 TFEU. Such process should promote more subsidiarity within a common Union framework, while compliance with the general principles of Union law and the objectives of the CAP should be ensured. It is therefore appropriate to set rules on the structure and content of the CAP Strategic Plans.

(57) In order to ensure that the setting of targets by Member States and that the design of interventions is appropriate and maximises the contribution to the objectives of the CAP, it is necessary to base the strategy of the CAP Strategic Plans on a prior analysis of the local contexts and an assessment of needs in relation to the objectives of the CAP. It is also important that the CAP strategic plans can adequately reflect changes in Member States' conditions, structures (both internal and external) and market situations and that they can, therefore, be adjusted over time to reflect them.

(58) The CAP Strategic Plans should aim to ensure enhanced coherence across the multiple tools of the CAP, since it should cover types of interventions in the form of direct payments, sectoral types of interventions and types of interventions for rural development. They should also ensure and demonstrate the alignment and appropriateness of the choices made by Member States to the Union priorities and objectives. In that perspective, CAP Strategic Plans should include an overview and explanation of the tools ensuring a fairer distribution and more effective and efficient targeting of income support. It is therefore appropriate that they contain a result-oriented intervention strategy structured around the specific objectives of the CAP, including quantified targets in relation to these objectives. In order to allow their monitoring on an annual basis, it is appropriate that these targets are based on result indicators.

(59) The strategy should also highlight complementarity both between CAP tools and with the other Union policies. In particular, each CAP Strategic Plan should take account of environmental and climate legislation where appropriate, and national plans emanating from this legislation should be described as part of the analysis of the current situation ('SWOT analysis'). It is appropriate to list the legislative instruments which should specifically be referred to in the CAP Strategic Plan.

(60) Considering that flexibility should be accorded to Member States as regards the choice of delegating part of the design and implementation of the CAP Strategic Plan at regional level on the basis of a national framework, in order to facilitate co-ordination among the regions in addressing nation-wide challenges, it is appropriate that the CAP Strategic Plans provide a description of the interplay between national and regional interventions.

(61) Since the CAP Strategic Plans should allow the Commission to assume its responsibility for the management of the Union budget and provide Member States with legal certainty on certain elements of the Plan, it is appropriate that the plans contain a specific description of the individual interventions, including the eligibility conditions, the budgetary allocations, the planned outputs and the unit costs. A financial plan is necessary to provide an overview on all budgetary aspects and for each intervention, together with a target plan.

(62) In order to ensure the immediate start and efficient implementation of the CAP Strategic Plans, support from the EAGF and the EAFRD should be based on the existence of sound administrative framework conditions. Each CAP Strategic Plan should therefore include the identification of all governance and coordination structures of the CAP Strategic Plan, including the control systems and penalties, and the monitoring and reporting structure.

(63) Considering the importance of the general objective of modernising the agricultural Sector, and in view of its crosscutting nature, it is appropriate that Member States include in their CAP Strategic Plan a dedicated description of the contribution that such a Plan will make to this objective, including its contribution to the digital transition.

(64) In view of the concerns related to administrative burden under shared management, simplification should also be subject to a specific attention in the CAP Strategic Plan.

(65) Considering that it is not appropriate for the Commission to approve information which can be considered as background, or historical, or which is under the responsibility of the Member States, some information should be provided as Annexes to the CAP Strategic Plan.

(66) Pursuant to paragraph 22 and 23 of the Inter-institutional agreement for Better Law-Making of 13 April 2016, there is a need to evaluate the Funds on the basis of information collected through specific monitoring requirements, while avoiding overregulation and administrative burdens, in particular on Member States. These requirements, where appropriate, can include measurable indicators, as a basis for evaluating the effects of the Funds on the ground.

(67) The approval of the CAP Strategic Plan by the Commission is a crucial step in order to guarantee that the policy is implemented according to the common objectives. In accordance with the principle of subsidiarity, the Commission should provide the Member States with appropriate guidance in presenting coherent and ambitious intervention logics.

(68) It is necessary to provide for the possibility for programming and revising CAP Strategic Plans, in accordance with the conditions laid down in this Regulation.

(69) A national Managing Authority should be responsible for the management and implementation of each CAP Strategic Plan and should be the primary contact point for the Commission. However, where elements relating to rural development policy are dealt with on a regional basis, Member States should be able to establish regional managing authorities. The managing authorities should be able to delegate part of their duties while retaining responsibility for the efficiency and correctness of managementand ensuring coherence and consistency of the CAP Strategic Plan and coordination with the national Managing Authority. Member States should ensure that in the Management and Implementation of CAP Strategic Plans, the financial interests of the Union are protected, in accordance with [Regulation (EU, Euratom) X] of the European Parliament and the Council [the new Financial Regulation] and Regulation (EU) X of the European Parliament and the Council [the new Horizontal Regulation].

(70) The responsibility for monitoring the CAP Strategic Plans should be shared between the national Managing Authority and a national Monitoring Committee set up for that purpose. The national Monitoring Committee should be responsible for the monitoring of the effectiveness of the implementation of the plans. To that end, its responsibilities should be specified. Where the CAP Strategic Plan contains elements that are established by regions, Member States and the regions concerned should be able to establish and compose regional monitoring committees. In this case the coordination rules with the national committee should be clarified.

(71) The EAFRD should support through technical assistance, at the initiative of the Commission, actions relating to the fulfilment of the tasks referred to in [Article 7 HzR]. Technical assistance may also be provided, at the initiative of Member States, for the purpose of the fulfilment of the tasks necessary for the effective administration and implementation of support in relation to the CAP Strategic Plan. An increase of the technical assistance at the initiative of Member States is only available for Member States whose EAFRD allocation is not higher than EUR 1.1 billion. The EAFRD support for technical assistance should take into account the increase in administrative capacity building as regards the new governance and control systems in the Member States.

(72) In a context where Member States will have much more flexibility and subsidiarity in the design of interventions to reach common objectives, networks are a key tool to drive and steer policy and to promote stakeholder engagement, knowledge sharing and capacity building for Member States and other actors. The scope of networking activities will be extended from rural development to encompass both Pillars of the CAP. A single European-level CAP network should ensure better coordination between networking activities at the Union and at the national and regional levels. The European and national CAP networks will replace the current European Network for Rural Development and the EIP-AGRI Network at EU level, and the national rural networks respectively. The European CAP Network will contribute to the activities of the national CAP networks to the extent possible. The networks will provide a platform for promoting increased exchange of knowledge in order to improve the implementation of the CAP Strategic Plans and capture the results and added value of the policy at European level, including the Horizon Europe policy and its multi-actor projects. In the same perspective of improvement of the exchange of knowledge and innovation, the EIP for agricultural productivity and sustainability assisted by the CAP networks will support the implementation of the interactive innovation model in accordance with the methodology outlined in this Regulation.

(73) Each CAP Strategic Plan should be subject to regular monitoring of the implementation and of progress towards the established targets. Such a performance, monitoring and evaluation framework of the CAP should be set up with the purpose of demonstrating the progress and assessing the impact and efficiency of policy implementation.

(74) The result-orientation triggered by the delivery model requires a strong performance framework, particularly since CAP Strategic Plans would contribute to broad general objectives for other shared managed policies. A performance-based policy implies annual and multi-annual assessment on the basis of selected outputs, result and impact indicators, as defined in the performance monitoring and evaluation framework. To this end, a limited and targeted set of indicators should be selected in a way which reflects as closely as possible whether the supported intervention contributes to achieving the envisaged objectives. The indicators relating to environment- and climate-specific objectives may cover interventions which contribute to the commitments emanating from the Union legislation listed in Annex XI;

(75) As part of the performance, monitor and evaluation framework, Member States should monitor and report annually to the Commission on the progress made. The information provided by the Member States are the basis on which the Commission should report on the progress towards the achievement of specific objectives over the whole programming period using for this purpose a core set of indicators.

(76) Mechanisms should be in place to take action to protect the Union's financial interests in case the CAP Strategic Plan implementation deviates significantly from the targets set. Member States may thus be asked to submit action plans in case of significant and non-justified underperformance. This could lead to suspensions and, in the end, reductions of the Union funds if the planned results are not achieved.

(77) In accordance with the principle of shared management, Member States, where relevant ensuring the involvement of the regions in the design of the evaluation plan and in the monitoring and evaluation of the regional interventions of the CAP plan, should be responsible for the evaluation of their CAP Strategic Plans, whereas the Commission is responsible for the syntheses at Union level of the Member States' ex-ante and for the Union level interim and ex post evaluations.

(77a) In order to ensure a comprehensive and meaningful evaluation of the CAP at Union level, the Commission will rely on context and impact indicators. These indicators should be primarily based on established data sources. The Commission and the Member States should cooperate to ensure and further improve the robustness of the data needed for the context and impact indicators.

(78) Notifications are needed from Member States for the purpose of applying this Regulation, and for the purpose of monitoring, analysing and managing financial entitlements. In order to ensure the correct application of the rules set out in this Regulation and to make such notifications fast, efficient, accurate, cost-effective and compatible with the protection of personal data, the power to adopt certain acts should be delegated to the Commission, including notification requirements under those agreements and in respect of further rules on the nature and type of the information to be notified, the categories of data to be processed and maximum period of retention, the access rights to the information or information systems and the conditions of publication of the information.

(78a) When assessing the proposed CAP Strategic Plans, as referred to in Article 106, the Commission should assess the consistency and contribution of the proposed CAP Strategic Plans to the Union's environmental and climate legislation and commitments and, in particular, to the Union targets for 2030 set out in the Farm to Fork Strategy and the EU Biodiversity Strategy.

(78b) Member States should be required to show, through their CAP Strategic Plans, a greater overall ambition in comparison with the past in respect of the CAP's environment- and climate-related specific objectives. Such ambition should be considered as consisting in a range of elements – related, inter alia, to impact indicators, targets set against result indicators, design of interventions, intended implementation of the system of conditionality, and financial planning. Member States should be required to explain in their CAP Strategic Plans how they are displaying the greater overall ambition required, with reference to the various relevant elements. That explanation should include national contributions to achieving the Union's targets for 2030 set out in the Farm to Fork Strategy and the EU Biodiversity Strategy [full references in footnotes]

(78c) The Commission should make a summary report on Member States' CAP Strategic Plans to assess the joint effort and collective ambition of Member States to address the specific objectives set out in Article 6(1) in the beginning of the implementation period, taking into account the Union's targets for 2030 set out in the Farm to Fork Strategy and the EU Biodiversity Strategy.

(78d) The Commission should submit a report to the European Parliament and the Council in order to assess the operation of the new delivery model by the Member States and combined contribution of Member States strategic plans' interventions to achieve environmental and climate commitments of the Union, in particular those emerging from the European Green Deal.

(79) Articles 107, 108 and 109 TFEU should apply to the support the types of interventions under this Regulation. Nevertheless, given the specific characteristics of the agricultural sector, those TFEU provisions should not apply to types of interventions in the form of direct payments and types of interventions for rural development concerning operations falling within the scope of Article 42 TFEU, that are carried out under and in conformity with this Regulation or to payments made by Member States, intended to provide additional national financing for types of interventions for rural development for which Union support is granted and which fall within the scope of Article 42 TFEU.

(79a) In order to avoid a sudden and substantial decrease of support in the sectors having benefitted from transitional national aid in the period 2015-2020, Member States should be allowed to continue to grant such aid to them under certain conditions and limitations. Taking into account the transitional nature of this aid, it is appropriate to continue its phasing out by gradually reducing, on an annual basis, the sector-specific financial envelopes for this aid.

(80) Farmers are increasingly facing risks of income volatility, partly because of market exposure, partly because of extreme weather events and frequent sanitary and phytosanitary crises affecting the Union livestock and agronomic assets. To alleviate the effects of income volatility by encouraging farmers to make savings in good years to cope with bad years, national tax measures whereby the income tax base applied to farmers is calculated on the basis of a multiannual period should be exempted from the application of the State aid rules.

(81) Personal data collected for the purposes of the application of any provision enshrined in this Regulation should be processed in a way that is compatible with those purposes. It should also be made anonymous, be aggregated when processed for monitoring or evaluation purposes, and be protected in accordance with Union law concerning the protection of individuals with regard to the processing of personal data and on the free movement of such data, in particular Regulation (EU) 2018/1725 of the European Parliament and of the Council[16] and Regulation (EU) 2016/679 of the European Parliament and of the Council[17]. Data subjects should be informed of such processing and of their data protection rights.

[16] Regulation (EU) 2018/1725 of the European Parliament and of the Council of 23 October 2018 on the protection of natural persons with regard to the processing of personal data by the Union institutions, bodies, offices and agencies and on the free movement of such data, and repealing Regulation (EC) No 45/2001 and Decision No 1247/2002/EC (OJ L 295, 21.11.2018, p. 39).

[17] Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation) (OJ L 119, 4.5.2016, p. 1).

(82) In order to supplement certain non-essential elements of this Regulation, the power to adopt acts in accordance with Article 290 TFEU 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, and that those consultations be conducted in accordance with the principles laid down in the Inter-institutional Agreement of 13 April 2016 on Better Law-Making[18]. In particular, to ensure equal participation in the preparation of delegated acts, the European Parliament and the Council receive all documents at the same time as Member States' experts, and their experts systematically have access to meetings of Commission expert groups dealing with the preparation of delegated acts.

(83) In order to ensure legal certainty, protect the rights of farmers and guarantee a smooth, coherent and efficient functioning of types of interventions in the form of direct payments, the power to adopt certain acts should be delegated to the Commission in respect of rules making the granting of payments conditional upon the use of certified seeds of certain hemp varieties and the procedure for the determination of hemp varieties and the verification of their tetrahydrocannabinol content; rules for good agricultural and environmental condition and certain related elements in respect of the eligibility requirements; and on the content of the declaration and the requirements for the activation of payment entitlements; further rules on eco-schemes; measures to avoid that beneficiaries of coupled income support suffering from structural market imbalances in a sector, including the decision that such support may continue to be paid until 2027 on the basis of the production units for which it was granted in a past reference period; rules and conditions for the authorisation of land and varieties for the purposes of the crop-specific payment for cotton, rules on the conditions for the granting of that payment, rules in respect of criteria for the approval of inter-branch organisations and rules governing the situation where the approved inter-branch organisation does not satisfy such criteria and obligations for producers.

[18] OJ L 123, 12.5.2016, p. 1.

(84) In order to ensure that types of interventions in certain sectors contribute to the CAP objectives and reinforce synergies with other CAP instruments and in order to ensure a level playing field in the internal market and avoid unequal or unfair competition, the power to adopt certain acts should be delegated to the Commission in respect of rules for the proper functioning of sectoral types of interventions, the type of expenditure to be covered and in particular administrative and personnel costs, the basis for the calculation of Union financial assistance, including the reference periods and the calculation of the value of marketed production and of the degree of organisation of producers in certain regions, and the maximum level of Union financial assistance for certain interventions aiming to prevent market crisis and to manage risks in certain sectors; rules for the fixing of a ceiling for expenditure on the replanting of orchards, olive groves or vineyards; rules under which producers are to withdraw the by-products of winemaking, and on exceptions to that obligation in order to avoid additional administrative burden and rules for the voluntary certification of distillers, and rules for the different form of support and the minimum durability of supported investments in certain sectors as well as on the combination of funding for some interventions in the wine sector. In particular, in order to ensure the effective and efficient use of Union funds for interventions in the apiculture sector, the power to adopt certain acts should be delegated to the Commission in respect of additional requirements concerning the notification obligation and the establishment of a minimum Union contribution to the expenditure to implement those types of interventions.

(85) In order to ensure legal certainty and to guarantee that interventions for rural development achieve their objectives, the power to adopt certain acts should be delegated to the Commission in respect of support for management commitments and for quality schemes.

(86) In order to amend certain non-essential elements of this Regulation, the power to adopt acts in accordance with Article 290 TFEU should be delegated to the Commission in respect of the Member States' allocations for types of interventions in the form of direct payments and rules on the content of the CAP Strategic Plan.

(87) In order to ensure uniform conditions for the implementation of this Regulation and to avoid unfair competition or discrimination between farmers, implementing powers should be conferred on the Commission as regards the fixing of reference areas for the support for oilseeds, rules for the authorisation of land and varieties for the purposes of the crop-specific payment for cotton and related notifications, the calculation of the reduction where the eligible area of cotton exceeds the base area, the Union financial assistance for distillation of by-products of wine-making, the annual breakdown by Member State of the total amount of Union support for types of interventions for rural development, rules on the presentation of the elements to be included in the CAP Strategic Plan, rules on the procedure and time limits for the approval of CAP Strategic Plans and the submission and approval of requests for amendment of CAP Strategic Plans, uniform conditions for the application of the information and publicity requirements relating to the possibilities offered by the CAP Strategic Plans, rules relating to the performance, monitoring and evaluation framework, rules for the presentation of the content of the annual performance report, rules on the information to be sent by the Member States for the performance assessment by the Commission and rules on the data needs and synergies between potential data sources. Those powers should be exercised in accordance with Regulation (EU) No 182/2011 of the European Parliament and of the Council[19].

[19] Regulation (EU) No 182/2011 of the European Parliament and of 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 powers (OJ L 55, 28.2.2011, p. 13).

(87a) In the light of the fact that indicators are already laid down in Annex I for the purpose of monitoring, evaluation and the annual performance reporting, the adoption of other indicators for the monitoring and evaluation of the CAP should be submitted to additional scrutiny by Member States. Equally, the additional information that Members States shall provide to the Commission for the monitoring and evaluation of the CAP should be subject to a positive opinion of the Common Agricultural Policy Committee. The Commission should therefore not be allowed to lay down an obligation for Member States to provide additional indicators and information on CAP implementation for the monitoring and evaluation of the CAP in case the Common Agricultural Policy Committee does not find a qualified majority for or against the Commission proposal and therefore cannot express any opinion.

(88) The Commission should adopt immediately applicable implementing acts where, in duly justified cases relating to solving specific problems while ensuring the continuity of the direct payments system in the case of extraordinary circumstances, imperative grounds of urgency so require. Moreover, in order to solve urgent problems occurring in one or more Member States while ensuring the continuity of the direct payments system, the Commission should adopt immediately applicable implementing acts where, in duly justified cases, extraordinary circumstances affect the granting of support and jeopardise the effective implementation of the payments under the support schemes listed in this Regulation.

(89) Regulation (EU) No 228/2013 of the European Parliament and of the Council[20] and Regulation (EU) No 229/2013 of the European Parliament and of the Council[21] should remain outside the scope of this Regulation, unless where some of their provisions are explicitly referred to.

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[20] Regulation (EU) No 228/2013 of the European Parliament and of the Council of 13 March 2013 laying down specific measures for agriculture in the outermost regions of the Union (OJ L 78, 20.3.2013, p. 23).

[21] Regulation (EU) No 229/2013 of the European Parliament and of the Council of 13 March 2013 laying down specific measures for agriculture in favour of the smaller Aegean islands (OJ L 78, 20.3.2013, p. 41).

(90) Since the objectives of this Regulation cannot be sufficiently achieved by the Member States but can rather, by reason of the disparities between the various rural areas and the limited financial resources of the Member States, be better achieved at Union level through the multiannual guarantee of Union financing and by concentrating on clearly identified priorities, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union (TEU). In accordance with the principle of proportionality as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve those objectives.

(91) Regulations (EU) No 1305/2013 and (EU) No 1307/2013 should therefore be repealed.

(92) In order to facilitate the transition from the arrangements provided for in Regulations (EU) No 1305/2013 and (EU) No 1307/2013 to those laid down in this Regulation, the power to adopt certain acts should be delegated to the Commission in respect of measures to protect any acquired rights and legitimate expectations of beneficiaries.

(93a) Horizontal financial rules adopted by the European Parliament and the Council on the basis of Article 322 of the Treaty on the Functioning of the European Union apply to this Regulation. These rules are laid down in the Financial Regulation and determine in particular the procedure for establishing and implementing the budget through grants, procurement, prizes, indirect implementation, and provide for checks on the responsibility of financial actors. Rules adopted on the basis of Article 322 TFEU also include a general regime of conditionality for the protection of the Union budget.

(93b) In view of the importance of tackling the dramatic loss of biodiversity, support under this Regulation should contribute to mainstream biodiversity action in the Union policies and to the achievement of the overall ambition of providing 7,5% of annual spending under the MFF to biodiversity objectives in the year 2024 and 10% of annual spending under the MFF to biodiversity objectives in 2026 and 2027.

HAVE ADOPTED THIS REGULATION:

TITLE I
SUBJECT MATTER AND SCOPE, APPLICABLE PROVISIONS AND DEFINITIONS

Article 1

Subject matter and scope

1. This Regulation lays down rules on:

   (a) general and specific objectives to be pursued through Union support financed by the European Agricultural Guarantee Fund (EAGF) and by the European Agricultural Fund for Rural Development (EAFRD) under the Common Agricultural Policy (CAP) as well as the related indicators;

   (b) types of interventions and common requirements for Member States to pursue these objectives as well as the related financial arrangements;

   (c) CAP Strategic Plans to be drawn up by Member States, setting targets, specifying conditions for interventions and allocating financial resources, in line with the specific objectives and identified needs;

   (d) coordination and governance as well as monitoring, reporting and evaluation.

2. This Regulation applies to Union support financed by the EAGF and the EAFRD for interventions specified in a CAP Strategic Plan drawn up by Member States and approved by the Commission, covering the period from 1 January 2023 to 31 December 2027 ('the period 2023-2027').

Article 2

Applicable provisions

1. Regulation (EU) [HzR] of the European Parliament and of the Council[22] and the provisions adopted pursuant to that Regulation shall apply to support provided under this Regulation.

2. Article 15, Chapter II of Title III with the exception of Article 22(c), and Articles 41 and 43 of Regulation (EU) [CPR] of the European Parliament and of the Council shall apply to support financed by the EAFRD under this Regulation.

Article 3

Definitions

For the purposes of this Regulation, the following definitions shall apply:

(a) 'farmer' means a natural or legal person, or a group of natural or legal persons, regardless of the legal status granted to such group and its members by national law, whose holding is situated within the territorial scope of the Treaties, as defined in Article 52 of the Treaty on European Union (TEU) in conjunction with Articles 349 and 355 of the Treaty on the Functioning of the European Union (TFEU), and who exercises an agricultural activity as determined by Member States in accordance with Article 4(1)(a) of this Regulation;

(b) 'holding' means all the units used for agricultural activities and managed by a farmer situated within the territory of the same Member State;

(c) 'intervention' means a support instrument with a set of eligibility conditions as specified by Member States in the CAP Strategic Plans based on a type of intervention as provided for in this Regulation;

[22] Regulation (EU) […/…] of the European Parliament and of the Council of [date] [full tittle] (OJ L).

(d) ‘support rate’ means the rate of public expenditure to an operation. In the case of financial instruments it refers to the gross grant equivalent of the support as defined in Article 2(20) of Commission Regulation (EU) No 702/2014[23];

(da) ‘public expenditure’ means any contribution to the financing of operations the source of which is the budget of national, regional or local public authorities, the budget of the Union made available to the EAGF and the EAFRD, the budget of public law bodies or the budget of associations of public authorities or of public law bodies;

(e) 'mutual fund' means a scheme accredited by a Member State in accordance with its national law for affiliated farmers to insure themselves, whereby compensation payments are made to affiliated farmers who experience economic losses.

(f) 'operation' means:

(i) a project, contract, action or group of projects or actions selected under the CAP Strategic Plan concerned;

(ii) in the context of financial instruments, the total eligible public expenditure granted to a financial instrument and the subsequent financial support provided to final recipients by that financial instrument;

(g) 'intermediate body' means any public or private law body, including regional or local bodies, regional development bodies or non-governmental organisations, which acts under the responsibility of a Managing Authority or regional managing authority referred to in the second subparagraph of Article 110(1), or which carries out duties on behalf of such an authority;

[23] Commission Regulation (EU) No 702/2014 of 25 June 2014 declaring certain categories of aid in the agricultural and forestry sectors and in rural areas compatible with the internal market in application of Articles 107 and 108 of the Treaty on the Functioning of the European Union (OJ, L 193/1, 1.7.2014, p. 1).

(h) In the case of types of interventions for rural development referred to in Article 64, 'beneficiary' means:

(i) a public or private law body, an entity with or without legal personality, a natural person or a group of natural or legal persons, responsible for initiating or both initiating and implementing operations;

(ii) in the context of State aid schemes, the undertaking which receives the aid;

(iii) in the context of financial instruments, the body that implements the holding fund or, where there is no holding fund structure, the body that implements the specific fund or, where the Managing Authority manages the financial instrument, the Managing Authority;

(i) 'targets' means pre-established values, set by Member States in the framework of their intervention strategies referred to in point (b) of Article 95(1), to be achieved at the end of the CAP Strategic Plan period in relation to the result indicators;

(j) 'milestones' means intermediate pre-established values, set by Member States in the framework of their intervention strategies referred to in point (b) of Article 95(1), for a specific financial year to be achieved at a given point in time during the CAP Strategic Plan period to ensure timely progress in relation to the result indicators;

(k) ‘AKIS’ means the combined organisation and knowledge flows between persons, organisations and institutions who use and produce knowledge for agriculture and interrelated fields (Agricultural Knowledge and Innovation System).

Article 4

Definitions and conditions to be formulated in the CAP Strategic Plans

1. Member States shall provide in their CAP Strategic Plan the definitions of agricultural activity, agricultural area, eligible hectare, active farmers, young farmers and new farmers:

(a) 'agricultural activity' shall be determined in a way that it allows to contribute to the provision of private and public goods through one or both of the following:

- the production of agricultural products which includes actions such as raising animals or cultivation including by way of paludiculture, where agricultural products means those listed in Annex I to the TFEU with the exception of fishery products, as well as cotton and short rotation coppice,

- the maintenance of the agricultural area in a state which makes it suitable for grazing or cultivation, without preparatory action going beyond usual agricultural methods and machineries;

(b) 'agricultural area' shall be determined in a way that it is composed of arable land, permanent crops and permanent grassland, including when they form agroforestry systems on that area. The terms 'arable land', 'permanent crops' and 'permanent grassland' shall be further specified by Member States within the following framework:

(i) 'arable land' shall be land cultivated for crop production or areas available for crop production but lying fallow; in addition, it shall, for the duration of the commitment, be land cultivated for crop production or areas available for crop production but lying fallow that have been set-aside in accordance with Articles 28 or 65 or GAEC standard 9 listed in Annex III of this Regulation, or with Articles 22, 23 or 24 of Council Regulation (EC) No 1257/1999, or with Article 39 of Council Regulation (EC) No 1698/2005, or with Article 28 of Regulation (EU) No 1305/2013;

(ii) 'permanent crops' shall be non-rotational crops other than permanent grassland and permanent pasture that occupy the land for five years or more, which yield repeated harvests, including nurseries and short rotation coppice;

(iii) 'permanent grassland and permanent pasture' (together referred to as 'permanent grassland') shall be land used to grow grasses or other herbaceous forage naturally (self-seeded) or through cultivation (sown) and that has not been included in the crop rotation of the holding for five years or more as well as, where Member States so decide, that has not been ploughed up, or not tilled, or not reseeded with different types of grasses, for five years or more.
It may include other species such as shrubs or trees, which can be grazed and, where Member States so decide, other species such as shrubs or trees which produce animal feed, provided that the grasses and other herbaceous forage remain predominant.
Member States may also decide to consider as permanent grassland:

- land covered by any of the species as described in this point and which forms part of established local practices, where grasses and other herbaceous forage are traditionally not predominant or absent in grazing areas;

- land covered by any of the species as described in this point, where grasses and other herbaceous forage are not predominant or are absent in grazing areas;

(c) for the purpose of types of interventions in the form of direct payments, 'eligible hectare' shall be determined in a way that it is at the farmer's disposal and consists of:

(i) any agricultural area of the holding that, during the year for which support is requested, is used for an agricultural activity or, where the area is also used for non-agricultural activities, is predominantly used for agricultural activities. Where duly justified for environmental, biodiversity and climate-related reasons, Member States may decide that eligible hectares also include certain areas used for agricultural activities only every second year.

(ia) any area of the holding:

- covered by landscape features subject to the retention obligation under GAEC standard 9 listed in Annex III;

- used to attain the minimum share of arable land devoted to non-productive areas and features, including land laying fallow, under GAEC standard 9;

- which, for the duration of the relevant commitment by the farmer, is established or maintained as a result of an eco-scheme referred to in Article 28.

If Member States so decide, may contain other landscape features, provided they are not predominant and do not significantly hamper the performance of the agricultural activity due to the area they occupy. In implementing this principle, Member States may set a maximum share of the agricultural parcel covered by these other landscape features.

As regards permanent grassland with scattered ineligible features, Member States may decide to apply fixed reduction coefficients to determine the area considered eligible.

(ii) any area of the holding that gave a right to payments under Subsection 2 of Section 2 of Chapter II of Title III of this Regulation or under the basic payment scheme or the single area payment scheme laid down in Title III of Regulation (EU) No 1307/2013, and which is not an 'eligible hectare' as determined by Member States on the basis of sub-points (i) and (ia) of this point:

- as a result of the application of Directives 92/43/EEC, 2009/147/EC or 2000/60/EC to this area;

- as a result of area based interventions set out under this Regulation covered by the integrated system referred to in Article 63(2) of Regulation (EU) HzR allowing for the production of products not listed in Annex I TFEU by way of paludiculture provided that those interventions contribute to one or more specific objectives laid down in points (d), (e) and (f) of Article 6 of this Regulation;

- for the duration of an afforestation commitment by the farmer, pursuant to Article 31 of Regulation (EC) No 1257/1999 or to Article 43 of Regulation (EC) No 1698/2005 or to Article 22 of Regulation (EU) No 1305/2013 or to Article 65 or Article 68 of this Regulation, or under a national scheme the conditions of which comply with Article 43(1), (2) and (3) of Regulation (EC) No 1698/2005 or Article 22 of Regulation (EU) No 1305/2013 or Article 65 or Article 68 of this Regulation;

- for the duration of a commitment by the farmer resulting in the set aside of the area, pursuant to Articles 22, 23 and 24 of Regulation (EC) No 1257/1999, to Article 39 of Regulation (EC) No 1698/2005, to Article 28 of Regulation (EU) No 1305/2013 or to Article 65 of this Regulation.

Areas used for the production of hemp shall only be eligible hectares if the varieties used have a tetrahydrocannabinol content not exceeding 0,3 %;

(d) 'active farmers' shall be determined in such a way as to ensure that support is granted only to natural or legal persons, or to groups of natural or legal persons, engaged in at least a minimum level of agricultural activity, while not necessarily precluding from support pluri-active or part-time farmers. When determining who shall be an 'active farmer' Member States shall apply objective and non-discriminatory criteria, such as: income tests, labour inputs on the farm, company object and inclusion of their agricultural activities in national or regional registers. Such criteria may be introduced in one or more forms chosen by Member States, including through a negative list disqualifying a farmer from being considered as an active farmer. In case Member States consider as 'active farmers' those farmers who did not receive direct payments exceeding a certain amount for the previous year, such an amount shall not be higher than EUR 5 000.

(e) 'young farmer' shall be determined in a way that it includes:

(i) an upper age limit set between 35 years and 40 years;

(ii) the conditions for being 'head of the holding';

(iii) the appropriate training or skills required as determined by Member States.

(ea) 'new farmer' shall be determined in such a way that it refers to a farmer other than young farmer and who is 'head of the holding" for the first time. Member States shall include further objective and non-discriminatory requirements as regards appropriate training and skills.

2. The Commission is empowered to adopt delegated acts in accordance with Article 138 supplementing this Regulation with rules making the granting of payments conditional upon the use of certified seeds of certain hemp varieties and the procedure for the determination of hemp varieties, as well as the verification of their tetrahydrocannabinol content referred to in point (c) of paragraph 1 of this Article to preserve public health.

TITLE II
OBJECTIVES AND INDICATORS

Article 5

General objectives

Based on the objectives of the CAP set out in Article 39 TFEU, on the objective to maintain the functioning of the internal market and a level playing field between farmers in the Union and on the principle of subsidiarity, support from the EAGF and EAFRD shall aim to further improve the sustainable development of farming, food and rural areas and shall contribute to achieving the following general objectives in the economic, environmental and social spheres respectively, which will contribute to the implementation of the 2030 Agenda for Sustainable Development:

(a) to foster a smart, competitive, resilient and diversified agricultural sector ensuring long term food security;

(b) to support and strengthen environmental protection, including biodiversity, and climate action and to contribute to achieving the environmental and climate-related objectives of the Union, including its commitments under the Paris Agreement;

(c) to strengthen the socio-economic fabric of rural areas.

Article 6

Specific objectives

1. The achievement of the general objectives shall be pursued through the following specific objectives:

   (a) support viable farm income and resilience of the agricultural sector across the Union to enhance long-term food security and agricultural diversity as well as ensuring the economic sustainability of agricultural production in the Union;

   (b) enhance market orientation and increase farm competitiveness both in the short and long term, including greater focus on research, technology and digitalisation;

   (c) improve the farmers' position in the value chain;

   (d) contribute to climate change mitigation and adaptation, including by reducing greenhouse gas emissions and enhancing carbon sequestration, as well as promote sustainable energy;

   (e) foster sustainable development and efficient management of natural resources such as water, soil and air, including by reducing chemical dependency;

   (f) contribute to halting and reversing biodiversity loss, enhance ecosystem services and preserve habitats and landscapes;

   (g) attract and sustain young farmers and other new farmers and facilitate sustainable business development in rural areas;

(h) promote employment, growth, gender equality, including the participation of women in farming, social inclusion and local development in rural areas, including circular bio-economy and sustainable forestry;

(i) improve the response of Union agriculture to societal demands on food and health, including high quality, safe, and nutritious food produced in a sustainable way, the reduction of food waste, as well as improving animal welfare and combatting antimicrobial resistances.

Those objectives shall be complemented and interconnected with the cross-cutting objective of modernising the sector by fostering and sharing of knowledge, innovation and digitalisation in agriculture and rural areas, and encouraging their uptake by farmers, through improved access to research, innovation, knowledge exchange and training.

2. When pursuing the specific objectives Member States, with the support of the Commission, shall take appropriate measures to reduce the administrative burden and ensure simplification in the implementation of the CAP.

Article 7

Indicators

1. Achievement of the objectives referred to in Articles 5 and 6(1) shall be assessed on the basis of common indicators related to output, result, impact and context as set out in Annex I. These common indicators shall include:

(a) output indicators relating to the realised output of the interventions supported;

(b) result indicators relating to the specific objectives concerned, and where relevant the cross-cutting objective of modernising the sector referred to in Article 5, and which are used for the establishment of quantified milestones and targets in relation to those specific and cross-cutting objectives in the CAP Strategic Plans and for assessing progress towards those targets. The indicators relating to environment- and climate-specific objectives may cover interventions which contribute to the commitments emanating from the Union legislation listed in Annex XI.

(c) impact indicators related to the objectives set out in Articles 5 and 6(1) and used in the context of the CAP Strategic Plans and of the CAP;

(ca) context indicators referred to in Article 103(2) and listed in Annex I.

2. The Commission is empowered to adopt delegated acts in accordance with Article 138 amending Annex I to adapt the common output, result, impact and context indicators. This empowerment shall be strictly limited to addressing technical problems raised by Member States regarding their application.

TITLE III
COMMON REQUIREMENTS AND TYPES OF INTERVENTIONS

CHAPTER I

COMMON REQUIREMENTS

Section 1

General principles

Article 8

Strategic approach

Member States shall pursue the objectives set out in Title II by specifying interventions based on the types of interventions set out in Chapters II, III and IV of this Title in accordance with their respective assessment of needs and with the common requirements set out in this Chapter.

Article 9

General principles

Member States shall design the interventions of their CAP Strategic Plans and GAEC standards referred to in Article 12 in accordance with the Charter of Fundamental Rights of the European Union and the general principles of Union law.

Member States shall ensure that interventions and GAEC standards referred to in Article 12 are set out on the basis of objective and non-discriminatory criteria, are compatible with the proper functioning of the internal market and do not distort competition.

Member States shall establish the legal framework governing the granting of Union support to beneficiaries in accordance with the CAP Strategic Plans as approved by the Commission in accordance with Articles 106 and 107 of this Regulation and the principles and requirements set out in this Regulation and Regulation (EU) [HzR]. They shall implement the CAP Strategic Plans as approved by the Commission in accordance with Articles 106 and 107 of this Regulation.

Article 10

WTO domestic support

1. Member States shall design the interventions based on the types of interventions which are listed in Annex II to this Regulation, including the definitions and conditions set out in Article 4, in such a way that they qualify under the criteria of Annex 2 to the WTO Agreement on Agriculture.

   In particular, the basic income support for sustainability, the complementary redistributive income support for sustainability, the complementary income support for young farmers and the schemes for the climate and the environment shall qualify under the criteria of the paragraphs of Annex 2 to the WTO Agreement on Agriculture indicated in Annex II to this Regulation for those interventions. For other interventions, the particular paragraphs of Annex 2 to the WTO Agreement on Agriculture indicated in Annex II to this Regulation are indicative and those interventions may instead respect a different paragraph of Annex 2 to the WTO Agreement on Agriculture if that is justified in the CAP Strategic Plan.

Article 10a

Implementation of the Memorandum of Understanding on oilseeds

1. Where Member States provide for area-based interventions, other than those which comply with the provisions of Annex 2 to the WTO Agreement on Agriculture, including coupled income support under Subsection 1 of Section 3 of Chapter II of Title III, and where these interventions concern some or all of the oilseeds referred to in the Annex to the Memorandum of Understanding between the European Economic Community and the United States of America on oilseeds[24], the total of the support area based upon the planned outputs included in the CAP Strategic Plans of the Member States concerned shall not exceed the maximum support area for the whole Union for the purpose of ensuring compliance with its international commitments.

   At the latest 6 months following the entry into force of this Regulation, the Commission shall adopt implementing acts fixing an indicative reference support area for each Member State, calculated on the basis of each Member State's share of the average cultivation area in the Union during the five years preceding the year of entry into force of this Regulation. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 139(2).

2. Each Member State that intends to grant support as referred to in paragraph 1 shall indicate the respective planned outputs in terms of hectares in its CAP Strategic Plan proposal referred to in Article 106(1).

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24 Memorandum of Understanding between the Economic Community and the United States of America on oil seeds under GATT (OJ L147, 18.6.1993, p. 25).

If following the notification of all planned outputs by Member States the maximum support area for the whole Union is exceeded, the Commission shall calculate for each Member State that notified an excess compared to its reference area, a reduction coefficient that is proportionate to the excess of its planned outputs. This shall result in an adaptation to the maximum support area for the whole Union referred to in the paragraph 1. Each Member State concerned shall be informed about this reduction coefficient in the Commission's observations to the CAP Strategic Plan in accordance with Article 106(3). The reduction coefficient for each Member State shall be set in the implementing act by which the Commission approves its CAP Strategic Plan as referred to in Article 106(6).

The Member States shall not amend their support area on their own initiative after the date referred to in Article 106(1).

3. Where Member States intend to increase their planned outputs referred to in paragraph 1 as approved by the Commission in the CAP Strategic Plans, they shall notify the Commission of the revised planned outputs by means of a request for amendment of the CAP Strategic Plans in accordance with Article 107 before 1 January of the year preceding the claim year concerned.

4. Where appropriate, in order to avoid that the maximum support area for the whole Union as referred to in the first subparagraph of paragraph 1 is exceeded, the Commission shall set reduction coefficients or revise the existing reduction coefficients where such coefficients were set in accordance with the second subparagraph of paragraph 2, for all Member States that exceeded their reference area in their CAP Strategic Plans.

The Commission shall inform the Member States concerned about the reduction coefficients at the latest before 1 February of the year preceding the claim year concerned.

Each Member State concerned shall submit a corresponding request for amendment of its CAP Strategic Plan with the reduction coefficient referred to in the second subparagraph before 1 April of the year preceding the claim year concerned. The reduction coefficient shall be set in the implementing act approving the amendment of the CAP Strategic Plan as referred to in Article 107(8).

5. With regard to the oilseeds concerned by the Memorandum of Understanding referred to in the first subparagraph of paragraph 1, Member States shall inform the Commission of the total number of hectares for which support has been actually paid in the annual performance reports referred to in Article 121.

6. Member States shall exclude the cultivation of confectionery sunflower seed from any area-based intervention referred to in paragraph 1.

Section 2

Conditionality

Article 11

Principle and scope

1. Member States shall include in their CAP Strategic Plans a system of conditionality, under which farmers and other beneficiaries receiving direct payments under Chapter II of this Title or the annual payments under Articles 65, 66 and 67 shall be subject to an administrative penalty if they do not comply with the statutory management requirements under Union law and the GAEC standards established in the CAP Strategic Plan, as listed in Annex III, relating to the following specific areas:

   (a) the climate and the environment, including water, soil and biodiversity of ecosystems;

   (b) public health, animal health and plant health;

   (c) animal welfare.

2. The rules on an effective and proportionate system of administrative penalties to be included in the CAP Strategic Plan shall respect in particular the requirements set out in Chapter IV of Title IV of Regulation (EU) [HzR].

3. The legal acts referred to in Annex III concerning the statutory management requirements shall apply in the version that is applicable and, in the case of Directives, as implemented by the Member States.

4. For the purpose of this Section, 'statutory management requirement' means each individual statutory management requirement under Union law listed in Annex III within a given legal act, differing in substance from any other requirements in the same act.

Section 2a

Social conditionality

Article 11a

Principle and scope

1. At the latest by 1/1/2025, Member States shall include in their CAP Strategic Plans that farmers and other beneficiaries receiving direct payments under Chapter II of this Title or the annual payments under Articles 65, 66 and 67 of this Regulation shall be subject to an administrative penalty if they do not comply with the requirements related to applicable working and employment conditions or employer obligations arising from the legal acts referred to in Annex XX.

2. When including a system of administrative penalties in their CAP Strategic Plans as referred in paragraph 1, on the basis of their institutional provisions, Member States shall consult relevant national social partners, representing management and labour in the agriculture sector and shall fully respect their autonomy, as well as their right to negotiate and conclude collective agreements. Where in line with national legal and collective bargaining frameworks, social partners are responsible for the implementation or enforcement of the acts referred to in Annex XX, their rights and obligations shall not be affected by the system of administrative penalties to be included in the CAP Strategic Plans.

3. The rules on an effective and proportionate system of administrative penalties to be included in the CAP Strategic Plan shall respect the relevant requirements set out in Chapter XX of Title IV of Regulation (EU) [HzR]

4. The legal acts referred to in Annex XX concerning the provisions to be subject to the system of administrative penalties as referred in paragraph 1 shall apply in the version that is applicable, and as implemented by the Member States.

Article 12

Obligations of Member States relating to good agricultural and environmental condition

1. Member States shall ensure that all agricultural areas including land which is no longer used for production purposes, are maintained in good agricultural and environmental condition. Member States shall set, at national or regional level, minimum standards for farmers and other beneficiaries for each GAEC standard listed in Annex III in line with the main objective of the standards as referred to in that Annex. In setting their standards, Member States shall take into account, where relevant, the specific characteristics of the areas concerned, including soil and climatic condition, existing farming systems, land use such as farming practices, farm size and farm structures and the specificities of outermost regions.

2. In respect of the main objectives laid down in Annex III Member States may set standards additional to those laid down in that Annex against those main objectives, provided that such additional standards are non-discriminatory, proportionate and correspond to the needs identified. However, Member States shall not set minimum standards for main objectives other than the main objectives laid down in Annex III.

3. The Commission is empowered to adopt delegated acts in accordance with Article 138 supplementing this Regulation with rules to ensure a level-playing field as regards the ratio for GAEC standard 1.

Section 3

Farm advisory services

Article 13

Farm advisory services

1. Member States shall include in the CAP Strategic Plan a system providing services for advising farmers and other beneficiaries of CAP support on land management and farm management ('farm advisory services') which may build upon existing systems.

2. The farm advisory services shall cover economic, environmental and social dimensions, taking into account existing farming practices, and deliver up to date technological and scientific information developed by research and innovation, including as regards the provision of public goods.
   Through these services, appropriate assistance shall be offered along the cycle of the farm development, including for the setting up for the first time, conversion of production pattern towards consumer demand, innovative practice, agricultural techniques for resilience to climate change, including agroforestry and agroecology, improved animal welfare, and where necessary safety standards and social support.
   The services shall be integrated within the interrelated services of farm advisors, researchers, farmer organisations and other relevant stakeholders that form the AKIS.

3. Member States shall ensure that the farm advice given is impartial and that advisors are suitably qualified, appropriately trained and have no conflict of interest.

4. The farm advisory services shall be adapted to the various types of productions and farms and shall cover at least the following:

   (a) all requirements, conditions and management commitments applying to farmers and other beneficiaries set in the CAP Strategic Plan, including requirements and standards under conditionality and conditions for interventions as well as information on financial instruments and business plans established under the CAP Strategic Plan;

   (b) the requirements as laid down by Member States for implementing Directive 2000/60/EC, Directive 92/43/EEC, Directive 2009/147/EC, Directive 2008/50/EC, Directive (EU) 2016/2284, Regulation (EU) 2016/2031, Regulation (EU) 2016/429, Article 55 of Regulation (EC) No 1107/2009 of the European Parliament and of the Council[25] and Directive 2009/128/EC;

   (c) farm practices preventing the development of antimicrobial resistance as set out in the Communication "A European One Health Action Plan against Antimicrobial Resistance"[26];

   (d) risk prevention and management;

   (e) innovation support in particular for preparing and for implementing Operational Group projects of the European Innovation Partnership for agricultural productivity and sustainability as referred to in Article 114;

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[25] Regulation (EC) No 1107/2009 of the European Parliament and of the Council of 21 October 2009 concerning the placing of plant protection products on the market and repealing Council Directives 79/117/EEC and 91/414/EEC (OJ L 309, 24.11.2009, p. 1).

[26] "A European One Health Action Plan against Antimicrobial Resistance (AMR)" (COM(2017) 339 final).

(f) digital technologies in agriculture and rural areas as referred to in Article 102(b);

(fa) sustainable management of nutrients, including at the latest as from 2024 use of a Farm Sustainability Tool for Nutrients. This tool shall be any digital application that at least provides:
-a balance of the main nutrients at field scale,
-the legal requirements on nutrients,
-soil data, based on available information and analyses,
-IACS data relevant for nutrient management.

(faa) conditions of employment and employer obligations as well as occupational health and safety and social care in farming communities.

CHAPTER II

TYPES OF INTERVENTIONS IN THE FORM OF DIRECT PAYMENTS

Section 1

Types of interventions, reduction and minimum requirements

Article 14

Types of interventions in the form of direct payments

1. The types of interventions under this Chapter may take the form of decoupled and coupled direct payments.

2. Decoupled direct payments shall be the following:

(a) the basic income support for sustainability;

(b) the complementary redistributive income support for sustainability;

(c) the complementary income support for young farmers;

(d) the schemes for the climate, the environment and animal welfare.

3. Coupled direct payments shall be the following:

(a) the coupled income support;

(b) the crop-specific payment for cotton.

Article 15

Capping and degressivity of payments

1. Member States may cap the amount of direct payments to be granted to a farmer pursuant to Subsection 2 of Section 2 of this Chapter for a given calendar year. Member States that choose to introduce capping shall reduce by 100 % the amount exceeding EUR 100 000.

1a. Member States may choose to reduce the amount of direct payments to be granted to a farmer pursuant to Subsection 2 of Section 2 of this Chapter for a given calendar year, exceeding EUR 60 000 by up to 85%.

Member States may set additional tranches above EUR 60 000, and specify the percentages of reduction for these additional tranches. They shall ensure that the reduction for each tranche is equal to or higher than for the previous tranche.

2. Before applying paragraph 1 or 1a, Member States may subtract from the amount of direct payments to be granted to a farmer pursuant to Subsection 2 of Section 2 of this Chapter in a given calendar year:

(a) all the salaries linked to an agricultural activity declared by the farmer, including taxes and social contributions related to employment;

(b) the equivalent cost of regular and unpaid labour linked to an agricultural activity practiced by persons working on the farm concerned who do not receive a salary, or who receive less remuneration than the amount normally paid for the services rendered, but are rewarded through the economic result of the farm business;

(c) the labour cost element of the contracting costs linked to an agricultural activity declared by the farmer.

To calculate the amounts referred to in point (a), Member States shall use salary costs actually incurred by the farmer. In duly justified cases, farmers may request to use standards costs to be determined by the Member State concerned according to a method to be further specified in its CAP strategic plan based on the average standard salaries linked to an agricultural activity at national or regional level multiplied by the number of annual work units declared by the farmer concerned.

To calculate the amounts referred to in point b, Member States shall use standard costs to be determined by the Member State concerned according to a method to be further specified in its CAP strategic plan based on the average standard salaries linked to an agricultural activity at national or regional level multiplied by the number of annual work units declared by the farmer concerned.

2a. In the case of a legal person, or a group of natural or legal persons, Member States may apply the reduction referred to in paragraphs 1 and 1a at the level of the members of those legal persons or groups where national law provides for the individual members to assume rights and obligations comparable to those of individual farmers who have the status of a head of holding, in particular as regards their economic, social and tax status, provided that they have contributed to strengthening the agricultural structures of the legal persons or groups concerned.

3. The estimated product of the reduction of payments shall primarily be used to contribute to the financing of the complementary redistributive income support for sustainability, where relevant, and thereafter of other interventions belonging to decoupled direct payments.

Member States may also use all or part of the product to finance types of interventions under the EAFRD as specified in Chapter IV by means of a transfer. Such transfer to the EAFRD shall be part of the CAP Strategic Plan financial tables and may be reviewed in 2025 in accordance with Article 90. It shall not be subject to the maximum limits for the transfers of funds from the EAGF to the EAFRD established under Article 90.

4. The Commission may adopt delegated acts in accordance with Article 138 supplementing this Regulation with rules establishing a harmonised basis for the calculation for the reduction of payments laid down in paragraphs 1 and 1a to provide detailed rules for the distribution of funds to the entitled farmers.

Article 15a

Minimum requirements

1. Member States shall set a minimum area and not grant direct payments to active farmers whose eligible area of the holding for which direct payments are claimed is lower than this minimum area.

Alternatively, Member States may set a minimum amount of direct payments that may be paid to a farmer.

3. Where a Member State has decided to set a minimum area in accordance with the first sub-paragraph, it shall nevertheless set a minimum amount in accordance with the second sub-paragraph for those farmers receiving an animal-related coupled support who hold fewer hectares than that minimum area.

When setting the minimum area or minimum amount, Member States shall aim at ensuring that direct payments may only be granted to active farmers if:

(a) the management of the corresponding payments does not cause excessive administrative burden, and

(b) the corresponding amounts make an effective contribution to the objectives set out in Article 6 to which direct payments contribute.

4. The Member State concerned may decide not to apply this Article to the smaller Aegean Islands.

Article 15b

Contribution to risk management tools

1. By way of derogation from Article 42(1) of Regulation (EU) [HzR], a Member State may decide to assign up to 3% of the direct payments to be paid to a farmer for the farmer's contribution to a risk management tool.
Member States that decide to implement this provision shall apply it to all farmers receiving direct payments in a given year.

Section 2

Decoupled direct payments

Subsection 1

General provisions

Article 16

General requirements for receiving decoupled direct payments

Member States shall grant decoupled direct payments to active farmers under the conditions set out in this Section and as further specified in their CAP Strategic Plans.

Subsection 2

Basic income support for sustainability

Article 17

General rules

1. Member States shall provide for a basic income support for sustainability ('basic income support') under the conditions set out in this Subsection and as further specified in their CAP Strategic Plans.

2. Member States shall provide for a basic income support in the form of an annual decoupled payment per eligible hectare.

3. Without prejudice to Articles 19 to 24, the basic income support shall be granted for each eligible hectare declared by an active farmer.

Article 18

Amount of support per hectare

1. Unless Member States decide to grant the basic income support based on payment entitlements as referred to in Article 19, the support shall be paid as a uniform amount per hectare.

2. Member States may decide to differentiate the amount of the basic income support per hectare amongst different groups of territories faced with similar socio-economic or agronomic conditions, including traditional forms of agriculture as determined by Member States, such as traditional extensive alpine pasture. In accordance with Article 97(2)(ca), the amount of basic income support per hectare may be reduced taking into account support under other interventions in the CAP Strategic Plan.

Article 19

Payment entitlements

1. Member States having applied the basic payment scheme as laid down in Section 1 of Chapter I of Title III of Regulation (EU) No 1307/2013, may decide to grant the basic income support based on payment entitlements in accordance with Articles 20 to 24 of this Regulation.

2. Where Member States having applied the basic payment scheme as laid down in Section 1 of Chapter I of Title III of Regulation (EU) No 1307/2013 decide to no longer grant the basic income support based on payment entitlements, the payment entitlements allocated under Regulation (EU) No 1307/2013 shall expire on 31 December of the year preceding the year from which the decision is to apply.

Article 20

Value of payment entitlements and convergence

1. Member States shall determine the unit value of payment entitlements before convergence in accordance with this Article by adjusting the value of payment entitlements proportionally to their value as established in accordance with Regulation (EU) No 1307/2013 for claim year 2022 and the related payment for agricultural practices beneficial for the climate and environment provided for in Chapter III of Title III of that Regulation for claim year 2022.

2. Member States may decide to differentiate the value of payment entitlements in accordance with Article 18(2).

3. Each Member State shall, by claim year 2026 at the latest, set a maximum level for the value of individual payment entitlements for the Member State or for each group of territories referred to in Article 18(2).

4. Where the value of payment entitlements as determined in accordance with paragraph 1 is not uniform within a Member State or within a group of territories as referred to in Article 18(2), the Member State concerned shall ensure a convergence of the value of payment entitlements towards a uniform unit value by claim year 2026 at the latest.

5. For the purposes of paragraph 4, each Member State shall ensure that, for claim year 2026 at the latest, all payment entitlements have a value of at least 85% of the planned average unit amount as referred to in Article 89(1) for the basic income support for claim year 2026 as laid down in its CAP Strategic Plan for the Member State or for the group of territories as referred to in Article 18(2).

6. Member States shall finance the increases in the value of payment entitlements needed to comply with paragraphs 4 and 5 by using any possible amounts that become available through the application of paragraph 3, and, where necessary, by reducing the difference between the unit value of payment entitlements determined in accordance with paragraph 1 and the planned unit amount as referred to in Article 89(1), for the basic income support for claim year 2026 as laid down in the CAP Strategic Plan for the Member State or for the group of territories referred to in Article 18(2).

Member States may decide to apply the reduction to all or part of the payment entitlements with a value determined in accordance with paragraph 1 exceeding the planned unit amount as referred to in Article 89(1) for the basic income support for claim year 2026, as laid down in the CAP Strategic Plan for the Member State or for group of territories referred to in Article 18(2).

7. The reductions referred to in paragraph 6 shall be based on objective and non-discriminatory criteria. Without prejudice to the minimum value set in accordance with paragraph 5, such criteria may include the fixing of a maximum decrease that may not be lower than 30%.

7a. Member States shall ensure that the adjustment of the payment entitlement values in accordance with paragraphs 3 to 7 of this Article starts from 2023.

Article 21

Activation of payment entitlements

1. Member States which have decided to grant support based on payment entitlements shall grant basic income support to active farmers holding owned or leased-in payment entitlements upon activation of those payment entitlements. Member States shall ensure that for the purpose of the activation of payment entitlements, active farmers declare the eligible hectares accompanying any payment entitlement.

2. Member States shall ensure that payment entitlements, including in the case of actual or anticipated inheritance, be activated only in the Member State or within the group of territories referred to in Article 18(2) where they were allocated.

3. Member States shall ensure that activated payment entitlements give a right to payment based on the amount fixed therein.

Article 22

Reserves for payment entitlements

1. Each Member State deciding to grant the basic income support based on payment entitlements shall manage a national reserve.

2. By way of derogation from paragraph 1, where Member States decide to differentiate the basic income support in accordance Article 18(2), they may decide to have a reserve for each group of territories referred to in that Article.

3. Member States shall ensure that payment entitlements from the reserve be only allocated to active farmers.

4. Member States shall use their reserve as a matter of priority to allocate payment entitlements to the following farmers:

   (a) young farmers who have newly set up a holding for the first time;

   (b) new farmers.

5. Member States shall allocate payment entitlements to, or increase the value of the existing payment entitlements of active farmers who are entitled by virtue of a definitive court ruling or by virtue of a definitive administrative act of the competent authority of a Member State. Member States shall ensure that those active farmers receive the number and value of payment entitlements established in that ruling or act at a date to be fixed by the Member State.

6. Member States shall ensure that the reserve be replenished by a linear reduction of the value of all payment entitlements where the reserve is insufficient to cover the allocation of payment entitlements in accordance with paragraphs 4 and 5.

7. Member States may lay down additional rules for the use of the reserve, including additional categories of farmers to be served from the reserve, provided the priority groups referred to in paragraphs (4) and (5) have been served and for the cases that would trigger the replenishment of the reserve. Where the reserve is replenished by linear reduction of the value of payment entitlements, such linear reduction shall apply to all payment entitlements at national level or, where Member States apply the derogation provided for in paragraph 2, at the level of the relevant group of territories referred to in Article 18(2).

8. Member States shall fix the value of new payment entitlements allocated from the reserve at the national average value of payment entitlements in the year of allocation or at the average value of payment entitlements for each group of territories referred to in Article 18(2) in the year of allocation.

9. Member States may decide to increase the value of the existing payment entitlements up to the national average value in the year of allocation or up to the average value for each group of territories referred to in Article 18(2).

Article 24

Transfers of payment entitlements

1. Except in the case of transfer by actual or anticipated inheritance, payment entitlements shall be transferred only to an active farmer established in the same Member State.

2. Where Member States decide to differentiate the basic income support in accordance with Article 18(2) payment entitlements shall only be transferred within the group of territories where they were allocated.

Article 25

Payments for small farmers

Member States may grant a payment to small farmers, as determined by Member States, by way of a lump sum or of amounts per hectare replacing direct payments under this Section and Section 3 of this Chapter. Member States shall design the corresponding intervention in the CAP Strategic Plan as optional for the farmers.
The annual payment for each farmer shall not exceed EUR 1 250.

Member States may decide to set different lump sums or amounts per hectare linked to different area thresholds.

Subsection 3

Complementary income Support

Article 26

Complementary redistributive income support for sustainability

1. Member States shall provide for a complementary redistributive income support for sustainability ('redistributive income support') under the conditions set out in this Article and as further specified in their CAP Strategic Plans.
   By derogation to the first subparagraph and Article 86(x), Member States may address the need of redistribution of income support by other instruments and interventions financed by the EAGF pursuing the objective of fairer distribution and more effective and efficient targeting of income support, provided they can demonstrate in their CAP Strategic Plan that such need is sufficiently addressed.

2. Member States shall ensure redistribution of direct payments from larger to smaller or medium-sized holdings by providing for a redistributive income support in the form of an annual decoupled payment per eligible hectare to farmers who are entitled to a payment under the basic income support referred to in Article 17.

3. Member States shall establish at national or regional level, which may be the groups of territories referred to in Article 18(2), an amount per hectare or different amounts for different ranges of hectares, as well as the maximum number of hectares per farmer for which the redistributive income support shall be paid.

4. The amount per hectare planned for a given claim year shall not exceed the national average amount of direct payments per hectare for that claim year.

5. The national average amount of direct payments per hectare is defined as the ratio of the national ceiling for direct payments for a given claim year as laid down in Annex IV and the total planned outputs for the basic income support for that claim year, expressed in number of hectares.

5a. In the case of a legal person, or a group of natural or legal persons, Member States may apply the maximum number of hectares referred to in paragraph 3 at the level of the members of those legal persons or groups where national law provides for the individual members to assume rights and obligations comparable to those of individual farmers who have the status of a head of holding, in particular as regards their economic, social and tax status, provided that they have contributed to strengthening the agricultural structures of the legal persons or groups concerned.

In the case of farmers being part of a group of affiliated legal entities, as determined by Member States, Member States may apply the maximum number of hectares referred to in paragraph 3 at the level of this group under conditions to be determined by Member States.

Article 27

Complementary income support for young farmers

1. Member States may provide for complementary income support for young farmers determined in accordance with the criteria laid down in point (e) of Article 4(1), under the conditions set out in this Article and as further specified in their CAP Strategic Plans.

2. As part of their obligations to attract young farmers in line with the objective set out in point (g) of Article 6(1) and to dedicate to this objective in accordance with Article 86(4) at least an amount as set out in Annex X, Member States may provide a complementary income support for young farmers who have newly set up for the first time and who are entitled to a payment under the basic income support as referred to in Article 17.

   Member States may decide to grant the support under this Article to farmers who have received support under Article 50 of Regulation (EU) No 1307/2013 for the remainder of the period referred to in paragraph 5 of that Article.

3. The complementary income support for young farmers shall be granted for a maximum duration of five years, starting from the first year of submission of the application for the payment for young farmers, and subject to the conditions to be determined by the CAP legal framework applicable for the period after 2027 when the duration of five years goes beyond 2027. Member States shall ensure that no legal expectations of beneficiaries are created for the period after 2027.
   That support shall take the form either of an annual decoupled payment per eligible hectare or of a lump-sum payment per young farmer.
   Member States may decide to grant the support under this Article only to a maximum number of hectares per young farmer.

3a. In the case of a legal person, or a group of natural or legal persons such as group of farmers, producer organisations or cooperatives, Member States may apply the maximum number of hectares referred to in paragraph 3 of this Article at the level of the members of those legal persons or groups:
(a) who comply with the requirements of "young farmer" as determined in accordance with criteria laid down in point (e) of Article 4(1) and
(b) where national law provides for the individual members to assume rights and obligations comparable to those of individual farmers who have the status of a head of holding, in particular as regards their economic, social and tax status, provided that they have contributed to strengthening the agricultural structures of the legal persons or groups concerned.

Subsection 4

Schemes for the climate and the environment

Article 28

*Schemes for the climate**,** the environment and animal welfare*

1. Member States shall establish and provide support for voluntary schemes for the climate, environment and animal welfare ('eco-schemes') under the conditions set out in this Article and as further specified in their CAP Strategic Plans.

2. Member States shall support under this Article active farmers or groups of active farmers who make commitments to observe agricultural practices beneficial for the climate, the environment, animal welfare and combatting antimicrobial resistance.

3. Member States shall establish a list of agricultural practices beneficial for the climate, the environment and animal welfare and addressing antimicrobial resistance. Those practices shall be designed to meet one or more of the following:

   (a) the specific environmental and climate-related objectives laid down in points (d), (e) and (f) of Article 6(1);

   (b) to improve animal welfare and address antimicrobial resistance objectives laid down in point (i) of Article 6(1).

4. Each eco-scheme shall in principle cover at least 2 of the following areas of actions for the climate, the environment, animal welfare and antimicrobial resistance:

   (a) climate change mitigation, including reduction of GHG emissions from agricultural practices, as well as maintenance of existing carbon stores and enhancement of carbon sequestration;

   (b) climate change adaptation, including actions to improve resilience of food production systems, and animal and plant diversity for stronger resistance to diseases and climate change;

   (c) protection or improvement of water quality and reduction of pressure on water resources;

   (d) prevention of soil degradation, soil restoration, improvement of soil fertility and of nutrient management [and soil biota];

   (e) protection of biodiversity, conservation or restoration of habitats or species, including maintenance and creation of landscape features or non-productive areas;

(f) actions for a sustainable and reduced use of pesticides, particularly pesticides that present a risk for human health or environment;

(g) actions to enhance animal welfare or address antimicrobial resistance.

5. Under this Article, Member States shall only provide payments covering commitments which:

(a) go beyond the relevant statutory management requirements and GAEC standards established under Section 2 of Chapter I of this Title;

(b) go beyond the relevant minimum requirements for the use of fertiliser and plant protection products, animal welfare, as well as other relevant mandatory requirements established by national and Union law;

(c) go beyond the conditions established for the maintenance of the agricultural area in accordance with point (a) of Article 4(1);

(d) are different from commitments in respect of which payments are granted under Article 65.

For commitments referred to under point (b) of the first subparagraph, where national law imposes new requirements which go beyond the corresponding/related minimum requirements laid down in Union law, support may be granted for commitments contributing to compliance with those requirements for a maximum of 24 months from the date on which they become mandatory for the holding.

5a. Pursuant to paragraph 5, Member States may, for the description of the commitments to be fulfilled by the beneficiary of eco-schemes referred to in this Article, build upon one or more of the requirements and standards established under Section 2 of Chapter I, provided that the obligations of the eco-schemes go beyond the relevant statutory management requirements and the minimum standards for good agricultural and environmental condition of land established by Member States under Section 2 of Chapter I of this Title.

Without prejudice to Article 85(1) of the Horizontal Regulation, active farmers or groups of active farmers participating in eco-schemes established in accordance with the first sub-paragraph shall be deemed to comply with the relevant requirements and standards referred to in Annex III, provided that they fulfil the commitments under the eco-scheme concerned.

Member States that establish eco-schemes in accordance with the first subparagraph may ensure that their management and control systems do not duplicate checks where the same requirements and standards apply both under those eco-schemes and the obligations set in Annex III.

6. Support for a particular eco-scheme shall take the form of an annual payment for all eligible hectares covered by the commitments. Payments shall be granted as either:

(a) payments additional to the basic income support as set out in Subsection 2 of this Section; or

(b) payments compensating active farmers or groups of active farmers for all or part of the additional costs incurred and income foregone as a result of the commitments made which shall be calculated in accordance with Article 76 and taking into account the targets for eco-schemes. These payments may also cover transaction costs.

By way of derogation from the first subparagraph, payments granted in accordance with point (b) of the first subparagraph for animal welfare commitments, commitments addressing antimicrobial resistance and, if duly justified, commitments for practices beneficial for climate, may also take the form of an annual payment for the livestock units.

6a. Member States shall demonstrate how the agricultural practices committed under eco-schemes respond to the needs referred to in Article 96 and how they contribute to the environmental and climate architecture referred to in Article 97(2)(a) and to animal welfare and reducing antimicrobial resistance. They shall use a rating or scoring system or any other appropriate methodology to ensure the effectiveness and efficiency of the eco-schemes to deliver on the targets set. When establishing the level of payments for different commitments under the eco-schemes under point (a) of the first subparagraph of paragraph 6, Member States shall take into account the level of sustainability and ambition of each eco-scheme, based on objective and transparent criteria.

7. Member States shall ensure that interventions under this Article are consistent with those granted under Article 65.

Section 3

Coupled direct payments

Subsection 1

Coupled income support

Article 29

General rules

1. Member States may grant coupled income support to active farmers under the conditions set out in this Subsection and as further specified in their CAP Strategic Plans.

2. The Member States' interventions shall help the supported sectors and productions or specific types of farming therein listed in Article 30 addressing the difficulty or difficulties they undergo by improving their competitiveness, their sustainability or their quality. By way of derogation for protein crops Member States are not required to demonstrate the difficulties they undergo.

3. Coupled income support shall take the form of an annual payment per hectare or animal.

Article 30

Scope

Coupled income support may only be granted to the following sectors and productions or specific types of farming therein where these are important for socioeconomic or environmental reasons:

(a) cereals,

(b) oilseeds excluding confectionary sunflower seeds as laid down in Article 10a(5),

(c) protein crops, also including legumes and mix between legumes and grasses provided that legumes remain predominant in this mixture,

(d) flax,

(e) hemps,

(f) rice,

(g) nuts,

(h) starch potatoes,

(i) milk and milk products,

(j) seeds,

(k) sheep meat and goat meat,

(l) beef and veal,

(m) olive oil and table olives,

(n) silk worms,

(o) dried fodder,

(p) hops,

(q) sugar beet, cane and chicory roots,

(r) fruit and vegetables,

(s) short rotation coppice.

Article 31

Eligibility

1. Member States may grant coupled income support in the form of a payment per hectare only for areas they have determined as eligible hectares.

2. Where the coupled income support concerns bovine animals or sheep and goats, Member States shall set as eligibility conditions for the support the requirements to identify and register the animals in compliance with Regulation (EC) No 1760/2000 of the European Parliament and of the Council[27] or Council Regulation (EC) No 21/2004[28] respectively. However, without prejudice to other applicable eligibility conditions, bovine animals or sheep and goats shall be considered as eligible for support as long as the identification and registration requirements are met by a certain date in the claim year concerned to be fixed by the Member States.

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27 Regulation (EC) No 1760/2000 of the European Parliament and of the Council of 17 July 2000 establishing a system for the identification and registration of bovine animals and regarding the labelling of beef and beef products and repealing Council Regulation (EC) No 820/97 (OJ L 204, 11.8.2000, p. 1).

28 Council Regulation (EC) No 21/2004 of 17 December 2003 establishing a system for the identification and registration of ovine and caprine animals and amending Regulation (EC) No 1782/2003 and Directives 92/102/EEC and 64/432/EEC (OJ L 5, 9.1.2004, p. 8).

Article 32

Delegated powers

The Commission is empowered to adopt delegated acts in accordance with Article 138 supplementing this Regulation with measures to avoid beneficiaries of coupled income support suffering from structural market imbalances in a sector. Those delegated acts may allow Member States to decide that coupled income support may continue to be paid until 2027 on the basis of the production units for which such support was granted in a past reference period.

Subsection 2

Crop-specific payment for cotton

Article 34

Scope

The Member States referred to in Article 36 shall grant a crop-specific payment for cotton to active farmers producing cotton falling within CN code 5201 00 under the conditions laid down in this Subsection.

Article 35

General rules

1. The crop-specific payment for cotton shall be granted per hectare of eligible area of cotton. The area shall be eligible only if it is located on agricultural land authorised by the Member State for cotton production, sown with varieties authorised by the Member State and actually harvested under normal growing conditions.

2. The crop-specific payment for cotton shall be paid for cotton of sound, fair and marketable quality.

3. Member States shall authorise the land and the varieties referred to in paragraph 1 in accordance with any rules and conditions adopted pursuant to paragraph 4.

3a. For the interventions covered in this Subsection:

(a) the eligibility of the expenditure incurred shall be determined on the basis of Article 35(a) of Regulation (EU) No …/… [HzR];

(b) for the purposes of Article 11(1) of Regulation (EU) No …/… [HzR], the opinion to be provided by the certification bodies shall cover points (a), (b) and (d) of Article 11(1), as well as the management declaration.

4. The Commission is empowered to adopt delegated acts in accordance with Article 138 supplementing this Regulation with rules and conditions for the authorisation of land and varieties for the purposes of the crop-specific payment for cotton.

5. The Commission shall adopt implementing acts laying down rules on the procedure for the authorisation of land and varieties for the purposes of the crop-specific payment for cotton and on the notifications to the producers related to this authorisation. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 139(2).

Article 36

Base areas, fixed yields and reference amounts

1. The following national base areas are established:

- Bulgaria: 3 342 ha
- Greece: 250 000 ha
- Spain: 48 000 ha
- Portugal: 360 ha

2. The following fixed yields in the reference period are established:

   - Bulgaria: 1,2 tonne/ha

   - Greece: 3,2 tonne/ha

   - Spain: 3,5 tonne/ha

   - Portugal: 2, 2 tonne/ha

3. The amount of the crop-specific payment per hectare of eligible area shall be calculated by multiplying the yields established in paragraph 2 with the following reference amounts:

   - Bulgaria: EUR 636,13,

   - Greece: EUR 229,37,

   - Spain: EUR 354,73,

   - Portugal: EUR 223,32.

4. If the eligible area of cotton in a given Member State and a given year exceeds the base area established in paragraph 1, the amount referred to in paragraph 3 for that Member State shall be reduced proportionately to the overrun of the base area.

5. The Commission is empowered to adopt delegated acts in accordance with Article 138 supplementing this Regulation with rules on the conditions for the granting of the crop-specific payment for cotton, on the eligibility requirements and on agronomic practices.

6. The Commission may adopt implementing acts laying down rules on the calculation of the reduction provided for in paragraph 4. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 139(2).

Article 37

Approved interbranch organisations

1. For the purpose of this Subsection, an 'approved interbranch organisation' means a legal entity made up of farmers producing cotton and at least one ginner, carrying out activities such as:

   (a) helping to better coordinate the way cotton is placed on the market, particularly through research studies and market surveys;

   (b) drawing up standard forms of contract compatible with Union rules;

   (c) orienting production towards products that are better adapted to market needs and consumer demand, particularly in terms of quality and consumer protection;

   (d) updating methods and means to improve product quality;

   (e) developing marketing strategies to promote cotton via quality certification schemes.

2. The Member State where the ginners are established shall approve interbranch organisations that satisfy any criteria laid down pursuant to paragraph 3.

3. The Commission is empowered to adopt delegated acts in accordance with Article 138 supplementing this Regulation with rules on:

   (a) criteria for the approval of interbranch organisations;

   (b) obligations for producers;

   (c) the situation where the approved interbranch organisation does not satisfy the criteria referred to in point (a).

Article 38

Granting of the payment

1. Farmers shall be granted the crop-specific payment for cotton for hectares that are eligible as established in Article 36.

2. In the case of farmers who are members of an approved interbranch organisation, the crop-specific payment for cotton for hectares that are eligible within the base area laid down in Article 36(1) shall be increased by an amount of EUR 2.

Article 38a

Derogations

1. Articles 88 and 89 and Chapters I, II, III, IV and V of Title VII shall not apply to the crop-specific payment for cotton laid down in this subsection.

2. The crop-specific payment for cotton shall not be included in any of the sections of the CAP Strategic Plan referred to in Articles 96 to 102, except as regards point (a) of the first subparagraph of Article 100(2) relating to the financial plan.

3. The second and the third subparagraphs of Article 53(1) of Regulation (EU) No …/… [HzR] shall not apply to the interventions referred to in this Subsection.

CHAPTER III

TYPES OF INTERVENTIONS IN CERTAIN SECTORS

Section 1

General provisions

Article 39

Scope

This Chapter lays down rules concerning the types of interventions:

(a) in the fruit and vegetables sector, as referred to in point (i) of Article 1(2) of Regulation (EU) No 1308/2013;

(b) in the apiculture products sector, as referred to in point (v) of Article 1(2) of Regulation (EU) No 1308/2013;

(c) in the wine sector, as referred to in point (l) of Article 1(2) of Regulation (EU) No 1308/2013;

(d) in the hops sector, as referred to in point (f) of Article 1(2) of Regulation (EU) No 1308/2013;

(e) in the olive oil and table olives sector, as referred to in point (g) of Article 1(2) of Regulation (EU) No 1308/2013;

(f) in the other sectors set out in points (a) to (h), (k), (m), (o) to (t) and (w) of Article 1(2) of Regulation (EU) No 1308/2013 and sectors covering products listed in Annex XIII of this Regulation.

Article 40

Mandatory and optional types of interventions

1. The types of interventions in the fruit and vegetables sector referred to in point (a) of Article 39 shall be mandatory for Member States with producer organisations in that sector recognised under Regulation (EU) No 1308/2013.
   Where a Member State without recognised producer organisations in the fruit and vegetables sector at the moment of submitting its strategic plan, recognises a producer organisation in that sector under Regulation (EU) No 1308/2013 during the programming period, this Member State shall submit a request for amendment of the CAP Strategic Plan in accordance with Article 107 in order to include interventions in the fruits and vegetable sector.

1a. The types of interventions in the apiculture sector referred to in point (b) of Article 39 shall be mandatory for every Member State.

2. The types of interventions in the wine sector referred to in point (c) of Article 39 shall be mandatory for the Member States listed in Annex V.

3. Member States may choose in their CAP Strategic Plan to implement the types of interventions referred to in points (d), (e) and (f) of Article 39.

4. The Member State referred to in Article 82(3) may implement in the hops sector the types of interventions referred to in point (f) of Article 39 only if that Member State decides in its CAP Strategic Plan not to implement the types of interventions referred to in point (d) of Article 39.

5. The Member States referred to in Article 82(4) may implement in the olive oil and table olives sector the types of interventions referred to in point (f) of Article 39 only if those Member States decide in their CAP Strategic Plans not to implement the types of interventions referred to in point (e) of Article 39.

Article 40a

Forms of support

1. In the sectors referred to in Article 39, support may take any of the following forms, as appropriate:

   (a) reimbursement of eligible costs actually incurred by a beneficiary;

   (b) unit costs;

   (c) lump sums;

   (d) flat-rate financing.

2. The amounts for the forms of support referred to under point (b), (c) and (d) of paragraph 1, shall be established in one of the following ways:

   (a) a fair, equitable and verifiable calculation method based on:

      (i) statistical data, other objective information or an expert judgement; or

      (ii) verified historical data of beneficiaries; or

      (iii) the application of usual cost accounting practices of beneficiaries;

   (b) draft budgets established on a case-by-case basis and agreed ex-ante by the body approving the operation;

   (c) in accordance with the rules for application of corresponding unit costs, lump sums and flat rates applicable in Union policies for a similar type of intervention;

   (d) in accordance with the rules for application of corresponding unit costs, lump sums and flat rates applied under support schemes funded entirely by the Member State for a similar type of intervention.

Article 41

Delegated powers for additional requirements for types of interventions

The Commission shall be empowered to adopt delegated acts in accordance with Article 138 supplementing this Regulation with requirements additional to those laid down in this Chapter in particular as regards:

(a) ensuring the proper functioning of types of interventions laid down in this Chapter, in particular with a view to avoid distortions of competition in the internal market;

(ab) the type of expenditure covered by the interventions laid down in this Chapter, including, by way of derogation to Article 20 of Regulation No .../... [HrZ], the eligibility of administrative and personnel costs of producer organisations or other beneficiaries when implementing these interventions;

(b) the basis for the calculation of Union financial assistance referred to in this Chapter, including the reference periods and the calculation of the value of marketed production, and for the calculation of the degree of organisation of producers for the purpose of the national financial assistance referred to in Article 47;

(c) the maximum level of Union financial assistance for types of interventions referred to in points (a), (c), (e), (f), (g) and (h) of Article 41b(2) and for the types of interventions referred to in points (c), (d) and (i) of Article 52(1), including packaging and transport rates for products withdrawn for free distribution and processing costs prior to delivery for that purpose;

(d) the rules for the fixing of a ceiling for expenditure and for measuring of the eligible area for the purpose of the types of interventions referred to in point (d) of Article 41b(2) and in point (a) of Article 52(1);

(e) the rules under which producers are to withdraw the by-products of winemaking, and on exceptions to that obligation in order to avoid additional administrative burden and rules for the voluntary certification of distillers.

(f) the conditions to be applied for the use of forms of support listed in Article 40a(1).

(g) the rules on minimum durability requirement for productive and non-productive investments supported by interventions included in this Chapter;

(h) rules on the combination of funding for investments pursuant to point (b) in Article 52(1) of this Regulation and for promotion pursuant to point (h) in Article 52(1) of this Regulation.

Article 41a

Objectives in the fruit and vegetables sector, the hops sector, the olive oil and table olives sector and in the other sectors referred to in point (f) of Article 39

The objectives in the sectors referred to in points (a), (d), (e) and (f) of Article 39 shall be the following:

(a) planning and organisation of production, adjusting production to demand, particularly in terms of quality and quantity, optimisation of production costs and returns on investments, stabilising producer prices; those objectives relate to the specific objectives set out in points (a), (b), (c) and (i) of Article 6(1);

(b) concentration of supply and placing on the market of the products concerned, including through direct marketing; those objectives relate to the specific objectives set out in points (a), (b) and (c) of Article 6(1);

(c) improvement of medium and long term competitiveness, in particular through modernisation; that objective relates to the specific objective set out in point (c) of Article 6(1);

(d) research into, and development of sustainable production methods, including pest resilience, animal disease resistance and climate change resilience and mitigation, innovative practices and production techniques boosting economic competitiveness and bolstering market developments; those objectives relate to the specific objectives set out in points (a), (b), (c) and (i) of Article 6(1);

(e) promoting, developing and implementing:

(i) production methods and techniques that are respectful of the environment;

(ii) pest and disease resilient production practices;

(iii) animal health and welfare standards going beyond minimum requirements established under Union and national law;

(iv) reduction of waste and environmentally sound use and management of by-products, including their re-usage and valorisation;

(v) protection and enhancement of biodiversity, and sustainable use of natural resources, in particular protection of water, soil and air.

Those objectives relate to the specific objectives set out in points (e), (f) and (i) of Article 6(1);

(f) contributing to climate change mitigation and adaptation, as set out in point (d) of Article 6(1);

(g) boosting products' commercial value and quality, including improving product quality and developing products with a protected designation of origin or with a protected geographical indication or covered by Union or national quality schemes recognised by Member States; those objectives relate to the specific objective set out in point (b) of Article 6(1);

(h) promotion and marketing of the products; those objectives relate to the specific objectives set out in points (b), (c) and (i) of Article 6(1);

(i) increasing consumption of the products of the fruit and vegetables sector, whether in a fresh or processed form; that objective relates to the specific objective set out in point (i) of Article 6(1);

(j) crisis prevention and risk management, aimed at avoiding and dealing with crises in the markets of the relevant sector; those objectives relate to the specific objectives set out in points (a), (b) and (c) of Article 6(1).

(k) improving the conditions of employment and enforce the employer obligations as well as occupational health and safety in line with Directives 1152/2019/EU (transparent and predictable working conditions), 89/391/EEC and 2009/104/EC (on occupational safety and health).

Article 41b

Types of interventions in the fruit and vegetables sector, the hops sector, the olive oil and table olives sector and in the other sectors referred to in point (f) of Article 39

1. For each objective chosen among those referred to in points (a) to (i) of Article 41a, Member States shall choose in their CAP Strategic Plans one or more of the following types of interventions in the sectors referred to in points (a), (d), (e) and (f) of Article 39:

   (a) investments in tangible and non-tangible assets, research and experimental and innovative production methods and other actions, in areas such as:

      (i) soil conservation, including the enhancement of soil carbon and soil structure, and the reduction of contaminants;

      (ii) improvement of the use of and sound management of water, including water saving, water conservation and drainage;

(iii) preventing damage caused by adverse climatic events and promoting the development and use of varieties, breeds and management practices adapted to changing climate conditions;

(iv) increasing energy saving, energy efficiency and the use of renewable energy;

(v) ecological packaging only in the field of research and experimental production;

(vi) biosecurity, animal health and welfare;

(vii) reducing emissions and waste, improving the use of by-products, including their re-usage and valorisation, and the management of waste;

(viii) improving resilience against pests, reducing risks and impacts of pesticide use, including implementing Integrated Pest Management techniques;

(ix) improving resilience against animal disease and reducing the use of veterinary medicines including antibiotics;

(x) creating and maintaining habitats favourable to biodiversity;

(xi) improving product quality;

(xii) improving genetic resources.

(xiii) improving the conditions of employment and employer obligations as well as occupational health and safety in line with Directives 1152/2019/EU (transparent and predictable working conditions), 89/391/EEC and 2009/104/EC (on occupational safety and health);

(b) advisory services and technical assistance, in particular concerning sustainable pest and disease control techniques, sustainable use of plant protection and animal health products, climate change adaptation and mitigation, and conditions of employment and employer obligations as well as regarding occupational health and safety.

(c) training including coaching and exchange of best practices, in particular concerning sustainable pest and disease control techniques, sustainable use of plant protection and animal health products, and climate change adaptation and mitigation, as well as the use of organised trading platforms and commodity exchanges on the spot and futures market;

(d) organic or integrated production;

(e) actions to increase the sustainability and efficiency of transport and of storage of products;

(f) promotion, communication and marketing including actions and activities aimed in particular at raising consumer awareness about the Union quality schemes and the importance of healthy diets, and at diversification and consolidation of markets;

(g) implementation of Union and national quality schemes;

(h) implementation of traceability and certification systems, in particular the monitoring of the quality of products sold to final consumers;

(i) actions to mitigate climate change and to adapt to climate change.

2. As regards the objective referred to in point (j) of Article 41a, Member States shall choose in their CAP Strategic Plans one or more of the following types of intervention in the sectors referred to in points (a), (d), (e) and (f) of Article 39:

(a) setting up, filling and refilling of mutual funds by producer organisations and by associations of producer organisations recognised under Regulation (EU) No 1308/2013 or under Article 60a(7) in the cotton sector;

(b) investments in tangible and non-tangible assets making the management of the volumes placed on the market more efficient including for collective storage;

(c) collective storage of products produced by the producer organisation or by members of the producer organisation, including where necessary collective processing to facilitate such storage;

(d) replanting of orchards or olive groves where that is necessary following mandatory grubbing up for health or phytosanitary reasons on the instruction of the Member State competent authority or to adapt to climate change;

(da) restocking with livestock after compulsory slaughter for health reasons or because of losses resulting from natural disasters;

(e) market withdrawal for free-distribution or other destinations, including where necessary processing to facilitate such withdrawal;

(f) green harvesting consisting of the total harvesting on a given area of unripe non-marketable products which have not been damaged prior to the green harvesting, whether due to climatic reasons, disease or otherwise;

(g) non-harvesting consisting of the termination of the current production cycle on the area concerned where the product is well developed and is of sound, fair and marketable quality, excluding destruction of products due to a climatic event or disease;

(h) harvest and production insurance that contributes to safeguarding producers' incomes where there are losses as a consequence of natural disasters, adverse climatic events, diseases or pest infestations and at the same time ensuring that beneficiaries take necessary risk prevention measures;

(i) coaching to other producer organisations and associations of producer organisations recognised under Regulation (EU) No 1308/2013 or under Article 60a(7) in the cotton sector or to individual producers;

(j) implementation and management of third-country sanitary and phytosanitary requirements in the territory of the Union to facilitate access to third-country markets;

(l) communication actions aiming at raising awareness and informing consumers.

Article 41c

Planning, reporting and performance clearance at operational programme level

Point (a) of Article 7(1), Article 89, points (f), (g) and (h) of Article 99, point (b) of the second subparagraph of Article 100(2) and Article 121 shall apply for the types of interventions in the sectors referred to in point (a) and in points (d), (e) and (f) of Article 39 at the level of operational programmes, instead of at the level of intervention. The planning, reporting and performance clearance for these types of interventions shall also be carried out at the level of operational programmes.

Section 2

the fruit and vegetables sector

Article 42

Objectives in the fruit and vegetables sector

Member States shall pursue one or more of the objectives set out in points (a) to (j) of Article 41a in the fruit and vegetables sector referred to in point (a) of Article 39. The objectives set out in points (g), (h) and (i) of Articles 41a shall cover the products whether in a fresh or processed form, while the objectives set out in the other points of that Article shall cover only products in fresh form.

Member States shall ensure that the interventions correspond to the types of interventions chosen in accordance with Article 41b.

Article 44

Operational programs

1. The objectives referred to in Article 41a and the interventions in the fruit and vegetables sector set out by the Member States in their CAP Strategic Plans shall be implemented through approved operational programs of producer organisations [and/or]/[or] associations of producer organisations recognised under Regulation (EU) No 1308/2013, under the conditions laid down in this Article.

2. Operational programs shall have a minimum duration of three years and a maximum duration of seven years.

2a. Operational programs shall pursue at least the objectives referred to in points (b), (e) and (f) of Article 41a.

3. For each objective selected, the operational programs shall describe the interventions selected from among those set out by the Member States in their CAP Strategic Plans.

4. Producer organisations or associations of producer organisations recognised under Regulation (EU) No 1308/2013 shall submit operational programs to Member States for approval and, if approved, shall implement them.

6. Operational programs of associations of producer organisations shall not cover the same interventions as operational programs of member organisations. Member States shall consider operational programs of associations of producer organisations together with operational programs of member organisations.

To that end Member States shall ensure that:

(a) interventions under operational programs of an association of producer organisations are entirely financed, without prejudice to point (b) of Article 45(1), by contributions of those member organisations of that association and that such funding is collected from the operational funds of those member organisations;

(b) interventions and their corresponding financial share are identified in the operational program of each member organisation.

(c) there is no duplication of funding.

7. Member States shall ensure that:

(a) at least 15% of expenditure under operational programs covers the interventions linked to the objectives referred to in points (e) and (f) of Article 41a;

(aa) operational programmes include three or more actions linked to the objectives referred to in points (d) and (e) of Article 42.
Where at least 80% of the members of a producer organisation are subject to one or more identical agri-environment-climate or organic farming commitments provided for in Chapter IV of Title III of this Regulation, each of these commitments shall count as an action for the minimum of three referred to in this point.

(b) at least 2% of expenditure under operational programs covers the intervention linked to the objective referred to in point (c) of Article 42;

(c) the interventions within the types of interventions referred to in paragraph 2 points (e), (f) and (g) of Article 41b do not exceed one third of the total expenditure under operational programs.

8. Operational programmes may set out the actions proposed to ensure that workers in the sector enjoy fair and safe working conditions.

Article 45

Operational funds

1. Producer organisations in the fruit and vegetables sector or their associations may set up an operational fund. The fund shall be financed by:

(a) financial contributions from:

(i) members of the producer organisation [and/or]/[or] the producer organisation itself; or

(ii) associations of producer organisations through the members of those associations;

(b) Union financial assistance, which may be granted to producer organisations or to their associations where those organisations or associations present an operational program.

2. Operational funds shall be used only to finance operational programs that have been approved by the Member States.

Article 46

Union financial assistance to the fruit and vegetables sector

1. The Union financial assistance shall be equal to the amount of the financial contributions referred to in point (a) of Article 45(1) actually paid and limited to 50% of the actual expenditure incurred.

2. The Union financial assistance shall be limited to:

   (a) 4,1% of the value of the marketed production of each producer organisation;

   (b) 4,5% of the value of marketed production of each association of producer organisations;

   (c) 5% of the value of marketed production of each transnational producer organisation or transnational association of producer organisations.

   Those limits may be increased by 0.5 percentage points provided that the amount in excess of the relevant percentage set out in the first sub-paragraph is used solely for one or more interventions linked to the objectives referred to in points (d), (e), (f), (h), (i) and (j) of Article 41a. In the case of associations of producer organisations, including transnational associations of producer organisations, those interventions may be implemented by the association on behalf of its members.

3. At the request of a producer organisation or of an association of producer organisations, the 50% limit provided for in paragraph 1 shall be increased to 60% for an operational program or part of an operational program if at least one of the following applies:

   (a) producer organisations operating in different Member States implement interventions linked to the objectives referred to in points (b), (e) and (f) of Article 41a transnationally;

(b) one or more producer organisations or associations of producer organisations are engaged in interventions operated on an interbranch basis;

(c) an operational program covers solely specific support for the production of organic products covered by Council Regulation (EC) No 834/2007[29];

(d) a producer organisation or an association of producer organisations recognised under Regulation (EU) No 1308/2013 implements for the first time an operational programme;

(e) producer organisations account for less than 20% of fruit and vegetable production in a Member State;

(f) a producer organisation operates in one of the outermost regions referred to in Article 349 TFEU;

(g) an operational program comprises the interventions linked to the objectives referred to in points (d), (e), (f), (i) and (j) of Article 41a;

(h) an operational program is for the first time implemented by a recognised producer organisation which is the result of a merger between two or more recognised producer organisations.

3a. The 50% limit provided for in paragraph 1 shall be increased to 80% for expenditure linked to the objective referred to in point (d) of Article 41a, if this expenditure covers at least 5% of the expenditure under the operational program.

3b. The 50% limit provided for in paragraph 1 shall be increased to 80% for expenditure linked to the objective referred to in point (e) and (f) of Article 41a, if this expenditure covers at least 20% of the expenditure under the operational program.

[29] Council Regulation (EC) No 834/2007 of 28 June 2007 on organic production and labelling of organic products and repealing Regulation (EEC) No 2092/91 (OJ L 189, 20.7.2007, p. 1).

4. The 50% limit provided for in paragraph 1 shall be increased to 100% in the following cases:

(a) market withdrawals of fruit and vegetables which do not exceed 5% of the volume of marketed production of each producer organisation and which are disposed of by way of:

(i) free distribution to charitable organisations and foundations approved to that effect by the Member States, for use in their activities to assist persons whose right to public assistance is recognised in national law, in particular because they lack the necessary means of subsistence;

(ii) free distribution to penal institutions, schools and public education institutions, establishments referred to in Article 22 of Regulation (EU) No 1308/2013 and to children's holiday camps as well as to hospitals and old people's homes designated by the Member States, which will take all necessary steps to ensure that the quantities thus distributed are additional to the quantities normally bought in by such establishments;

(b) actions related to coaching of other producer organisations recognised under Regulation (EU) No 1308/2013, provided that those producer organisations are from regions of Member States referred to in Article 47(2) of this Regulation or of individual producers.

Article 47

National financial assistance

1. In regions of the Member States in which the degree of organisation of producers in the fruit and vegetables sector is significantly below the Union average, Member States may grant producer organisations recognised under Regulation (EU) No 1308/2013 national financial assistance equal to a maximum of 80% of the financial contributions referred to in point (a) of Article 45(1) and up to 10% of the value of the marketed production of any such producer organisation. The national financial assistance shall be additional to the operational fund.

2. The degree of organisation of producers in a region of a Member State shall be considered as significantly below the Union average where the average degree of organisation has been less than 20% for three consecutive years preceding the implementation of the operational program. The degree of organisation shall be calculated as the value of fruit and vegetables production that was obtained in the region concerned and marketed by producer organisations and associations of producer organisations recognised under Regulation (EU) No 1308/2013, divided by the total value of the fruit and vegetables production that was obtained in that region.

Member States that grant national financial assistance in accordance with paragraph 1 shall inform the Commission of the regions that meet the criteria referred to in paragraph 2 and of the national financial assistance granted to producer organisations in those regions

Section 3

The Apiculture sector

Article 48

Objectives in apiculture sector

The Member States shall pursue at least one of the relevant specific objectives referred to in Article 6(1) in the apiculture sector.

Article 49

Types of interventions in the apiculture sector and the Union financial assistance

1. Member States shall choose in their CAP Strategic Plans for each selected specific objective set out in Article 6(1) one or more of the following types of interventions in the apiculture sector:

   (a) advisory services, technical assistance, training, information and exchange of best practices, including through networking, for beekeepers and beekeepers' organisations;

(b) investments in tangible and non-tangible assets, as well as other actions, including for:

(i) combatting beehive invaders and diseases, in particular varroasis;

(ii) preventing damage caused by adverse climatic events and promoting the development and use of management practices adapted to changing climate conditions;

(iii) restocking of beehives in the Union including bee breeding;

(iv) rationalising transhumance;

(d) actions to support laboratories for the analysis of apiculture products, bee losses or productivity drops, and substances potentially toxic to bees;

(e) actions to preserve or increase the existing number of beehives in the Union, including bee breeding;

(f) cooperation with specialised bodies for the implementation of research programs in the field of beekeeping and apiculture products;

(g) promotion, communication and marketing including market monitoring actions and activities aimed in particular at raising consumer awareness about the quality of apiculture products;

(h) actions to enhance product quality.

2. Member States shall substantiate in their CAP Strategic Plans their choice of specific objectives and types of interventions. Within the chosen types of interventions, Member States shall specify the interventions.

3. Member States shall set out in their CAP Strategic Plans the funding provided by them for the types of interventions chosen in their CAP Strategic Plans.

4. Member States shall provide at least the same amounts as the Union financial assistance they use on the basis of Article 82(2) for supporting types of interventions referred to in paragraph 2.

4a. The total financial assistance provided by the Union and the Member State shall not exceed the expenditure incurred by the beneficiary.

5. When drawing up their CAP Strategic Plans Member States shall collaborate with the representatives of organisations in the beekeeping field.

6. Member States shall notify the Commission annually of the number of beehives in their territory.

Article 50

Delegated powers

The Commission shall be empowered to adopt delegated acts in accordance with Article 138 supplementing this Regulation with requirements additional to those laid down in this Section concerning:

(a) the obligation of Member States to notify the Commission annually of the number of beehives in their territory laid down in Article 49(6);

(b) a definition of a beehive and methods for calculating the number of beehives;

(c) the minimum Union contribution to the expenditure related to the implementation of the types of interventions and interventions referred to Article 49.

Section 4

The wine sector

Article 51

Objectives in the wine sector

The Member States referred to in Article 82(1) shall pursue one or more of the following objectives in the wine sector:

(a) improving the economic sustainability and competitiveness of Union wine producers; that objective relates to the specific objectives set out in points (a), (b), (c) and (h) of Article 6(1);

(aa) contributing to climate change mitigation and adaptation and to the improvement of the sustainability of production systems and the reduction of the environmental impact of the Union wine sector, including by supporting winegrowers in reducing the use of inputs and implementing more environmentally-sustainable methods and cultivation practices; those objectives relate to the specific objectives set out in points (d) to (f) and (i) of Article 6(1);

(ab) improving the conditions of employment and employer obligations as well as occupational health and safety in line with Directives 2019/1152/EU (transparent and predictable working conditions), 89/391/EEC and 2009/104/EC (on occupational safety and health);

(b) improving the performance of Union wine enterprises and their adaptation to market demands, as well as increase their long-term competitiveness as regards the production and marketing of grapevine products, including energy savings, global energy efficiency and sustainable processes; those objectives relate to the specific objectives set out in points (a), to (e), (g) and (h) of Article 6(1);

(c) contributing to restoring the balance of supply and demand in the Union wine market in order to prevent market crises; that objective relates to the specific objective set out in point (a) of Article 6(1);

(d) contributing to safeguarding Union wine producers' incomes where they incur losses as a consequence of natural disasters, adverse climatic events, animals, diseases or pest infestations; that objective relates to the objective set out in point (a) of Article 6(1);

(e) increasing the marketability and competitiveness of Union grapevine products, in particular by developing innovative products, processes and technologies, and by adding value at any stage of the supply chain, including an element of knowledge transfer; that objective relates to the specific objectives set out in points (a), (b), (c), (e) and (i) of Article 6(1);

(f) sustaining the use of wine making by-products for industrial and energy purposes ensuring the quality of Union wine while protecting the environment; that objective relates to the specific objectives set out in points (d) and (e) of Article 6(1);

(g) contributing to increasing consumer awareness about responsible consumption of wine and about Union quality schemes for wine; that objective relates to the specific objectives set out in points (b) and (i) of Article 6(1);

(h) improving the competitiveness of Union grapevine products in third countries, including the opening and diversification of the wine markets; that objective relates to the objectives set out in points (b) and (h) of Article 6(1);

(i) contributing to increasing resilience of producers against market fluctuations; that objective relates to the objectives set out in point (a) of Article 6(1).

Article 52

Types of interventions in the wine sector

1. For each objective chosen from among those laid down in Article 51 the Member States referred to in Article 82(1) shall choose in their CAP Strategic Plans one or more of the following types of interventions:

   (a) restructuring and conversion of vineyards, consisting of one or more of the following:

   - varietal conversions, also by means of grafting-on, including to improve the quality or environmental sustainability, for reasons of adaptation to climate change or for the enhancement of genetic diversity,

   - relocation of vineyards,

   - replanting of vineyards where that is necessary following mandatory grubbing up for health or phytosanitary reasons on the instruction of the Member State competent authority,

   - improvements to vineyard management techniques, in particular the introduction of advanced systems of sustainable production including the reduction of the use of pesticides, but excluding the normal renewal of vineyards consisting of replanting with the same grape variety according to the same system of vine cultivation, when vines have to come to the end of their natural life;

   (b) investments in tangible and intangible assets in wine-growing farming systems, excluding operations relevant to the type of intervention provided for in point (a), processing facilities and winery infrastructure, as well as marketing structures and tools;

(c) green harvesting meaning the total destruction or removal of grape bunches while still in their immature stage, thereby reducing the yield of the relevant area to zero and excluding non-harvesting comprising of leaving commercial grapes on the plants at the end of the normal production cycle;

(d) harvest insurance against income losses as a consequence of adverse climatic events assimilated to natural disasters, adverse climatic events, animals, plant diseases or pest infestations;

(e) tangible and intangible investments in innovation consisting of development of innovative products, including products from and by-products of wine making, wine products' processes and technologies and its digitalisation, as well as other investments adding value at any stage of the supply chain, including for knowledge exchange and contribution to adaptation to the climate change;

(ea) advisory services, in particular concerning the conditions of employment and employer obligations as well as occupational health and safety;

(f) distillation of by-products of wine making carried out in accordance with the restrictions laid down in Section D of Part II of Annex VIII to Regulation (EU) No 1308/2013;

(g) information actions concerning Union wines carried out in Member States encouraging responsible consumption of wine or promoting Union quality schemes covering designations of origin and geographical indications;

(ga) actions undertaken by interbranch organisations recognised by Member States in the wine sector in accordance to Regulation (EU) No 1308/2013 aiming at enhancing the reputation of Union vineyards by promoting wine tourism in production regions;

(gb) actions undertaken by interbranch organisations recognised by Member States in the wine sector in accordance to Regulation (EU) No 1308/2013 aiming at improving market knowledge;

(h) promotion and communication carried out in third countries, consisting of one or more of the following actions and activities aimed at improving the competitiveness of the wine sector, and the opening, diversification or consolidation of the markets:

(i) public relations, promotion or advertisement actions, in particular highlighting the high standards of the Union products, especially in terms of quality, food safety or the environment;

(ii) participation in events, fairs or exhibitions of international importance;

(iii) information campaigns, in particular on the Union quality schemes concerning designations of origin, geographical indications and organic production;

(iv) studies of new or existing markets, necessary for the expansion and consolidation of market outlets;

(v) studies to evaluate the results of the information and promotion measures;

(vi) preparation of technical files, including laboratory tests and assessments, concerning oenological practices, phytosanitary and hygiene rules, as well as other third country requirements for import of products of the wine sector, to prevent restriction of, or to enable access to third country markets;

Promotion and communication actions and activities aimed at the consolidation of market outlets shall be limited to a maximum non-extendable duration of three years, and shall concern only the Union quality schemes covering designations of origin and geographical indications.

(i) temporary and degressive assistance to cover administrative costs of setting up of mutual funds.

(ia) Investments in tangible and intangible assets aiming to enhance the sustainability of wine production by:

(i) improving the use and management of water;

(ii) converting to organic production;

(iii) introducing integrated production techniques;

(iv) purchasing equipment for precision or digitised production methods;

(v) contributing to soil conservation and enhancement of soil carbon;

(vi) creating or preserving habitats favourable for biodiversity or maintaining landscape, including the conservation of historical features; or

(vii) reducing waste production and improving waste management.

The promotion measures referred to in point (h) of the first subparagraph shall apply only to wines with a protected designation of origin or a protected geographical indication or wines with an indication of the wine grape variety.

2. The Member States referred to in Article 82(1) shall substantiate in their CAP Strategic Plans their choice of objectives and the types of interventions in the wine sector. Within the chosen types of interventions, they shall specify interventions. Member States that chose the types of interventions provided for in point (h) of paragraph (1) shall lay down specific provisions for the information and promotion actions and activities, particularly with regard to their maximum duration.

3. In addition to the requirements set out in Title V, the Member States referred to in Article 82(1) shall set out in their CAP Strategic Plans an implementation schedule for the selected types of intervention, interventions and a general financial table showing the resources to be deployed and the envisaged allocation of resources between the selected types of interventions and between interventions in accordance with the financial allocations laid down in Annex V.

Article 53

Union financial assistance to the wine sector

1. The Union financial assistance for restructuring and conversion of vineyards referred to in point (a) of Article 52(1) shall not exceed 50% of the actual costs of restructuring and conversion of vineyards or 75% of the actual costs of restructuring and conversion of vineyards in less developed regions within the meaning of point (a) of Article 102(2) of Regulation (EU) [CPR].

   The assistance may only take the form of compensation to producers for loss of revenue due to the implementation of the intervention and contribution to the costs of restructuring and conversion. The compensation to producers for loss of revenue due to the implementation of the intervention may cover up to 100% of the relevant loss and take one of the following forms:

   (i) the permission for old and new vines to coexist for a maximum period which shall not exceed three years;

   (ii) financial compensation for a maximum period which shall not exceed three years.

By way of derogation to subparagraph 1 the Union financial assistance for restructuring and conversion referred to in point (a) of Article 52(1) may, for steep slopes and terraces in zones where the inclination is greater than 40%, go up to 60% of the actual costs of restructuring and conversion of vineyards or up to 80% of the actual costs of restructuring and conversion of vineyards in less developed regions.

2. The Union financial assistance for investments referred to in point (b) of Article 52(1) shall not exceed:

(a) 50% of eligible investment costs in less developed regions within the meaning of point (a) of Article 102(2) of Regulation (EU) [CPR];

(b) 40% of eligible investment costs in regions other than less developed regions;

(c) 75% of eligible investment costs in the outermost regions referred to in Article 349 TFEU;

(d) 65% of eligible investment costs in the smaller Aegean islands as defined in Article 1(2) of Regulation (EU) No 229/2013.

The Union financial assistance at the maximum rate, referred to in the first subparagraph shall only be granted to micro, small and medium-sized enterprises within the meaning of Commission Recommendation 2003/361/EC[30]; However, it may be granted to all enterprises in the outermost regions referred to in Article 349 TFEU and the smaller Aegean islands as defined in Article 1(2) of Regulation (EU) No 229/2013.

For enterprises not covered by Article 2(1) of Title I of the Annex to Recommendation 2003/361/EC, with fewer than 750 employees, or with an annual turnover of less than EUR 200 million, the maximum limits referred to in the first subparagraph shall be halved.

[30] Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises (OJ L 124, 20.5.2003, p. 36).

No Union financial assistance shall be granted to enterprises in difficulty within the meaning of Union Guidelines on State aid for rescuing and restructuring non-financial undertakings in difficulty[31].

3. The Union financial assistance for green harvesting referred to in point (c) of Article 52(1) shall not exceed 50% of the sum of the direct costs of the destruction or removal of grape bunches and the loss of revenue related to such destruction or removal.

3a. The Union financial assistance for the interventions referred to in points (ga), (gb) and (ia) of Article 52(1) shall not exceed 50 % of the direct or eligible costs.

4. The Union financial assistance for harvest insurance referred to in point (d) of Article 52(1) shall not exceed:

(a) 80% of the cost of the insurance premiums paid by producers for insurance against losses resulting from adverse climatic events which can be assimilated to natural disasters;

(b) 50% of the cost of insurance premiums paid by producers for insurance against:

(i) losses referred to in point (a) and against losses caused by other adverse climatic events;

(ii) losses caused by animals, plant diseases or pest infestations.

Union financial assistance for harvest insurance may be granted if insurance payments concerned do not compensate producers for more than 100% of the income loss suffered, taking into account any compensation the producers may have obtained from other support schemes related to the insured risk. Insurance contracts shall require beneficiaries to undertake necessary risk prevention measures.

[31] Communication from the Commission Guidelines on State aid for rescuing and restructuring non-financial undertakings in difficulty, 21.7. 2014 (2014/C 249/01).

5. The Union financial assistance for innovation referred to in point (e) of Article 52(1) shall not exceed:

(a) 50% of eligible investment costs in less developed regions within the meaning of point (a) of Article 102(2) of Regulation (EU) [CPR];

(b) 40% of eligible investment costs in regions other than less developed regions;

(c) 80 % of eligible investment costs in the outermost regions referred to in the first paragraph of Article 349 TFEU;

(d) 65% of eligible investment costs in the smaller Aegean islands as defined in Article 1(2) of Regulation (EU) No 229/2013.

The Union financial assistance at its maximum rate, referred to in the first subparagraph shall be granted only to micro, small and medium-sized enterprises within the meaning of Recommendation 2003/361/EC; however, it may be granted to all enterprises in the outermost regions referred to in Article 349 TFEU and the smaller Aegean islands as defined in Article 1(2) of Regulation (EU) No 229/2013.

For enterprises not covered by Article 2(1) of Title I of the Annex to Recommendation 2003/361/EC, with fewer than 750 employees, or with an annual turnover of less than EUR 200 million, the maximum aid limit referred to in the first subparagraph shall be halved.

6. The Union financial assistance for information actions and promotion referred to in points (g) and (h) of Article 52(1) shall not exceed 50% of eligible expenditure. In addition, Member States may grant national payments up to 30% of eligible expenditure, but Union financial assistance and Member State payments shall together not exceed 80% of eligible expenditure.

7. The Union financial assistance for distillation of by-products of wine making referred to in point (f) of Article 52(1) shall be fixed by the Commission in accordance with the specific rules laid down in Article 54(3) by means of implementing acts adopted in accordance with the examination procedure referred to in Article 139(2).

Article 54

Specific rules on Union financial assistance to the wine sector

1. The Member States concerned shall ensure that the Union financial assistance for harvest insurance does not distort competition in the insurance market.

2. The Member States concerned shall establish a system based on objective criteria to ensure that green harvesting does not lead to compensation of individual wine producers in excess of the limit laid down in Article 53(3).

3. The amount of the Union assistance for distillation of by-products of wine making referred to in point (f) of Article 52(1) shall be fixed per % volume and per hectolitre of alcohol produced. No Union financial assistance shall be paid for the volume of alcohol contained in the by-products to be distilled which exceeds 10 % in relation to the volume of alcohol contained in the wine produced.

   The Member States concerned shall ensure that the Union financial assistance for distillation of by-products of wine making is paid to distillers that process by-products of winemaking delivered for distillation into raw alcohol with an alcoholic strength of at least 92% by volume.

   The Union financial assistance shall include a lump sum amount to compensate for the costs of collection of the by-products of winemaking. That amount shall be transferred from the distiller to the producer, where the relevant costs are borne by the latter.

The Member States concerned shall ensure that the alcohol resulting from the distillation of by-products of winemaking for which a Union financial assistance has been granted is used exclusively for industrial or energy purposes that do not distort competition.

4. The Member States concerned shall ensure in their CAP Strategic Plans that at least 5 % of the expenditure is earmarked and at least one action is adopted to meet the objectives in favour of expenditure protection of the environment, adaption to climate change, improving sustainability of production systems and processes, reduction of environmental impact of the Union wine sector, energy savings and improving global energy efficiency in the wine sector, in line with the objectives laid down in points (aa), (b) and (f) of Article 51.

Section 5

The hops sector

Article 55

Objectives and types of interventions in the hops sector

1. The Member State referred to in Article 82(3) shall pursue in the hops sector one or more of the objectives set out in points (a) to (h) and (j) of Article 41a.

2. The Member State referred to in Article 82(3) shall choose in its CAP Strategic Plan one or more of the types of interventions referred to in Article 41b to pursue the objectives chosen as laid down in paragraph 1. Within the chosen types of interventions, the Member State shall specify interventions. The Member State referred to in Article 82(3) shall substantiate in its CAP Strategic Plan the choice of objectives, types of interventions and interventions to meet those objectives.

3. The interventions specified by the Member State referred to in Article 82(3) shall be implemented through producer organisations recognised under Regulation (EU) No 1308/2013.

4. The operational programmes referred to in paragraph 3 shall fulfil the conditions laid down in Article 44(2) to (6) of this Regulation.

5. The Member State referred to in Article 82(3) shall ensure that the Union financial assistance provided to each producer organisation or their associations under this Article for the types of interventions referred to in points (e), (f) and (g) of paragraph 2 of Article 41b does not exceed, in average over three consecutive years, one third of the total Union financial assistance received for their respective operational programme over the same period.

Article 55a

Union financial assistance

1. Within the financial allocation set out in paragraph 3 of Article 82, the Member State referred to in that paragraph shall allocate the maximum Union financial assistance to the producer organisations or their associations implementing the operational programmes referred to in Article 55(3) in proportion to the number of hectares cultivated with hops represented by each producer organisation.

2. Within the maximum amounts allocated to each producer organisation or association of producer organisations pursuant to paragraph 1, the Union financial assistance to the operational programmes referred to in Article 55 shall be limited to 50 % of the actual expenditure incurred for the types of interventions referred to in that Article. The remaining part of the expenditure shall be borne by the producer organisation or association benefiting from the Union financial assistance.

   The Union financial assistance shall be paid to operational funds set up by the producer organisations or their associations recognised under Regulation (EU) No 1308/2013 implementing the operational programmes. For this purpose, Article 45 shall apply mutatis mutandis.

3. The 50% limit provided for in paragraph 2 shall be increased to 100%:

(a) for types of interventions linked to the objectives referred to in points (d), (e), (f) and (h) of Article 41a;

(b) for the interventions of collective storage, advisory services, technical assistance, training and exchange of best practices linked to the objectives referred to in points (a) or (j) of Article 41a.

Section 6

The olive oil and table olives sector

Article 56

Objectives in the olive oil and table olives sector

The Member States referred to in Article 82(4) shall pursue in the olive oil and table olives sector one or more of the objectives set out in points (a), (c) to (g) and (j) of Article 41a.

Article 57

Types of interventions in the olive oil and table olives sector

1. To pursue the objectives referred to in Article 56, the Member States referred to in Article 82(4) shall choose in their CAP Strategic Plans one or more of the types of interventions referred to in Article 60. Within the chosen types of intervention, they shall define interventions.

2. The interventions defined by the Member States referred to in Article 82(4) shall be implemented through approved operational programs of producer organisations and/or associations of producer organisations recognised under Regulation (EU) No 1308/2013. For this purpose Articles 61 and 62 of this Regulation shall apply.

Article 58

Union financial assistance

1. The Union financial assistance to the eligible costs shall not exceed:

   (a) 75% of actual expenditure incurred for interventions linked to objectives referred to in points (a) and (c) to (f) of Article 41a;

   (b) 75% of actual expenditure incurred for fixed assets investments and 50% for other interventions linked to the objective referred to in point (g) of Article 41a;

   (c) 50% of actual expenditure incurred for interventions linked to the objective referred to in point (j) of Article 41a;

   (d) 75% of the actual expenditure incurred for the types of interventions referred to in points (f) and (h) of paragraph 1 of Article 41b where the operational program is implemented in at least three third countries or non-producing Member States by producer organisations or associations of producer organisations from at least two producing Member States, 50% of the actual expenditure where for this type of intervention this condition is not met.

2. The Union financial assistance shall be limited to 30 % of the value of marketed production of each producer organisation or association of producer organisations in 2023 and 2024, 15 % in 2025 and 2026 and 10 % as from 2027.

3. Member States may ensure complementary financing of the operational funds referred to in Article 45 up to 50% of the costs not covered by the Union financial assistance.

Section 7

Other sectors

Article 59

Objectives in other sectors

Member States may choose in their CAP Strategic Plans those sectors referred to in point (f) of Article 39 in which they implement the types of interventions laid down in Article 41b. For each sector that Member States choose, they shall pursue one or more of the objectives set out in points (a) to (h) and (j) of Article 41a. Member States shall substantiate their choice of sectors and objectives.

Article 60a

Types of interventions in other sectors

1. For each sector selected according to the first paragraph of Article 59, Member States shall choose one or more of the types of interventions referred to in Article 41b to be implemented through approved operational programs drawn up by:

   (a) producer organisations and their associations, recognised under Regulation (EU) No 1308/2013 or under paragraph 7 in the cotton sector, or

   (b) cooperatives, as well as other forms of cooperation between producers constituted at the initiative of producers and controlled by them, that have been identified by the competent authority of a Member State as producer groups, for a transitional period of up to four years from the start of an approved operational program ending on 31 December 2027 at the latest.

2. Member States shall set the criteria for being identified as producer groups and shall determine the activities and objectives of the producer groups referred to in point (b) of paragraph 1 with the aim that these producer groups be able to meet the requirements for recognition as producer organisations under Articles 152 to 154 or 161 of Regulation (EU) No 1308/2013 or under paragraph 7 in the cotton sector.

3. Producer groups referred to in point (b) of paragraph 1, shall, in addition to an operational program, draw up and submit a recognition plan with a view to fulfilling, within the transitional period referred to in that point, the requirements laid down in Articles 152 to 154 or 161 of Regulation (EU) No 1308/2013 or under paragraph 7 in the cotton sector for recognition as producer organisations.

   The recognition plan shall set activities and targets to ensure the progress towards obtaining such recognition.

   The support granted to a producer group that is not recognised as a producer organisation by the end of the transitional period shall be subject to recovery.

4. Member States shall substantiate their choice of types of interventions referred to in paragraph 1.

   Member States that decide to implement types of interventions provided for in this section for products listed in Annex XIII shall specify, for each sector they define, the list of products covered by that sector.

5. Types of interventions referred to in points (c) and (e) to (h) of paragraph 2 of Article 41b shall not apply to cotton, rape and colza seeds, sunflower seeds and soya beans included in Annex XIII.

6. The operational programs referred to in paragraph 1 shall fulfil the conditions laid down in Article 44(2) and (3) to (6) of this Regulation.

7. Member States, which choose to implement types of interventions referred to in Article 39(f) in the cotton sector, shall recognise producer organisations in the cotton sector and associations of such producer organisations based on the requirements and using the procedures laid down in paragraph 1 of Article 152 and in Articles 153 to 156 of Regulation (EU) No 1308/2013. Producer groups of cotton and federations of such producer groups recognised by Member States based on the Protocol No 4 to the 1979 Act of Accession of the Hellenic Republic before the entry into application of this Regulation are, for the purposes of this section, deemed to be considered as producer organisations or associations of producer organisations, respectively.

8. Member States shall ensure that the support for the types of interventions referred to in points (e), (f) and (g) of paragraph 2 of Article 41b does not exceed one third of the total expenditure under operational programs as set out in their CAP Strategic Plan.

Article 63

Union financial assistance

1. The Union financial assistance shall be limited to 50% of the actual expenditure incurred for the types of interventions referred to in Article 60a. The remaining part of the expenditure shall be borne by the beneficiaries.

   The Union financial assistance shall be paid to operational funds set up by producer organisations or their associations recognised under Regulation (EU) No 1308/2013 or under Article 60a(7) in the cotton sector or by producer groups referred to in point (b) of Article 60a(1). For this purpose, Articles 45 and 46(1) shall apply mutatis mutandis.

1a. The 50% limit provided for in paragraph 1 shall be increased to 60% for producer organisations or associations of producer organisations recognised under Regulation (EU) No 1308/2013 or under Article 60a(7) in the cotton sector for the first five years after the year of recognition.

2. The Union financial assistance shall be limited to 6% of the value of marketed production of:

- each producer organisation or association of producer organisations referred to in point (a) of Article 60a(1) or

- each producer group referred to in point (b) of Article 60a(1).

CHAPTER IV

TYPES OF INTERVENTIONS FOR RURAL DEVELOPMENT

Section 1

Types of interventions

Article 64

Types of interventions for rural development

The types of interventions under this Chapter shall consist in payments or support with regard to:

(a) environmental, climate and other management commitments;

(b) natural or other area-specific constraints;

(c) Area-specific disadvantages resulting from certain mandatory requirements;

(d) investments, including investments in irrigation;

(e) installation of young farmers, new farmers and rural business start-up;

(f) risk management tools;

(g) cooperation;

(h) knowledge exchange and information.

Article 65

Environmental, climate and other management commitments

1. Member States shall include agri-environment-climate commitments among the interventions in their CAP Strategic Plans and may include other management commitments therein. The payments for those commitments shall be granted under the conditions set out in this Article and as further specified in the CAP Strategic Plans.

2. Member States shall only grant payments to farmers or other beneficiaries who undertake, on a voluntary basis, management commitments which are considered to be beneficial to achieving one or more of the specific objectives set out in Article 6(1).

3. Under this Article, Member States shall only provide payments covering commitments which:

   (a) go beyond the relevant statutory management requirements and GAEC standards established under Section 2 of Chapter I of this Title;

   (b) go beyond the relevant minimum requirements for the use of fertiliser and plant protection products, animal welfare, as well as other relevant mandatory requirements established by national and Union law with the exception of commitments related to agroforestry systems and the maintenance of afforested areas;

(c) go beyond the conditions established for the maintenance of the agricultural area in accordance with point (a) of Article 4(1);

(d) are different from commitments in respect of which payments are granted under Article 28.

For commitments referred to under point (b) of the first subparagraph, where national law imposes new requirements which go beyond the corresponding/related minimum requirements laid down in Union law, support may be granted for commitments contributing to compliance with those requirements for a maximum of 24 months from the date on which they become mandatory for the holding.

4. Member States shall determine the payments to be made on the basis of the additional costs incurred and income foregone resulting from the commitments made, taking into account the targets set. These payments shall be granted annually and may also cover transaction costs. In duly justified cases, Member States may grant support as a one-off payment per unit.

5. Member States may promote and support collective schemes and result-based payments schemes to encourage farmers or other beneficiaries to deliver a significant enhancement of the quality of the environment at a larger scale or in a measurable way.

6. Commitments shall be undertaken for a period of five to seven years. However, where necessary in order to achieve or maintain certain environmental or animal welfare benefits, Member States may determine a longer period in the CAP Strategic Plan for particular types of commitments, including by means of providing for their annual extension after the termination of the initial period.

For animal welfare commitments, for commitments for the conservation, sustainable use and development of genetic resources, for conversion to organic farming, for new commitments directly following the commitment performed in the initial period or in other duly justified cases, Member States may determine a shorter period of at least one year in their CAP Strategic Plans.

8b. Member States shall ensure that a revision clause is provided for operations undertaken under the type of intervention referred to in this Article in order to ensure their adjustment in the case of amendments to the relevant mandatory standards, requirements or obligations referred to in paragraph 5 beyond which the commitments have to go or to ensure compliance with point (d) of the same paragraph. If such adjustment is not accepted by the beneficiary, the commitment shall expire and reimbursement shall not be required in respect of the period during which the commitment was effective. Member States shall also ensure that a revision clause is provided for operations undertaken under this type of intervention referred to in this Article which extend beyond the period 2023-2027 in order to allow for their adjustment to the legal framework of the following period.

7. Where support under this Article is granted to agri-environment-climate commitments, commitments to convert to or maintain organic farming practices and methods as defined in Regulation (EC) No 834/2007, Member States shall establish a payment per hectare. For other commitments, Member States may apply other units than hectares. In duly justified cases, Member States may grant support under this Article as a lump sum.

8. Member States shall ensure that persons carrying out operations under this type of interventions have access to the relevant knowledge and information required to implement such operations, and that appropriate training is made available for those who require it, as well as access to expertise in order to assist farmers who commit to change their production systems.

11. Member States shall ensure that interventions under this Article are consistent with those granted under Article 28.

Article 66

Natural or other area-specific constraints

1. Member States may grant payments for natural or other area-specific constraints under the conditions set out in this Article and as further specified in their CAP Strategic Plans with the view of contributing to the achievement of one or more of the specific objectives set out in Article 6(1).

2. Any such payments shall be granted to active farmers in respect of areas designated pursuant to Article 32 of Regulation (EU) No 1305/2013.

2a. Member States may carry out a fine-tuning exercise according to the conditions provided for in Article 32 of Regulation 1305/2013.

3. Member States may only grant payments under this Article in order to compensate beneficiaries for all or part of the additional costs and income foregone related to the natural or other area-specific constraints in the area concerned.

4. Additional costs and income foregone as referred to in paragraph 3 shall be calculated in respect of natural or other area-specific constraints, in comparison to areas which are not affected by natural or other area-specific constraints.

5. Payments shall be granted annually per hectare of agricultural area.

Article 67

Area-specific disadvantages resulting from certain mandatory requirements

1. Member States may grant payments for area-specific disadvantages imposed by requirements resulting from the implementation of Directives 92/43/EEC, 2009/147/EC or 2000/60/EC under the conditions set out in this Article and as further specified in their CAP Strategic Plans with the view of contributing to the achievement of one or more of the specific objectives set out in Article 6(1).

2. Any such payments shall be granted to farmers, forest holders and their associations as well as other land managers.

3. When determining areas with disadvantages Member States may include one or more of the following areas:

   (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, provided that these areas do not exceed 5 % of the designated Natura 2000 areas covered by territorial scope of each CAP Strategic Plan;

   (c) agricultural areas included in river basin management plans pursuant to Directive 2000/60/EC.

4. Member States may only grant payments under this Article in order to compensate beneficiaries for all or part of the additional costs and income foregone related to the area-specific disadvantages in the area concerned, including transaction costs.

5. Additional costs and income foregone as referred to in paragraph 4 shall be calculated:

(a) in respect of constraints arising from Directives 92/43/EEC and 2009/147/EC, in relation to disadvantages resulting from requirements that go beyond the relevant GAEC standards established under Section 2 of Chapter 1 of this Title of this Regulation as well as the conditions established for the maintenance of the agricultural area in accordance with point (a) of Article 4(1) of this Regulation;

(b) in respect of constraints arising from Directive 2000/60/EC, in relation to disadvantages resulting from requirements that go beyond the relevant statutory management requirements, with the exception of SMR 1 listed in Annex III, and GAEC standards established under Section 2 of Chapter I of this Title as well as the conditions established for the maintenance of the agricultural area in accordance with point (a) of Article 4(1) of this Regulation.

6. Payments shall be granted annually per hectare of area.

Article 68

Investments

1. Member States may grant support for investments under the conditions set out in this Article and as further specified in their CAP Strategic Plans.

2. Member States may only grant support under this Article for those investments in tangible and intangible assets that contribute to achieving one or more of the specific objectives set out in Article 6.

For holdings above a certain size, to be determined by the Member States in their CAP Strategic Plan, support to the forestry sector shall be conditional on the presentation of the relevant information from a forest management plan or equivalent instrument in line with sustainable management of forests as understood by the Helsinki H1 Resolution adopted at the Ministerial Conference on the Protection of Forests in Europe of 1993[32].

3. Member States shall establish a list of ineligible investments and categories of expenditure, including at least the following:

(a) purchase of agricultural production rights;

(b) purchase of payment entitlements;

(c) purchase of land for an amount exceeding 10% of the total eligible expenditure for the operation concerned, with the exception of land purchase for environmental conservation and carbon-rich soil preservation or land purchased by young farmers through the use of financial instruments; in the case of financial instruments, that ceiling shall apply to the eligible public expenditure paid to the final recipient, or, in case of guarantees, to the amount of the underlying loan;

(d) purchase of animals, annual plants and their planting for a purpose other than (i) restoring agricultural or forestry potential following natural disaster, adverse climatic events or catastrophic event, (ii) protecting livestock against large predators or being used in forestry instead of machinery, (iii) rearing endangered breeds as defined in Article 2(24) of Regulation (EU) No 2016/1012 under the commitments referred to in Article 65 or (iv) preserving plant varieties under threat of genetic erosion under the commitments referred to in Article 65;

[32] General Guidelines for the Sustainable Management of Forests in Europe (https://www.foresteurope.org/docs/MC/MC_helsinki_resolutionH1.pdf).

(e) interest rate on debt, except in relation to grants given in the form of an interest rate subsidy or guarantee fee subsidy;

(g) investments in large-scale infrastructure, as determined by Member States in the CAP Strategic Plan, not being part of the community-led local development strategies set out in Article 26 of Regulation [CPR], except for broadband and flood or coastal protection preventive actions aimed at reducing the consequences of probable natural disasters, adverse climatic events or catastrophic events;

(h) investments in afforestation which are not consistent with climate and environmental objectives in line with sustainable forest management principles, as developed in the Pan-European Guidelines for Afforestation and Reforestation.

Points (a), (b), (d) and (g) of the first subparagraph shall not apply where support is provided through financial instruments.

4. Member States shall limit the support to one or more rates not exceeding 65% of the eligible costs.

The maximum support rates may be increased to:

(a) a maximum of 80% for the following investments:

i investments linked to one or more of the specific environmental- and climate-related objectives set out in points (d), (e) and (f) of Article 6(1) or to animal welfare as referred to in point (i) of that Article;

ii investments by young farmers who fulfil the conditions provided for by Member States in their CAP Strategic Plans in accordance with point (e) of Article 4(1);

iii investments in the outermost regions or the smaller Aegean islands.

(b) a maximum of 85% for investments of small farms, as determined by Member States,

(c) a maximum of 100% for the following investments:

i afforestation, establishment and regeneration of agro-forestry systems, land consolidation in forestry and non-productive investments linked to one or more of the specific environmental- and climate-related objectives set out in points (d), (e) and (f) of Article 6(1), including non-productive investments aimed at protecting livestock and crops against damages caused by wild animals;

ii investments in basic services in rural areas and infrastructure in agriculture and forestry, as determined by Member States;

iii investments in the restoration of agricultural or forestry potential following natural disasters, adverse climatic events or catastrophic events and investments in appropriate preventive actions, as well as investments in maintaining the health of forests;

iv non-productive investments supported through community-led local development strategies set out in Article 26 [CPR] and Operational Group projects of the European Innovation Partnership for agricultural productivity and sustainability as referred to in point (a) of Article 71.

4a. Where Union law results in the imposition of new requirements on farmers, support may be granted for investments to comply with those requirements for a maximum of 24 months from the date on which they become mandatory for the holding.

Article 68a

Investments in irrigation

1. Member States may grant support to investments in irrigation in new and existing irrigated areas, provided that the conditions laid down in Article 68 and in this Article are fulfilled.

2. A river basin management plan, as required under the terms of the Directive 2000/60/EC, shall have been notified to the Commission for the entire area in which the investment is to take place, as well as in any other areas whose environment may be affected by the investment. The measures taking effect under the river basin management plan in accordance with Article 11 of that Directive and of relevance to the agricultural sector shall have been specified in the relevant programme of measures.

3. Water metering enabling measurement of water use at the level of the supported investment shall be in place or shall be put in place as part of the investment.

4. Member States may grant support to an investment in an improvement to an existing irrigation installation or element of irrigation infrastructure only if:

   (a) it is assessed ex ante as offering potential water savings reflecting the technical parameters of the existing installation or infrastructure;

   (b) if the investment affects bodies of ground- or surface water whose status has been identified as less than good in the relevant river basin management plan for reasons related to water quantity, an effective reduction in water use must be achieved contributing to the achievement of good status of these water bodies, as laid down in Article 4(1) of Directive 2000/60/EC.

Member States shall set percentages for potential water savings and effective reduction in water use as an eligibility condition in their CAP Strategic Plan, in accordance with Article 99(d). Such water savings shall reflect the needs set out in the river basin management plans emanating from the Directive 2000/60/EC referred to in Annex XI.

None of the conditions in paragraph 4 shall apply to an investment in an existing installation which affects only energy efficiency, to an investment in the creation of a reservoir, or to an investment in the use of reclaimed water which does not affect a body of ground or surface water.

Support may be granted to investments in the use of reclaimed water as an alternative water supply only if the provision and use of such water is compliant with Regulation No (EU) 2020/741 of the European Parliament and of the Council[33].

5. Member States may grant support to an investment resulting in a net increase of the irrigated area affecting a given body of ground or surface water only if:

   (a) the status of the water body has not been identified as less than good in the relevant river basin management plan for reasons related to water quantity; and

   (b) an environmental analysis shows that there will be no significant negative environmental impact from the investment; such an environmental impact analysis shall be either carried out by or approved by the competent authority and may also refer to groups of holdings.

6. Member States may only grant support to an investment in the creation or expansion of a reservoir for the purpose of irrigation provided it does not lead to significant negative environmental impact.

[33] Regulation (EU) 2020/741 of the European Parliament and of the Council of 25 May 2020 on minimum requirements for water reuse (OJ L 177, 5.6.2020, p. 32).

7. Member States shall limit the support to one or more rates not exceeding:

(a) 80 % of the eligible costs for irrigation on-farm investments made under paragraph 4;

(b) 100 % of the eligible costs for investments in off-farm infrastructure in agriculture to be used for irrigation;

(c) 65% of the eligible costs for other irrigation on-farm investments.

Article 69

*Installation of young farmers***,** *new farmers and rural business start-up*

1. Member States may grant support for the installation of young farmers, new farmers and rural business start-up under the conditions set out in this Article and as further specified in their CAP Strategic Plans with the view of contributing to the achievement of one or more of the specific objectives set out in Article 6(1).

2. Member States may only grant support under this Article to help:

(a) the installation of young farmers who fulfil the conditions provided for by Member States in their CAP Strategic Plan in accordance with point (e) of Article 4(1);

(b) the start-up of rural businesses linked to agriculture or forestry including the setting-up of new farmers, or farm household income diversification into non-agricultural activities;

(c) the business start-up of non-agricultural activities in rural areas related to the local development strategies.

3. Member States shall set conditions for the submission and the content of a business plan to apply in order for beneficiaries to receive support under this Article.

4. Member States shall grant support in the form of lump sums or financial instruments or a combination of both. Support shall be limited to the maximum amount of aid of EUR 100 000 and may be differentiated in accordance with objective criteria.

Article 70

Risk management tools

1. Member States may grant support for risk management tools under the conditions set out in this Article and as further specified in their CAP Strategic Plans.

2. Support under this type of interventions may be granted to promote risk management tools, which help active farmers manage production and income risks related to their agricultural activity which are outside their control and which contribute to achieving one or more of the specific objectives set out in Article 6.

3. Member States may grant support for different types of risk management tools, including income stabilization tools, in line with their assessment of needs and, in particular:

   (a) financial contributions to premiums for insurance schemes;

   (b) financial contributions to mutual funds, including for the administrative cost of setting up.

4. When providing support under paragraph 3, Member States shall establish the following eligibility conditions:

   (a) the types and coverage of eligible risk management tools;

   (b) the methodology for the calculation of losses and triggering factors for compensation;

   (c) the rules for the constitution and management of the mutual funds and, where relevant, other eligible risk management tools.

5. Member States shall ensure that support is granted only for covering losses which exceed a threshold of at least 20% of the average annual production or income 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. Sectoral production risk management tools shall calculate the losses either at holding level or at the level of the holding's sectoral activity.

   Member States may provide support in the form of standalone working capital finance under financial instruments referred to in Article 74(3) for the compensation of losses referred to in the first subparagraph to farmers who do not participate in a risk management tool.

6. Member Sates shall limit the support to one or more rates not exceeding 70% of the eligible costs.

   The contributions referred to in Article 15b shall be excluded from the application of this provision.

7. Member States shall ensure that overcompensation as a result of the combination of the interventions under this Article with other public or private risk management schemes is avoided.

Article 71

Cooperation

1. Member States may grant support for cooperation under the conditions set out in this Article and as further specified in their CAP Strategic Plans to:

   (a) prepare and implement Operational Group operations of the European Innovation Partnership for agricultural productivity and sustainability as referred to in Article 114;

   (b) prepare and implement LEADER, referred to as community-led local development in Article 25 of Regulation (EU) [CPR];

(c) promote and support EU and national recognised quality schemes and their use by farmers;

(d) support producer groups, producer organisations or interbranch organisations;

(da) prepare and implement Smart Villages strategies as determined by Member States;

(f) support other forms of cooperation.

2. Member States may only grant support under this Article to promote new forms of cooperation, including existing ones if starting a new activity. The cooperation shall involve at least two actors and contribute to achieving one or more of the specific objectives set out in Article 6.

3. Member States may cover under this Article the costs related to all aspects of the cooperation.

4. Member States may grant the support as an overall amount under this Article covering the costs of cooperation and the costs of the operations implemented, or they may cover only the costs of cooperation and use funds from other types of interventions for rural development, national or Union support instruments for operation implementation. Where support is paid as an overall amount, Member States shall ensure that the operation implemented complies with the relevant rules and requirements laid down in Articles 65, 66, 67, 68, 69, 70 or 72 of this Regulation.

In the case of LEADER, referred to as community-led local development in Article 25 of [CPR], by way of derogation from the first subparagraph:

(a) support for all costs eligible for preparatory support under Article 28(1)(a) [CPR] and for implementing selected strategies under Article 28(1)(b) and (c) [CPR] shall only be granted as an overall amount under this Article and

(b) Member States shall ensure that implemented operations which consist of investments comply with the relevant Union rules and requirements under the type of intervention for investments laid down in Article 68 of this Regulation.

6. Member States shall not support through this type of interventions cooperation solely involving research bodies.

7. In the case of cooperation in the context of farm succession, in particular for intergenerational renewal at farm level, Member States may grant support only to farmers having reached the retirement age or farmers that will reach that age by the end of the operation, as determined by the Member State in accordance with its national legislation.

8. Member States shall limit support to a maximum of seven years except for LEADER and collective environment and climate actions in duly justified cases to achieve the specific environmental and climate-related objectives set out in points (d), (e) and (f) of Article 6(1).

8b. Member States shall limit the support for:

(a) information and promotion actions for quality schemes to one or more rates not exceeding 70% of the eligible costs,

(b) setting up of producer groups, producer organisations or interbranch organisations to 10% of the annual marketed production of the group or organisation with a maximum of EUR 100 000 per year. The support shall be degressive and limited to the first five years following recognition.

Article 72

Knowledge exchange and information

1. Member States may grant support for knowledge exchange and information under the conditions set out in this Article and as further detailed in their CAP Strategic plans with a view to contributing to one or more of the specific objectives set out in Article 6 or the cross-cutting objective referred to in Article 5 while specifically targeting the protection of nature, environment and climate, including environmental education and awareness actions and the development of rural businesses and communities.

2. Support under this Article may cover costs of any relevant action to promote innovation, training and advice as well as exchange and dissemination of knowledge and information, including through the drawing up and updating of plans and studies with the aim of knowledge exchange and spreading of information. Such actions shall contribute to achieving one or more of the specific objectives set out in Article 6(1) or to the cross-cutting objective referred to in Article 5.

2a. Support for advisory services shall only be granted for advisory services that comply with the third paragraph of Article 13.

3. In the case of setting-up of advisory services, Member States may grant support in the form of a fixed amount of maximum EUR 200 000. They shall ensure that support is limited in time.

6. Member States shall ensure that actions supported under this type of interventions be based on and be consistent with the description of the AKIS provided in the CAP Strategic Plan in accordance with point (i) of Article 102(a).

Section 2

Elements applying to several types of interventions

Article 73

Selection of operations

1. After consultation of the Monitoring Committee referred to in Article 111, the Managing Authority of the CAP Strategic Plan, regional managing authorities where relevant, or designated intermediate bodies shall set out selection criteria for interventions relating to the following types of interventions: investments, installation of young farmers, new farmers and rural business start-up, cooperation, knowledge exchange and information. Those selection criteria shall aim to ensure equal treatment of applicants, better use of financial resources and targeting of the support in accordance with the purpose of the interventions.

   Member States may decide to not apply selection criteria for investment interventions clearly targeting environmental purposes or realised in connection with restoration activities.

   By way of derogation from the first sub-paragraph, in duly justified cases another selection method may be established after consultation of the Monitoring Committee referred to in Article 111.

2. The responsibility of the Managing Authority, regional managing authorities where relevant, or designated intermediate bodies set out in paragraph 1 shall be without prejudice to the tasks of the Local Action Groups set out in Article 27 of Regulation (EU) [CPR].

3. Paragraph 1 shall not apply where support is provided in the form of financial instruments.

4. Member States may decide not to apply selection criteria for operations that have received a Seal of Excellence certification under Horizon 2020, Horizon Europe or LIFE, provided that such operations are consistent with the CAP Strategic Plan.

6. All or part of an operation may be implemented outside of the Member State concerned, including outside the Union, provided that the operation contributes to the objectives of the CAP Strategic Plan.

Article 74

Specific rules for financial instruments

1. Support in the form of financial instruments as laid down in Article 52 of Regulation (EU) [CPR] may be granted under the types of interventions referred to in Articles 68, 69, 70, 71 and 72 of this Regulation.

2. Where support is granted in the form of financial instruments , the definitions of 'financial instrument', 'financial product', 'final recipient', 'holding fund', 'specific fund', 'leverage effect', 'multiplier ratio', 'management costs' and 'management fees' as laid down in Article 2 of Regulation (EU) [CPR] and the provisions of Section 2 of Chapter II of Title V of that Regulation shall apply.

   In addition, the provisions laid down in paragraphs 3 to 5 shall apply.

3. In accordance with Article 52(2) of Regulation (EU) [CPR] working capital, including standalone working capital may be eligible expenditure under Articles 68, 70, 71 and 72 of this Regulation, provided it contributes to at least one specific objective relevant for the given intervention. Support for standalone working capital finance under any of those Articles may be provided without being subject to the requirement that the final recipient receives support for other expenditure under the same Article.

   For activities falling within the scope of Article 42 TFEU, the total amount of support for working capital provided to a final recipient shall not exceed a gross grant equivalent of EUR 200 000 over any period of three fiscal years.

4. By way of derogation from Articles 68, 70, 71 and 72, the support rates laid down in those provisions shall not apply to stand-alone working capital finance.

5. Eligible expenditure of a financial instrument shall be the total amount of eligible public expenditure paid excluding additional national financing as referred to in Article 103(5), or, in the case of guarantees, set aside for guarantee contracts, by the financial instrument within the eligibility period, where that amount corresponds to:

(a) payments to final recipients, in the case of loans, equity and quasi-equity investments;

(b) resources set aside for guarantee contracts, whether outstanding or having already come to maturity, in order to honour possible guarantee calls for losses, calculated based on a multiplier ratio established for the respective underlying disbursed new loans or equity investments in final recipients;

(c) payments to, or for the benefit of, final recipients where financial instruments are combined with other Union contribution in a single financial instrument operation in accordance with Article 52(5) of Regulation (EU) [CPR];

(d) payments of management fees and reimbursements of management costs incurred by the bodies implementing the financial instrument.

Where a financial instrument is implemented across consecutive programming periods, support may be provided to, or for the benefit of, final recipients, including management costs and fees, based on agreements made under the previous programming period, provided that such support complies with the eligibility rules of the subsequent programming period. In such cases, the eligibility of expenditure submitted in the declarations of expenditure shall be determined in accordance with the rules of the respective programming period.

For the purposes of point (b) of this paragraph if the entity benefiting from the guarantees has not disbursed the planned amount of new loans, equity or quasi-equity investments to final recipients in accordance with the multiplier ratio, the eligible expenditure shall be reduced proportionally. The multiplier ratio may be reviewed, where justified by subsequent changes in market conditions. Such a review shall not have retroactive effect.

For the purposes of point (d) of this paragraph, management fees shall be performance based. Where bodies implementing a holding fund are selected through a direct award of contract pursuant to Article 53(2a) of Regulation (EU) [CPR], the amount of management cost and fees paid to these bodies that can be declared as eligible expenditure shall be subject to a threshold of up to 5% of the total amount of eligible public expenditure disbursed to final recipients in loans or set aside for guarantee contracts and up to 7% of the total amount of eligible public expenditure disbursed to final recipients in equity and quasi-equity investments.

Where bodies implementing a specific fund are selected through a direct award of contract pursuant to Article 53(2a) of Regulation (EU) [CPR], the amount of management cost and fees paid to those bodies that can be declared as eligible expenditure shall be subject to a threshold of up to 7% of the total amount of the eligible public expenditure disbursed to final recipients in loans or set aside for guarantee contracts and up to 15% of the total amount of eligible public expenditure disbursed to final recipients in equity or quasi-equity investments.

For the purposes of point (d) of this paragraph, where bodies implementing a holding fund or specific funds are selected through a competitive tender in accordance with the applicable law, the amount of management costs and fees shall be established in the funding agreement and shall reflect the result of the competitive tender.

Where arrangement fees, or any part thereof, are charged to final recipients, they shall not be declared as eligible expenditure.

Article 75

Use of the EAFRD delivered through InvestEU

1. Member States may allocate, in the proposal for a CAP Strategic Plan referred to in Article 106 or in the request for an amendment of a CAP Strategic Plan referred to in Article 107, an amount of up to 3% of the initial total EAFRD allocation to the CAP Strategic Plan to be contributed to InvestEU and delivered through the EU guarantee and the InvestEU Advisory Hub. The CAP Strategic Plan shall contain a justification for the use of the InvestEU and its contribution to the achievement of one or more of the specific objectives set out in Article 6 and selected under the CAP Strategic Plan.

   The amount contributed to InvestEU shall be implemented in accordance with the rules established in the InvestEU Regulation.

2. Member States shall determine the total amount contributed for each year. For the requests for an amendment of a CAP Strategic Plan , only resources of future years may be identified.

3. The amount referred to in paragraph 1 shall be used for the provisioning of the part of the EU guarantee under the Member State compartment and for the InvestEU Advisory Hub, upon conclusion of the contribution agreement referred to in Article 9(3) of the [InvestEU Regulation]. The budgetary commitments of the Union in respect of each contribution agreement may be made by the Commission in annual instalments during the period between 1 January 2023 and 31 December 2027.

4. Where a contribution agreement, as set out in Article [9] of the [InvestEU Regulation], has not been concluded within four months following the Commission decision approving the CAP Strategic Plan for an amount referred to in paragraph 1 allocated in the CAP Strategic plan referred to in Article 106, the corresponding amount shall be used in the CAP Strategic Plan following an amendment request by the Member State in accordance with Article 107.

The contribution agreement for an amount referred to in paragraph 1 allocated in the request for the amendment of a CAP Strategic Plan referred to in Article 107 shall be concluded simultaneously with the adoption of the decision approving the amendment of the CAP Strategic Plan.

5. Where a guarantee agreement, as set out in Article [9] of the [InvestEU Regulation], has not been concluded within nine months from the approval of the contribution agreement, the contribution agreement shall be terminated or prolonged by mutual agreement.

Where the participation of a Member State in InvestEU is discontinued, the respective amounts paid into the common provisioning fund as a provisioning shall be recovered as internal assigned revenue pursuant to Article 21(5) of the Financial Regulation and the Member State shall submit a request for an amendment of the CAP Strategic Plan to use the amounts recovered and the amounts allocated to future calendar years according to paragraph 2.

The termination or amendment of the contribution agreement shall be concluded simultaneously with the adoption of the decision approving the amendment of the CAP Strategic Plan at the latest by 31 December 2026.

6. Where a guarantee agreement, as set out in Article [9] of the [InvestEU Regulation], has not been duly implemented within the period agreed in the contribution agreement, but not exceeding four years, from the signature of the guarantee agreement, the contribution agreement shall be amended. The Member State may request that amounts contributed to the EU guarantee under paragraph 1 and committed in the guarantee agreement but not covering underlying loans, equity investments or other risk bearing instruments are treated in accordance with paragraph 5.

7. Resources generated by or attributable to the amounts contributed to the EU guarantee shall be made available to the Member State and shall be used for support under the same objective or objectives referred to in paragraph 1 in the form of financial instruments or budgetary guarantees.

8. The automatic decommitment time limit as provided for in Article 32 of Regulation (EU) [HZR] for the amounts to be re-used in a CAP Strategic Plan in accordance with paragraphs 4, 5 and 6 shall start in the year in which the corresponding budgetary commitments are made.

Article 76

Adequacy and accuracy of payment calculation

Where payments are granted on the basis of additional costs and income foregone in accordance with Articles 65, 66 and 67, 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 method. To this end, bodies that are functionally independent from the authorities responsible for the implementation of the CAP Strategic Plan and possesses the appropriate expertise shall perform the calculations or confirm the adequacy and accuracy of the calculations.

Article 77

Forms of grants

1. Without prejudice to Articles 65, 66, 67 and 69, the grants under this Chapter may take any of the following forms:

   (a) reimbursement of eligible costs actually incurred by a beneficiary;

   (b) unit costs;

   (c) lump sums;

   (d) flat-rate financing.

2. The amounts for the forms of grants referred to under point (b), (c) and (d) of paragraph 1, shall be established in one of the following ways:

(a) a fair, equitable and verifiable calculation method based on:

(i) statistical data, other objective information or an expert judgement; or

(ii) verified historical data of individual beneficiaries; or

(iii) the application of usual cost accounting practices of individual beneficiaries;

(b) draft budgets established on a case-by-case basis and agreed ex-ante by the body selecting the operation;

(c) in accordance with the rules for application of corresponding unit costs, lump sums and flat rates applicable in Union policies for a similar type of operation;

(d) in accordance with the rules for application of corresponding unit costs, lump sums and flat rates applied under schemes for grants funded entirely by the Member State for a similar type of operation.

2a. Member States may provide grants under conditions to beneficiaries which are fully or partially repayable as specified in the document setting out the conditions for support and in accordance with the following conditions:

(a) repayments by the beneficiary shall be made under the conditions agreed by the Managing authority and the beneficiary;

(b) Member States shall reuse resources paid back by the beneficiary for the same specific objective of the CAP Strategic Plan before 31 December 2029 either in the form of grants under conditions, in the form of a financial instrument or in another form of support. The amounts paid back and information about their reuse shall be included in the last annual performance report;

(c) Member States shall adopt the necessary measures to ensure that the resources shall be kept in separate accounts or under appropriate accounting codes;

(d) Union resources paid back by beneficiaries at any time, but not reused by the end of the period indicated in subparagraph (b), shall be repaid to the budget of the Union in accordance with Article 32 HzR.

Article 78

Delegated powers for additional requirements for types of interventions for rural development

The Commission is empowered to adopt delegated acts in accordance with Article 138 supplementing this Regulation with requirements additional to those laid down in this Chapter concerning the conditions for granting support for the:

(a) management commitments as referred to in Article 65 for genetic resources and animal welfare;

(b) quality schemes as referred to in Article 71, as regards the specificity of the final product, the access to the scheme, the verification of binding product specifications, the transparency of the scheme and the traceability of the products, as well as the recognition by Member States of voluntary certification schemes.

TITLE IV
FINANCIAL PROVISIONS

Article 79

EAGF and EAFRD expenditure

1. The EAGF shall finance the types of interventions related to:

   (a) direct payments laid down in Article 14;

   (b) interventions in certain sectors laid down in Chapter III of Title III.

2. The EAFRD shall finance the types of interventions referred to in Chapter IV of Title III and technical assistance at the initiative of the Member States referred to in Article 86(3).

Article 80

Eligibility of expenditure

1. Expenditure shall be eligible for contribution from the EAGF from 1 January of the year following the year of the approval of the CAP Strategic Plan by the Commission. EAFRD expenditure shall be eligible from the date of submission of the CAP Strategic Plan, but not before 1 January 2023.

1a. Expenditure that becomes eligible as a result of an amendment to a CAP Strategic Plan shall be eligible for support from the EAGF after the approval of the amendment by the Commission and as of the date of effect of the amendment set by Member States in accordance with Article 107(7).

2. Expenditure that becomes eligible as a result of an amendment to a CAP Strategic Plan shall be eligible for a contribution from the EAFRD from the date of submission to the Commission of the request for amendment, or from the date of notification of modification referred to in Article 107(7a).

   By way of derogation from the first sub-paragraph and Article 73(5), in cases of emergency measures due to natural disasters, catastrophic events or adverse climatic events or a significant and sudden change in the socio-economic conditions of the Member State or region, the CAP Strategic Plan may provide that eligibility of EAFRD financed expenditure relating to amendments of the plan may start from the date on which the event occurred.

3. Expenditure shall be eligible for a contribution from the EAFRD if it has been incurred by a beneficiary and paid by 31 December 2029. In addition, expenditure shall only be eligible for a contribution from the EAFRD if the relevant aid is actually paid by the paying agency by 31 December 2029.

   Member States shall set the starting date of eligibility of costs incurred by the beneficiary. The starting date shall not be set before 1 January 2023. Operations shall not be eligible for support where they have been physically completed or fully implemented before the application for funding under the CAP Strategic Plan is submitted to the Managing Authority, irrespective of whether all related payments have been made.

   By way of derogation from the second subparagraph, operations relating to early tending of seedling stands and tending of young stands according to sustainable forest management and addressing one or more of the specific environmental- and climate-related objectives set out in points (d), (e) and (f) of Article 6(1) of this Regulation, as defined by the Member State, may be eligible for support where they had been physically completed before the application for support is submitted to the Managing Authority.

4. Contributions in kind and depreciation costs may be eligible for support under the EAFRD, subject to conditions to be set by the Member States.

Article 81

Financial allocations for types of interventions in the form of direct payments

1. Without prejudice to Article 15 of Regulation (EU) [HzR], the total amount for types of interventions in the form of direct payments which may be granted in a Member State pursuant to Chapter II of Title III of this Regulation in respect of a calendar year shall not exceed the financial allocation of that Member State as set out in Annex IV.

   Without prejudice to Article 15 of Regulation (EU) [HzR], the maximum amount which may be granted in a Member State, in a calendar year, pursuant to Subsection 2, Section 3, Chapter II of Title III of this Regulation and before the application of Article 15 of this Regulation, shall not exceed the financial allocation of that Member State set out in Annex VI.

   For the purpose of Article 86(5), (6a) and (6b), the financial allocation of a Member State referred to in the first subparagraph after deduction of the amounts set out in Annex VI and before any transfers according to Article 15 is set out in Annex VII.

2. The Commission is empowered to adopt delegated acts in accordance with Article 138 amending the Member States' allocations set out in Annex IV and VII to take account of the developments relating to the total maximum amount of direct payments that may be granted, including the transfers referred to in Articles 15 and 90, transfers of financial allocations referred to in Article 82(5) and any deductions needed to finance types of interventions in other sectors referred to in Article 82(6).

   By way of derogation from the first subparagraph the adaptation of Annex VII shall not take into account any transfers in accordance with Article 15.

3. The amount of the indicative financial allocations per intervention referred to in Article 88 for the types of interventions in the form of direct payments laid down in Article 14 to be granted in a Member State in respect of a calendar year may exceed the allocation of that Member State set out in Annex IV by the estimated amount of reduction of payments taken up in the CAP Strategic Plan as referred to in the second subparagraph of Article 100(2)(d).

Article 82

Financial allocations for certain types of interventions in certain sectors

1. The Union financial assistance for types of interventions in the wine sector is allocated to Member States as set out in Annex V.

2. The Union financial assistance for types of interventions in the apiculture sector is allocated to Member States as set out in Annex VIII.

3. The Union financial assistance for types of interventions in the hops sector allocated to Germany shall be EUR 2 188 000 per financial year as referred to in Article 33 of Regulation (EU) [HzR].

4. The Union financial assistance for types of intervention in the olive oil and table olives sector is allocated as follows:

   (a) EUR 10 666 000 per financial year as referred to in Article 33 of Regulation (EU) [HzR] for Greece;

   (b) EUR 554 000 per financial year as referred to in Article 33 of Regulation (EU) [HzR] for France; and

   (c) EUR 34 590 000 per financial year as referred to in Article 33 of Regulation (EU) [HzR] for Italy.

5. The Member States concerned may decide in their CAP Strategic Plans to transfer the total financial allocations referred to in paragraphs 3 and 4 to their allocations for direct payments. This decision may not be reviewed.

   The Member States' financial allocations transferred to allocations for direct payments shall no longer be available for the types of interventions referred to in paragraphs 3 and 4.

6. Member States may decide in their CAP Strategic Plans to use up to 3% of their allocations for direct payments set out in Annex IV, after deduction of the amounts available for cotton set out in Annex VI, for types of interventions in other sectors referred to in Section 7 of Chapter III of Title III.

   Member States may decide to increase the percentage referred to in the first subparagraph up to 5%. In this case, the amount corresponding to this increase shall be deducted from the maximum set in the first subparagraph of Article 86(5) and no longer be available for allocation to coupled income support types of interventions referred to therein.

   The amount corresponding to the percentage of Member States` allocations for direct payments referred to in the first and the second sub-paragraph and used for types of interventions in other sectors for a certain financial year shall be deemed Member States` allocations per financial year as referred to in Article 33 of Regulation (EU) [HZR] for types of interventions in other sectors.

7. Member States may, in 2025, review their decisions referred to in paragraph 6 as part of a request for amendment of their CAP Strategic Plans, referred to in Article 107.

8. The amounts set out in the approved CAP Strategic Plan resulting from the application of paragraphs 6 and 7 shall be binding in the Member State concerned.

Article 83

Financial allocations for types of interventions for rural development

1. The total amount of Union support for types of interventions for rural development under this Regulation for the period from 1 January 2023 to 31 December 2027 shall be EUR 60 544 439 600 in current prices in accordance with the multiannual financial framework for the years 2021 to 2027[34].

2. 0,25% of the resources referred to in paragraph 1 shall be devoted to finance the activities of technical assistance on the initiative of the Commission referred to in Article 7 of Regulation (EU) [HzR], including the European network for the Common Agricultural Policy referred to in Article 113(2) of this Regulation and the European Innovation Partnership for agricultural productivity and sustainability referred to in Article 114 of this Regulation. Those activities may concern previous programming periods and subsequent CAP Strategic Plan periods.

3. The annual breakdown by Member State of the amounts referred to in paragraph 1, after deduction of the amount referred to in paragraph 2, is set out in Annex IX.

4. The Commission is empowered to adopt delegated acts in accordance with Article 138 amending Annex IX to review the annual breakdown by Member State to take account of relevant developments, including the transfers referred to in Articles 15 and 90, to make technical adjustments without changing the overall allocations, or to take account of any other change provided for by a legislative act after the adoption of this Regulation.

[34] Proposal for a Council Regulation laying down the multiannual financial framework for the years 2021-2027 Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, COM(2018)322 final.

Article 84

EAFRD contribution

The Commission implementing decision approving a CAP Strategic Plan pursuant to Article 106(6) shall set the maximum contribution from the EAFRD to the plan. The EAFRD contribution shall be calculated on the basis of the amount of eligible public expenditure excluding additional national financing as referred to in Article 103(5).

Article 85

EAFRD contribution rates

1. The CAP Strategic Plans shall establish at regional or national level a single EAFRD contribution rate applicable to all interventions.

2. By way of derogation from paragraph 1 the maximum EAFRD contribution rate shall be:

   (aa) 85% of the eligible public expenditure in the less developed regions within the meaning of point (a) of Article 102(2) of Regulation (EU) [CPR];

   (a) 80% of the eligible public expenditure in the outermost regions referred to in Article 349 TFEU and in the smaller Aegean islands within the meaning of Regulation (EU) No 229/2013;

   (ba) 60% of the eligible public expenditure in transition regions within the meaning of point (b) of Article 102(2) of Regulation (EU) [CPR];

   (d) 43% of the eligible public expenditure in the other regions.

3. By way of derogation from paragraphs 1 and 2, the maximum EAFRD contribution rate shall, if the rate set in the CAP Strategic Plan in accordance with in paragraph 2 is lower, be:

(aa) 65% of the eligible public expenditure for payments for natural or other area-specific constraints under Article 66;

(a) 80 % of the eligible public expenditure for payments under Article 65 of this Regulation, for payments under Article 67 of this Regulation, for support for non-productive investments referred to in Article 68 of this Regulation, for support for the European Innovation Partnership under point (a) of Article 71(1) of this Regulation and for LEADER under point (b) of Article 71(1) of this Regulation, referred to as community-led local development in Article 25 of Regulation (EU) [CPR];

(b) 100% for operations receiving funding from funds transferred to the EAFRD in accordance with Articles 15 and 90 of this Regulation.

4. The minimum EAFRD contribution rate shall be 20% of the eligible public expenditure.

5. The eligible public expenditure referred to in paragraphs 2 to 4 shall exclude the additional national financing referred to in Article 103(5).

Article 86

Minimum and maximum financial allocations

1. At least 5 % of the total EAFRD contribution to the CAP Strategic Plan as set out in Annex IX shall be reserved for LEADER, referred to as community-led local development in Article 25 of Regulation (EU) [CPR].

For the entire period of the CAP Strategic Plan, the total EAFRD expenditure for rural development other than for LEADER as established in the financial plan in accordance with Article 100 (2) first subparagraph point (a) shall not exceed 95% of the total EAFRD contribution to the CAP Strategic Plan as set out in Annex IX. This financial ceiling as approved by the Commission in accordance with Article 106 or 107 shall constitute a financial ceiling set by Union law.

2. At least 35% of the total EAFRD contribution to the CAP strategic plan as set out in Annex IX shall be reserved for the interventions addressing the specific and environmental- and climate-related objectives set out in points (d), (e) and (f) of Article 6(1) of this Regulation and animal welfare as referred to in point (i) of that paragraph.

For the purpose of determining the contribution towards the percentage set out in the first subparagraph, Member States shall include expenditure for the following interventions:

(a) 100% for management commitments referred to in Article 65;

(b) 50% for natural or other area-specific constraints referred to in Article 66;

(c) 100% for area-specific disadvantages referred to in Article 67;

(d) 100% for investments under Article 68 linked to one or more of the specific environmental- and climate-related objectives set out in points (d), (e) and (f) of Article 6(1), as well as animal welfare as referred to point (i) of that paragraph.

For the entire period of the CAP Strategic Plan, the total EAFRD expenditure for rural development other than for the interventions referred to in subparagraph 2, as established in the financial plan in accordance with Article 100(2) first subparagraph point (a) shall not exceed 65% of the total EAFRD contribution to the CAP Strategic Plan as set out in Annex IX. This financial ceiling as approved by the Commission in accordance with Article 106 or 107 shall constitute a financial ceiling set by Union law.

Subparagraphs 1, 2 and 3 shall not apply to expenditure for the outermost regions referred to in Article 349 TFEU.

3. A maximum 4 % of the total EAFRD contribution to the CAP Strategic Plan as set out in Annex IX may be used to finance the actions of technical assistance at the initiative of the Member States referred to in Article 112.

The EAFRD contribution may be increased to 6% for CAP Strategic plans where the total amount of Union support for rural development is up to EUR 1.1 billion.

Technical assistance shall be reimbursed as a flat-rate financing following Article 125(1)(e) of Regulation (EU, Euratom) 2018/1046 in the framework of interim payments pursuant to Article 30 of Regulation (EU) [HZR]. This flat-rate shall represent the percentage set in the CAP Strategic Plan for technical assistance of the total expenditure declared.

4. For each Member State the minimum amount set out in Annex X shall be reserved for contributing to the specific objective 'attract young farmers and facilitate business development' set out in point (g) of Article 6(1). On the basis of the analysis of the situation in terms of strengths, weaknesses, opportunities and threats ('the SWOT analysis') and the identification of the needs that are to be addressed, the amount shall be used for either or both of the following types of interventions:

(a) the complementary income support for young farmers as laid down in Article 27;

(b) the installation of young farmers referred to in point (a) of Article 69(2).

In addition to the types of intervention referred to in the first paragraph of this Article, Member States may use the minimum amount referred to in that paragraph for investments carried out by young farmers and benefiting from a higher support rate in accordance with Article 68(4)(a)(ii). When this possibility is used, a maximum of 50% of the expenditure for investments referred to in the first sentence shall be counted against the minimum amount to be reserved.

For each calendar year, the total expenditure for types of interventions in the form of direct payments other than the complementary income support for young farmers, as laid down in Article 27 shall not exceed the financial allocation for direct payments for the relevant calendar year as laid down in Annex IV of this regulation, reduced by the part of Annex X reserved under the complementary income support for young farmers for the relevant calendar year as established by Member States in their financial plan in accordance with Article 100(2) first subparagraph point (a) and approved by the Commission in accordance with Article 106 or 107. This financial ceiling shall constitute a financial ceiling set by Union law.

For the entire period of the CAP plan, the total EAFRD expenditure for rural development other than for installation of young farmers referred to in point (a) of Article 69(2) shall not exceed the total EAFRD contribution to the CAP Strategic Plan as set out in Annex IX, reduced by the part of Annex X reserved for the installation of young farmers as referred to in point (a) of Article 69(2) for the entire period of the CAP Strategic Plan as established by Member States in their financial plans in accordance with Article 100(2) first subparagraph point (a) and approved by the Commission in accordance with Article 106 or 107. This financial ceiling shall constitute a financial ceiling set by Union law.

Where a Member State decides to use the possibility provided for in the second subparagraph of this paragraph, the share of expenditure for investment interventions for young farmers with a higher support rate in accordance with Article 68(4)(a)(ii), not exceeding 50% as established by the Member States in its financial plan in accordance with Article 100(2) first subparagraph point (a) and approved by the Commission in accordance with Article 106 or 107, shall be counted for the establishment of the financial ceiling referred to in the fourth subparagraph of this paragraph.

5. The indicative financial allocations for the coupled income support interventions referred to in Subsection 1 of Section 3 of Chapter II of Title III shall be limited to a maximum of 13% of the amounts set out in Annex VII.

By way of derogation from the first sub-paragraph, Member States that in accordance with Article 53(4) of Regulation (EU) No 1307/2013 used for the purpose of voluntary coupled support more than 13% of their annual national ceiling set out in Annex II to that Regulation, may decide to use for the purpose of coupled income support more than 13% of the amount set out in Annex VII. The resulting percentage shall not exceed the percentage approved by the Commission for voluntary coupled support in respect of claim year 2018.

The percentage referred to in the first subparagraph, may be increased by a maximum of 2 percentage points, provided that the amount corresponding to the percentage exceeding the 13% is allocated to the support for protein crops under Subsection 1 of Section 3 of Chapter II of Title III.

The amount included in the approved CAP Strategic Plan resulting from the application of the first, second and third subparagraphs may not be exceeded.

By way of derogation from the first and second subparagraphs, Member States may choose to use up to EUR 3 million per year for financing coupled income support.

6. Without prejudice to Article 15 of Regulation (EU) [HzR], the maximum amount which may be granted in a Member State before the application of Article 15 of this Regulation pursuant to Subsection 1 of Section 3 of Chapter II of Title III of this Regulation in respect of a calendar year shall not exceed the amounts fixed in the CAP Strategic Plan in accordance with paragraph 5 of this Article.

6a. At least 25 % of the allocations set out in Annex VII shall be reserved for every calendar year 2023 to 2027 for schemes for the climate, the environment and animal welfare referred to in Subsection 4 of Section 2 of Chapter II of Title III.

Where the amount of the total EAFRD contribution reserved by a Member State for interventions in accordance with Articles 65, 67 and 68, insofar as these interventions address the specific environmental and climate-related objectives set out in points (d), (e) and (f) of Article 6(1) and animal welfare as referred to in point (i) of that Article, exceeds 30 % of the total EAFRD contribution as set out in Annex IX for the period 2023-2027, Member States may reduce the sum of the amounts to be reserved under the first subparagraph. The total reduction may not be higher than the amount by which the 30% mentioned in the first sentence is exceeded.

The reduction referred to in the second subparagraph may not lead to a reduction of the annual amount to be reserved for the schemes for the climate the environment and animal welfare referred to in Subsection 4 of Section 2 of Chapter II of Title III for the years 2023 – 2027 pursuant to the first subparagraph by more than 50%.

By way of derogation from the third subparagraph, Member States may reduce the annual amount to be reserved pursuant to the first subparagraph by up to 75% in the case where the total amount planned for interventions under Article 65 over the period amounts to more than 150% of the sum of the amounts to be reserved pursuant to the first subparagraph before application of the second subparagraph.

Member States may, in calendar years 2023 and 2024, in accordance with Article 88(3), use an amount up to a threshold corresponding to 5% of the amounts set out in Annex VII for the respective calendar year, and reserved in accordance with this paragraph for the schemes for the climate, the environment and animal welfare referred to in Subsection 4 of Section 2 of Chapter II of Title III, to finance in that year other interventions referred to in Section 2 of Chapter II of Title III, provided that all possibilities to use the funds for the schemes for the climate, the environment and animal welfare have been exhausted.

Moreover, Member States may in calendar years 2023 and 2024, in accordance with Article 88(3), use amounts reserved in accordance with this paragraph for the schemes for the climate, the environment and animal welfare referred to in Subsection 4 of Section 2 of Chapter II of Title III, above the threshold referred to in the fifth subparagraph, to finance other interventions referred to in Section 2 of Chapter II of Title III, provided that all possibilities to use the funds for the schemes for the climate, and the environment and animal welfare have been exhausted and the conditions of the seventh subparagraph are complied with.

When applying the sixth subparagraph, Member States shall amend the CAP plan in accordance with Article 107 in order to:

(a) increase the amounts reserved in accordance with this paragraph for the schemes for the climate, environment and animal welfare referred to in Subsection 4 of Section 2 of Chapter II of Title III for the remaining years of the period by an amount at least equivalent to the amount used to finance other interventions referred to in Section 2 of Chapter II of Title III in accordance with the sixth subparagraph, and/or

(b) increase the amounts reserved for interventions under Articles 65, 67 and 68, insofar as these interventions address the specific environmental and climate-related objectives set out in points (d), (e) and (f) of Article 6(1) and animal welfare as referred to in point (i) of that Article, by an amount at least equivalent to the amount used to finance other interventions referred to in Section 2 of Chapter II of Title III in accordance with the sixth subparagraph. Additional amounts reserved for interventions under Articles 65, 67 and 68 according to this subparagraph, shall not be taken into account in the case where a Member States makes use of the option referred to in the second subparagraph.

If a Member State when applying the fifth subparagraph uses for the total period 2023 and 2024 an amount exceeding 2.5% of the sum of the allocations set out in Annex VII for 2023 and 2024, to finance other interventions referred to in Section 2 of Chapter II of Title III, the Member State shall compensate for the amounts exceeding the 2.5% of the sum of the allocations set out in Annex VII for 2023 and 2024 and used to finance in those years other interventions referred to in Section 2 of Chapter II of Title III, by amending the CAP Strategic Plan in accordance with Article 107 in order to:

(a) increase the amounts reserved in accordance with this paragraph for the schemes for the climate, environment and animal welfare referred to in Subsection 4 of Section 2 of Chapter II of Title III for the remaining years of the period by an amount at least equivalent to the amounts exceeding the 2.5% of the sum of the allocations set out in Annex VII for 2023 and 2024, or

(b) increase the amounts reserved for interventions under Articles 65, 67 and 68, insofar as these interventions address the specific environmental and climate- related objectives set out in points (d), (e) and (f) of Article 6(1) and animal welfare as referred to in point (i) of that Article, by an amount at least equivalent to the amount exceeding the 2.5% of the sum of the allocations set out in Annex VII for 2023 and 2024. Additional amounts reserved for interventions under Articles 65, 67 and 68 according to this subparagraph, shall not be taken into account in the case where a Member States makes use of the option referred to in the second subparagraph.

Member States may, in calendar years 2025 and 2026, in accordance with Article 88(3), use an amount up to a threshold corresponding to 2% of the amounts set out in Annex VII for the respective calendar year, and reserved in accordance with this paragraph for the schemes for the climate, the environment and animal welfare referred to in Subsection 4 of Section 2 of Chapter II of Title III, to finance within the same year other interventions referred to in Section 2 of Chapter II of Title III, provided that all possibilities to use the funds for the schemes for the climate, the environment and animal welfare have been exhausted and the conditions of the tenth subparagraph are complied with.

When applying the ninth subparagraph, Member States shall amend the CAP Strategic Plan in accordance with Article 107 in order to:

(a) increase the amounts reserved in accordance with this paragraph for the schemes for the climate, environment and animal welfare referred to in Subsection 4 of Section 2 of Chapter II of Title III for the remaining years of the period by an amount at least equivalent to the amount used to finance other interventions referred to in Section 2 of Chapter II of Title III in accordance with the ninth subparagraph, or

(b) increase the amounts reserved for interventions under Articles 65, 67 and 68, insofar as these interventions address the specific environmental and climate- related objectives set out in points (d), (e) and (f) of Article 6(1) and animal welfare as referred to in point (i) of that Article, by an amount at least equivalent to the amount used to finance other interventions referred to in Section 2 of Chapter II of Title III in accordance with the nineth subparagraph. Additional amounts reserved for interventions under Articles 65, 67 and 68 according to this subparagraph, shall not be taken into account in the case where a Member States makes use of the option referred to in the second subparagraph.

For each calendar year as from calendar year 2025, the total expenditure for types of interventions in the form of direct payments other than the schemes for the climate, environment and animal welfare, referred to in Subsection 4 of Section 2 of Chapter II of Title III shall not exceed the financial allocation for direct payments for the relevant calendar year as laid down in Annex IV of this Regulation reduced by an amount corresponding to 23% of Annex VII reserved for schemes for the climate, environment and animal welfare according to this paragraph for 2025 and 2026, and corresponding to 25% of Annex VII reserved for schemes for the climate, environment and animal welfare according to this paragraph for 2027, where relevant corrected by the amount resulting from the application of the second, third, fourth, seventh, eighth and tenth subparagraphs of this paragraph and as established by Member States in their financial plans referred to in Article 100(2) first subparagraph point (a) as approved by the Commission in accordance with Article 106 or 107. This financial ceiling shall constitute a financial ceiling set by Union law.

In the case of application of Article 86(6a), second, third, fourth, seventh, eighth and tenth subparagraphs, for the entire period of the CAP Strategic plan, the total EAFRD expenditure for rural development other than the amounts reserved for interventions in accordance with Articles 65, 67 and 68, insofar as these interventions address the specific environmental and climate-related objectives set out in points (d), (e) and (f) of Article 6(1) and animal welfare as referred to in point (i) of that Article shall not exceed the total EAFRD contribution for rural development for the entire period of the CAP plan as set out in Annex IX, reduced by the amounts reserved for interventions in accordance with Articles 65, 67 and 68 insofar as these interventions address the specific environmental and climate-related objectives set out in points (d), (e) and (f) of Article 6(1) and animal welfare as referred to in point (i) of that Article, following the application of the second, seventh, eighth and tenth subparagraphs of this paragraph, as established by Member States in their financial plans referred to in Article 100(2), first subparagraph point (a) and approved by the Commission in accordance with Article 106 or 107. This financial ceiling shall constitute a financial ceiling set by Union law.

6b. At least 10 % of the amounts set out in Annex VII shall be reserved annually for the complementary redistributive income support for sustainability referred to in Article 26.

For each calendar year, the total expenditure for types of interventions in the form of direct payments other than the complementary redistributive income support for sustainability as laid down in Article 26 shall not exceed the financial allocation for direct payments for the relevant calendar year as laid down in Annex IV of this regulation reduced by an amount corresponding to 10% of the financial allocation for direct payments for the relevant calendar year as laid down in Annex VII of this Regulation, where relevant corrected following the application of the second subparagraph of the first paragraph of Article 26, as established by Member States in their financial plan in accordance with Article 100(2) first subparagraph point (a) and approved by the Commission in accordance with Article 106 or 107. This financial ceiling shall constitute a financial ceiling set by Union law.

7. Member States may decide in their CAP Strategic Plan to use a certain share of the EAFRD allocation to leverage support and upscale integrated Strategic Nature Projects benefiting farmers' communities as provided for under Regulation (EU) …/… [LIFE] and to finance actions in respect of transnational learning mobility of people in the field of agricultural and rural development with a focus on young farmers and women in rural areas, in accordance with Regulation (EU) …/… [Erasmus].

Article 87

Tracking climate expenditure

1. On the basis of the information provided by Member States, the Commission shall evaluate the contribution of the policy to the climate change objectives using a simple and common methodology.

2. The contribution to the expenditure target shall be estimated through the application of specific weightings differentiated on the basis whether the support makes a significant or a moderate contribution towards climate change objectives. These weightings shall be as follows:

   (a) 40% for the expenditure under the Basic Income Support for Sustainability and the Complementary Income Support referred to in Title III, Chapter II, section II, subsections 2 and 3;

   (b) 100% for expenditure under the schemes for the climate and the environment referred to in Title III, Chapter II, section II, subsection 4;

   (c) 100% for expenditure for the interventions referred to in the first subparagraph of Article 86(2), except for those referred to in point (d);

   (d) 40% for expenditure for natural or other area-specific constraints referred to in Article 66.

2b. The Commission is empowered to adopt delegated acts after 31 December 2025 in accordance with Article 138 amending this Article to modify the weightings referred to in paragraph 2, where such modification is warranted for more precise tracking of expenditure on climate and environmental objectives.

Article 88

Indicative financial allocations

1. Member States shall set out, in their CAP Strategic Plan, an indicative financial allocation for each intervention and for each year. This indicative financial allocation shall represent the expected level of payments under the CAP Strategic Plan, excluding expected payments on the basis of additional national financing as referred to in Article 103(5), for the intervention in the relevant financial year.

2. By derogation to paragraph 1, for the types of interventions in the sectors referred to in point (a) and in points (d), (e) and (f) of Article 39, Member States shall set out, in their CAP Strategic Plan, the indicative financial allocation for each sector and for each year, representing the expected level of payments for the interventions in each sector per financial year, excluding expected payments on the basis of National Financial Assistance referred to in Article 47.

3. The indicative financial allocations set out by Member States in accordance with paragraphs 1 and 2 shall not prevent Member States from using funds from these indicative financial allocations as funds for other interventions, without amending the CAP Strategic Plan as referred to in Article 107, subject to compliance with the provisions of this Regulation, and in particular with Articles 81, 82, 83, 84, 86 and 89, and with the provisions of Regulation (EU) No …/… [HzR Regulation], and in particular with Article 30(6)(b), and to the following:

   - financial allocations for direct payments interventions are used for other interventions in the form of direct payment,

- financial allocations for rural development interventions are used for other interventions for rural development,

- financial allocations for interventions in the apiculture sector and in the wine sector are only used for other interventions in the same sector;

- financial allocations for interventions in other sectors referred to in point (f) of Article 39 are used for interventions in other sectors referred to in point (f) of Article 39 laid down in the CAP Strategic Plan and the use does not affect approved operational programmes.

For the purpose of the first indent, Member States which have decided to grant the basic income support for sustainability based on payment entitlements as laid down in Article 19 may linearly increase or decrease the amounts to be paid based on the value of the entitlements activated in the calendar year, within the limits of the minimum and maximum planned unit amounts set for interventions under the Basic Income Support for Sustainability in accordance with Article 89(1a).

Article 89

Planned unit amounts and planned outputs

1. Member States shall set out one or more planned unit amounts for each intervention included in their CAP Strategic Plan. The planned unit amount may be uniform or average, as determined by Member States. 'Planned uniform unit amount' is the value that is expected to be paid for each related output. 'Planned average unit amount' is the average value of the different unit amounts that are expected to be paid for the related outputs.

   For interventions covered by the integrated system referred to in Article 63(2) of Regulation [HzR], uniform unit amounts shall be set out, except where uniform unit amounts are not possible or appropriate, in view of the design and scope of the intervention. In such case, average unit amounts shall be set out.

1a. For types of interventions in the form of direct payments, Member States may set maximum or minimum planned unit amounts or both for each unit amount planned for each intervention.

The 'minimum planned unit amount' and 'maximum planned unit amount' are the minimum and maximum unit amounts that are expected to be paid for the related outputs.

When setting the maximum or minimum planned unit amounts or both, Member States may justify these values with the necessary flexibility for reallocation to avoid unused funds.

The realised unit amount referred to in point (c) of Article 121(4a) may only be lower than the planned unit amount or the minimum planned unit amount, where such amount is set out, to prevent an excess of the financial allocations for types of interventions in the form of direct payments referred to in Article 81(1).

2. For types of interventions for rural development, when using planned average unit amounts, Member States may set a maximum planned average unit amount.

The 'maximum planned average unit amount' is the maximum amount that is expected to be paid on average for the related outputs.

3. Where different unit amounts are established for an intervention, paragraphs 1a and 2 shall apply to each relevant unit amount of that intervention.

4. Member States shall set out the annual planned outputs for each intervention quantified for each planned uniform or average unit amount. Within an intervention, the annual planned outputs may be provided at an aggregated level for all unit amounts or for group of unit amounts.

Article 90

Flexibility between direct payments allocations and EAFRD allocations

1. As part of their CAP Strategic Plan proposal referred to in Article 106(1), Member States may decide to transfer:

   (a) up to 25% of the Member State's allocation for direct payments set out in Annex IV after deduction of the allocations for cotton set in Annex VI for calendar years 2023 to 2026 to the Member State's allocation for EAFRD in financial years 2024 – 2027; or

   (b) up to 25% of the Member State's allocation for EAFRD in financial years 2024 – 2027 to the Member State's allocation for direct payments set out in Annex IV for calendar years 2023 to 2026.

   The percentage of transfer from a Member State's allocation for direct payments to its allocation for EAFRD referred to in point (a) of the first subparagraph may be increased by:

   (a) up to 15 percentage points provided that Member States use the corresponding increase for EAFRD financed interventions addressing the specific environmental- and climate-related objectives referred to in points (d), (e) and (f) of Article 6(1);

   (b) up to 2 percentage points provided that Member States use the corresponding increase in accordance with point (b) of Article 86(4).

   The percentage of transfer from a Member State's allocation for EAFRD to its allocation for direct payments referred to in point (b) of the first subparagraph may be increased to 30% for Member States with direct payments per hectare below 90% of the Union average. This condition is fulfilled in the case of Bulgaria, Estonia, Spain, Latvia, Lithuania, Poland, Portugal, Romania, Slovakia, Finland and Sweden.

2. The decisions referred to in the paragraph 1 shall set out the percentage referred to in paragraph 1, which may vary by calendar year.

3. Member States may, in 2025, review their decisions referred to in paragraph 1 as part of a request for amendment of their CAP Strategic Plans, referred to in Article 107.

TITLE V
CAP STRATEGIC PLAN

CHAPTER I

GENERAL REQUIREMENTS

Article 91

CAP Strategic Plans

Member States shall establish CAP Strategic Plans in accordance with this Regulation to implement the Union support financed by the EAGF and the EAFRD for the achievement of the specific objectives set out to in Article 6(1).

Each Member State shall establish a single CAP Strategic Plan for its entire territory, taking into account its constitutional and institutional provisions.

Where elements of the CAP Strategic Plan are established at regional level, the Member State shall ensure the coherence and the consistency with the elements of the CAP Strategic Plan established at national level. The elements established at regional level shall be appropriately reflected in the relevant sections of the CAP Strategic Plan as laid down in Article 95.

Based on the SWOT analysis referred to in Article 103(2) and an assessment of needs referred to in Article 96, Member State shall establish in the CAP Strategic Plans an intervention strategy as referred to in Article 97 in which quantitative targets and milestones shall be set to achieve the specific objectives set out to in Article 6. The targets shall be set using a common set of result indicators set out in Annex I.

To reach these targets Member States shall set out interventions based on the types of interventions laid down in Title III.

Each CAP Strategic Plan shall cover the period 2023-2027.

Article 92

Increased ambition with regard to environmental- and climate-related objectives

1. Member States shall aim to make, through their CAP Strategic Plans and in particular through the elements of the intervention strategy referred to in point (a) of Article 97(2), a greater overall contribution to the achievement of the specific environmental and climate-related objectives set out in points (d), (e) and (f) of Article 6(1) in comparison to the overall contribution made to the achievement of the objective laid down in point (b) of the first subparagraph of Article 110(2) of Regulation (EU) No 1306/2013 through support under the EAGF and the EAFRD in the period 2014 to 2020.

2. Member States shall explain in their CAP Strategic Plans, on the basis of available information, how they intend to achieve the greater overall contribution set out in paragraph 1. That explanation shall be based on relevant information, such as the elements referred to in points (a) to (f) of Article 95(1) and in point (b) of Article 95(2) as well as the expected improvements against the relevant impact indicators set out in Annex I.

Article 94

Procedural requirements

1. Member States shall draw up the CAP Strategic Plans based on transparent procedures in collaboration, where applicable, with their regions, in accordance with their institutional and legal framework.

2. The body of the Member State responsible for drawing up the CAP Strategic Plan shall ensure that:

   - where applicable, the relevant authorities at regional level are effectively involved in the preparation of the CAP Plan; and

   - the public competent authorities for the environment and climate are effectively involved in the preparation of the environmental and climate aspects of the plan.

3. Each Member State shall organise a partnership with the competent regional and local authorities. The partnership shall include at least the following partners:

   (a) relevant authorities at regional and local level, as well as other public authorities, including competent authorities for environmental and climate issues;

   (b) economic and social partners, including representatives of the agricultural sector;

   (c) relevant bodies representing civil society and where relevant bodies responsible for promoting social inclusion, fundamental rights, gender equality and non-discrimination.

   Member States shall effectively involve those partners in the preparation of the CAP Strategic Plans and shall consult with relevant stakeholders, including as regards the minimum standards referred to in Article 12, as appropriate.

4. Member States, including where applicable their regions, and the Commission shall cooperate to ensure effective coordination in the implementation of CAP Strategic Plans, taking account of the principles of proportionality and shared management.

4a. The organisation and implementation of partnership shall be carried out in accordance with the act adopted on the basis of paragraph 3 of Article 5 of Regulation (EU) No 1303/2013.

CHAPTER II

CONTENT OF THE CAP STRATEGIC PLAN

Article 95

Content of the CAP Strategic Plans

1. Each CAP Strategic Plan shall contain sections on the following:

   (a) the assessment of needs;

   (b) the intervention strategy;

   (c) the elements common to several interventions;

   (d) the direct payments, sectoral and rural development interventions specified in the strategy;

   (e) target and financial plans;

   (f) the governance and coordination system;

   (g) the elements that ensure modernisation of the CAP;

   (ha) where elements of the CAP Strategic Plan are established at regional level, a short description about the Member States' national and regional set-up, and in particular which elements are established at national and at regional level.

2. Each CAP Strategic Plan shall contain the following annexes:

   (a) Annex I on the ex-ante evaluation and the strategic environmental assessment (SEA) referred to in Directive 2001/42/EC;

(b) Annex II on the SWOT analysis;

(c) Annex III on the consultation of the partners;

(d) where relevant, Annex IV on the crop-specific payment for cotton;

(e) Annex V on the additional national financing provided within the scope of the CAP Strategic Plan;

(f) where relevant, Annex VI on transitional national aid.

3. Detailed rules for the content of the sections and the annexes of the CAP Strategic Plans referred to in paragraphs 1 and 2 are laid down in Articles 96 to 103.

Article 96

Assessment of needs

The assessment of needs referred to in point (a) of Article 95(1) shall include the following:

(a) summary of the SWOT analysis as referred to in Article 103(2);

(b) identification of needs for each specific objective set out in Article 6 based on the evidence from the SWOT analysis. All the needs arising from the SWOT analysis shall be described, regardless whether they will be addressed through the CAP Strategic Plan or not;

(c) for the specific objective of supporting viable farm income and resilience set out in point (a) of Article 6(1), an assessment of needs in relation to a fairer distribution and more effective and efficient targeting of direct payments, where relevant taking into account their farm structure, and in relation to risk management;

(d) where relevant, an analysis of the needs of specific geographical areas, such as the outermost regions, mountainous and island areas;

(e) prioritisation of needs, including a sound justification of the choices made covering if relevant the reasons why certain identified needs are not addressed or partially addressed in the CAP Strategic Plan.

For the specific environmental and climate objectives referred to in points (d), (e), and (f) of Article 6(1), the assessment shall take into account the national environmental and climate plans emanating from the legislative instruments referred to in Annex XI.

Member States shall use recent and reliable data for this assessment and shall use data disaggregated by gender, where available.

Article 97

Intervention strategy

1. The intervention strategy referred to in point (b) of Article 95(1) shall set out, for each specific objective set out in Article 6(1) and addressed in the CAP Strategic Plan:

   (a) targets and related milestones for the relevant result indicators used by the Member State on the basis of its assessment of needs. The value of these targets shall be justified in view of the assessment of needs referred to in Article 96. As regards the specific objectives set out in points (d), (e), and (f) of Article 6(1), targets shall be derived from the elements of explanation given in point (a) of paragraph 2 of this Article;

   (b) interventions, based on the types of interventions set out in Title III, shall be designed to address the specific situation in the area concerned, following a sound intervention logic, supported by the ex-ante evaluation referred to in Article 125, the SWOT analysis referred to in Article 103(2) and the assessment of needs referred to in Article 96;

(c) elements showing how the interventions allow reaching the targets and how they are mutually coherent and compatible;

(d) elements demonstrating that the allocation of financial resources to the interventions of the CAP Strategic Plan is justified and adequate to achieve the targets set, and is consistent with the financial plan as referred to in Article 100.

2. The intervention strategy shall demonstrate the consistency of the strategy and the complementarity of interventions across the specific objectives set out in Article 6(1) by providing:

(a) an overview of the environmental and climate architecture of the CAP Strategic Plan which describes the following:

i for each GAEC standard listed in Annex III, the way the Union standard is implemented, including the following elements: summary of the on-farm practice, territorial scope, type of farmers subject to the standard, and where necessary a description of how the practice contributes to achieving the GAEC standard's main objective;

ii the overall contribution of conditionality to the specific environmental- and climate-related objectives set out in points (d), (e) and (f) of Article 6(1);

iii the complementarity between the relevant baseline conditions, as referred to in Article 28(5) and Article 65(5), conditionality and the different interventions, including support to organic farming, addressing the specific environmental- and climate-related objectives set out in points (d), (e), and (f) of Article 6(1);

iv the way to achieve the greater overall contribution set out in Article 92;

v how the environmental and climate architecture of the CAP Strategic Plan is meant to contribute to, and be consistent with the long-term national targets set out in or deriving from the legislative instruments referred to in Annex XI.

In addition, an explanation shall be provided on how the interventions under coupled income support as referred to in Subsection 1 of Section 3 of Chapter II of Title III are consistent with Directive 2000/60/EC;

(c) in relation to the specific objective set out in point (g) of Article 6(1), an overview of the relevant interventions and specific conditions for young farmers set out in the CAP Strategic Plan such as those specified in Articles 22(4), 27, 68, 69 and 71(7) shall be presented. Member States shall in particular refer to Article 86(4) when presenting the financial plan in relation to the types of interventions referred to in Articles 27, 68 and 69. The overview shall also explain in general terms the interplay with national instruments with a view of improving the consistency between Union and national actions in this area;

(ca) in relation to the specific objective set out in point (a) of Article 6, an overview of how the aim of fairer distribution and more effective and efficient targeting of income support to be granted to farmers under the CAP Strategic Plan is addressed including, where applicable, information justifying the use of the derogation provided for in Article 26(1), second subparagraph.

This overview shall, where relevant, also address the consistency and complementarity of the territorialisation of the basic income support for sustainability referred to in Article 18(2) with support under other interventions, in particular the payments for natural or other area-specific constraints referred to in Article 66.

(d) an overview of the sector-related interventions, including coupled income support as referred to in Subsection 1 of Section 3 of Chapter II of Title III and the interventions in certain sectors referred to in Chapter III of Title III, providing a justification for targeting the sectors concerned, the list of interventions per sector, their complementarity, as well as the possible specific additional targets related to the interventions based on the types of interventions in certain sectors referred to in Chapter III of Title III;

(e) where relevant, an explanation as to which interventions are intended to contribute to ensure a coherent and integrated approach to risk management;

(f) where relevant, a description of the interplay between national and regional interventions, including the distribution of financial allocations per intervention and per fund;

(fa) an overview of how the CAP Strategic Plan contributes to the objective of improving animal welfare and reducing antimicrobial resistance set out in point (i) of Article 6(1), including the baseline conditions and the complementarity between conditionality and the different interventions;

(fb) an explanation of how the interventions and elements common to several interventions contribute to simplification for final beneficiaries and reducing the administrative burden.

2a. Where elements of the CAP Strategic Plan are established at regional level, the intervention strategy shall ensure the coherence and the consistency of these elements with the elements of the CAP Strategic Plan established at national level.

Article 98

Elements common to several interventions

The section on the elements common to several interventions referred to in point (c) of Article 95(1) shall include:

(a) the definitions and conditions provided by Member States in compliance with Article 4(1), as well as the minimum requirements for interventions in the form of direct payments pursuant to Article 15a;

(c) a description of the use of 'technical assistance' as referred to in Articles 86(3) and 112 and a description of the CAP networks as referred to in Article 113;

(ca) in relation to the specific objective set out in point (h) of Article 6(1), an explanation of the definition of ‘rural areas’ used in the SWOT and in the interventions designed under Article 68(4)(b) or Article 69(2)(c);

(d) other implementation information, in particular:

(i) a short description of the establishment of the value of payment entitlements and of the functioning of the reserve, where applicable;

(ii) where relevant, the use of the estimated product of reduction of direct payments as referred to in Article 15;

(iia) the decision and its justification with regards to the implementation of Articles 15(2a), 26(6) first and second subparagraphs, and 27(3b), and Article 15(1) HzR second subparagraph;

(iib) where relevant, the decision and the description of its main elements with regards to the implementation of Article 15b;

(iii) an overview of the coordination, demarcation and complementarities between the EAFRD and other Union funds active in rural areas.

Article 99

Interventions

The section on each intervention specified in the strategy referred to in point (d) of Article 95(1), including the interventions established at regional level, shall include:

(a) the type of interventions it belongs to;

(b) the territorial scope;

(c) the specific design or requirements of that intervention that ensure an effective contribution to the specific objective(s) set out in Article 6(1). For environmental and climate interventions, articulation with the conditionality requirements shall show that the practices are complementary and do not overlap;

(d) the eligibility conditions;

(da) the result indicators as laid down in Annex I to which the intervention should contribute directly and significantly;

(e) for each intervention which is based on the types of interventions listed in Annex II to this Regulation, how it respects the relevant provisions of Annex 2 to the WTO Agreement on Agriculture as specified in Article 10 of this Regulation and in Annex II to this Regulation, and for each intervention which is not based on the types of interventions listed in Annex II to this Regulation, whether and, if so, how it respects relevant provisions of Article 6.5 or Annex 2 to the WTO Agreement on Agriculture;

(f) one output indicator and the annual planned outputs for the intervention, as referred to in Article 89(4);

(g) the annual planned uniform or average unit amounts as referred to in Article 89(1) and, where relevant, the minimum or maximum planned unit amounts as referred to in Article 89(1a) and (2);

(ga) an explanation of how the planned unit amounts and, where relevant, the maximum or minimum planned unit amounts or both as referred to in Article 89(1), (1a) and (2), were set;

(gb) where applicable:

(i) the form and rate of support;

(ii) the method for calculating the planned unit amounts of support and its certification in accordance with Article 76;

(h) the annual financial allocation for the intervention, as referred to in Article 88(1) or in the case of sectors referred to in point (a) and in points (d), (e) and (f) of Article 39 the annual financial allocation for the relevant sector as referred to in Article 88 (2). Where applicable, a breakdown on amounts planned for grants and amounts planned for financial instruments shall be provided;

(i) an indication as to whether the intervention falls outside the scope of Article 42 TFEU and is subject to State aid assessment.

Article 100

Target and financial plans

1. The target plan referred to in point (e) of Article 95(1) shall consist of a recapitulative table showing the targets and milestones as referred to in point (a) of Article 97(1).

2. The financial plan referred to in point (e) of Article 95(1) shall comprise an overview table providing for:

(a) the Member State's allocations for direct payment types of interventions as referred to in Article 81(1), for the types of interventions for wine referred to in Article 82(1), for apiculture referred to in Article 82(2) and for types of interventions for rural development as referred to in Article 83(3), with a specification of the annual and overall amounts reserved by Member States to respect the requirements on minimum financial allocations laid down in Article 86;

(b) the transfers of the amounts referred to in point (a) between types of interventions in the form of direct payments and types of interventions for rural development in accordance with Article 90 and any deductions of the Member State's allocations for types of interventions in the form of direct payments to make amounts available for types of interventions in other sectors referred to in Section VII of Chapter III of Title III in accordance with Article 82(6);

(c) the Member State's allocations for the types of interventions for olive oil referred to in Article 82(4) and for hops referred to in Article 82(3), and if these types of interventions are not implemented, the decision to include the corresponding allocations in the Member State's allocation for direct payments in accordance with Article 82(5);

(ca) where relevant, transfer of Member State’s allocations from EAFRD for support under InvestEU in accordance with Article 75 of this Regulation, under Regulation (EU) No .../... [LIFE] or under Regulation (EU) No .../... [Erasmus] in accordance with Article 86(7) of this Regulation.

(cb) where relevant, the amounts planned for the outermost regions referred to in Article 349 TFEU.

In addition to the first subparagraph, a detailed financial plan shall provide for each financial year and expressed as Member State's forecasts of execution of payments the following tables consistent with points (f) and (h) of Article 99:

(a) a breakdown of the Member State's allocations for types of interventions in the form of direct payments after transfers as specified in points (b) and (c) of the first subparagraph based on indicative financial allocations per type of intervention and per intervention, specifying the planned outputs, the planned average or uniform unit amounts and, where relevant, the maximum or minimum planned unit amounts, or both, for each intervention as referred to in Article 89(1) and (1a). Where applicable, the breakdown shall include the amount of the reserve of payment entitlements.

The total estimated product of reduction of payments as referred to in Article 15 shall be specified.

Taking into account the use of the estimated product of reduction of payments as referred to in Articles 15 and 81(3), these indicative financial allocations, the related planned outputs and the corresponding planned average or uniform unit amounts shall be established before reduction of payments;

(b) a breakdown of the allocations for the types of interventions referred to in Chapter III of Title III per intervention and with an indication of the planned outputs;

(c) a breakdown of the Member State's allocations for rural development after transfers to and from direct payments as specified in point (b), per type of intervention and per intervention, including totals for the period, indicating also the applicable EAFRD contribution rate, broken down per intervention and per type of region where applicable. In case of transfer of funds from direct payments, the intervention(s) or part of intervention financed by the transfer shall be specified. This table shall also specify the planned outputs per intervention and the planned average or uniform unit amounts, as well as, where relevant, the maximum planned average unit amounts as referred to in Article 89(1) and (2). Where applicable, the table shall also include a breakdown of the grants and amounts planned for financial instruments. The amounts for technical assistance shall also be specified;

Article 101

Governance and coordination systems

The section on the governance and coordination systems referred to in point (f) of Article 95(1) shall comprise:

(a) the identification of all governance bodies referred to in Chapter II of Title II of Regulation (EU) [HzR] as well as of the Managing Authority and the regional managing authorities where relevant, referred to in Article 110;

(b) the identification and role of intermediate bodies referred to in Article 110(4);

(c) information on the control systems and penalties referred to in Title IV of Regulation (EU) [HzR], including:

(i) the integrated administration and control system referred to in Chapter II of Title IV of Regulation (EU) [HzR];

(ii) the control and penalty system for conditionality referred to in Chapter IV of Title IV of Regulation (EU) [HzR];

(iii) the competent control bodies responsible for the checks;

(d) an overview of the monitoring and reporting structure.

Article 102

Modernisation

The section on the elements that ensure modernisation of the CAP referred to in point (g) of Article 95(1) shall highlight the elements of the CAP Strategic Plan that support the modernisation of the agricultural sector and the CAP and shall contain in particular:

(a) an overview of how the CAP Strategic Plan will contribute to the cross-cutting general objective related to fostering and sharing of knowledge, innovation and digitalisation in agriculture and rural areas and encouraging their uptake set out in the second subparagraph of Article 5, notably through:

(i) a description of the organisational set-up of the AKIS

(ii) a description of how advisory services as referred to in Article 13, research and CAP networks referred to in Article 113 will cooperate to provide advice, knowledge flows and innovation services and how the actions supported under interventions pursuant to Article 72 or other relevant interventions are integrated into AKIS;

(b) a description of the strategy for the development of digital technologies in agriculture and rural areas and for the use of these technologies to improve the effectiveness and efficiency of the CAP Strategic Plan interventions.

Article 103

Annexes

1. Annex I to the CAP Strategic Plan referred to in point (a) of Article 95(2) shall include a summary of the main results of the ex-ante evaluation referred to in Article 125 and the SEA as referred to in Directive 2001/42/EC of the European Parliament and of the Council[35] and how they have been addressed or a justification of why they have not been taken into account, and a link to the complete ex-ante evaluation report and SEA report.

2. Annex II to the CAP Strategic Plan referred to in point (b) of Article 95(2) shall include a SWOT analysis of the current situation of the area covered by the CAP Strategic Plan.

   The SWOT analysis shall be based on the current situation of the area covered by the CAP Strategic Plan and shall comprise, for each specific objective set out in Article 6(1), an overall description of the current situation of the area covered by the CAP Strategic Plan, based on common context indicators and other quantitative and qualitative up-to-date information such as studies, past evaluation reports, sectoral analysis and lessons learned from previous experiences.

   Where relevant, the SWOT analysis shall include an analysis of territorial aspects, including regional specificities, highlighting those territories specifically targeted by interventions, and an analysis of sectoral aspects, notably for those sectors subject to specific interventions or sectoral programs.

   In addition, that description shall notably highlight in relation to each general and specific objective set out in Articles 5 and 6(1):

   (a) strengths identified in the CAP Strategic Plan area;

   (b) weaknesses identified in the CAP Strategic Plan area;

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[35] Directive 2001/42/EC of the European Parliament and of the Council of 27 June 2001 on the assessment of the effects of certain plans and programs on the environment (OJ L 197, 21.7.2001, p. 30).

(c) opportunities identified in the CAP Strategic Plan area;

(d) threats identified in the CAP Strategic Plan area.

For the specific objectives set out in points (d), (e) and (f) of Article 6(1), the SWOT analysis shall refer to the national plans emanating from the legislative instruments referred to in Annex XI.

For the specific objective to attract young farmers set out in point (g) of Article 6(1), the SWOT analysis shall include a short analysis of access to land, land mobility and land restructuring, access to finance and credits, and access to knowledge and advice.

For the general cross-cutting objective related to fostering and sharing of knowledge, innovation and digitalisation and encouraging their uptake set out in the second subparagraph of Article 5, the SWOT analysis shall also provide relevant information about the functioning of the AKIS and related structures.

3. Annex III to the CAP Strategic Plan referred to in point (c) of Article 95(2) shall include the outcomes of the consultation of the partners, and in particular the relevant authorities at regional and local level, and a brief description of how the consultation was carried out.

4. Where relevant, Annex IV to the CAP Strategic Plan referred to in point (d) of Article 95(2) shall provide a brief description of the crop-specific payment for cotton and its complementarity with the other CAP Strategic Plan interventions.

5. Annex V to the CAP Strategic Plan referred to in point (e) of Article 95(2) shall contain the following:

(a) a short description of additional national financing for interventions in rural development laid down in Chapter IV of Title III which is provided within the scope of the CAP Strategic Plan, including the amounts per intervention and indication of compliance with the requirements under this Regulation; and

(b) an explanation of the complementarity with the CAP Strategic Plan interventions; and

(c) an indication as to whether the additional national financing falls outside the scope of Article 42 TFEU and is subject to State aid assessment.

(d) the national financial assistance in the fruit and vegetable sector referred to in Article 47.

6. Where relevant, Annex VI to the CAP strategic plan referred to in point(d) of Article 95(2) shall contain the following information as regards transitional national aid:

(a) the annual sector-specific financial envelope for each sector for which transitional national aid is granted;

(b) where relevant, the maximum unit rate of support for each year of the period;

(c) where relevant, information as regards the reference period modified in accordance with the Article 132a(2) second subparagraph;

(d) a brief description of the complementarity of the transitional national aid with CAP Strategic Plan interventions.

Article 104

Delegated powers for the content of the CAP Strategic Plan

The Commission is empowered to adopt delegated acts in accordance with Article 138 until 31 December 2023 amending this Chapter as regards the content of the CAP Strategic Plan and its annexes. This empowerment shall be strictly limited to addressing problems experienced by Member States.

Article 105

Implementing powers for the content of the CAP Strategic Plan

The Commission may adopt implementing acts laying down rules for the presentation of the elements described in Articles 96 to 103 in CAP Strategic Plans. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 139(2).

CHAPTER III

APPROVAL AND AMENDMENT OF THE CAP STRATEGIC PLAN

Article 106

Approval of the CAP Strategic Plan

1. Each Member State shall submit to the Commission a proposal for a CAP Strategic Plan, with the content referred to in Article 95 no later than 1 January 2022.

2. The Commission shall assess the proposed CAP Strategic Plan as regards its completeness, its consistency and coherence with the general principles of Union law, with this Regulation and the provisions adopted pursuant to it and with Regulation (EU) [HzR], its effective contribution to the specific objectives set out in Article 6(1) and its impact on the proper functioning of the internal market and distortion of competition, the level of administrative burden on beneficiaries and administration. The assessment shall address, in particular, the adequacy of the strategy of the CAP Strategic Plan, the corresponding specific objectives, targets, interventions and the allocation of budgetary resources to meet the specific CAP Strategic Plan objectives through the proposed set of interventions on the basis of the SWOT analysis and the ex-ante evaluation. The assessment shall exclusively be based on acts which are legally binding on Member States.

3. Depending on the results of the assessment referred to in paragraph 2, the Commission may address observations to the Member States within three months of the date of submission of the CAP Strategic Plan.

   The Member State shall provide to the Commission all necessary additional information and, where appropriate, revise the proposed plan.

4. The Commission shall approve the proposed CAP Strategic Plan provided that the necessary information has been submitted and the Plan is compatible with Article 9 and the other requirements set out in this Regulation and in Regulation (EU) [HzR] as well as the provisions adopted pursuant to them.

5. The approval of each CAP Strategic Plan shall take place no later than six months following its submission by the Member State concerned.

   The approval shall not cover the information referred to in point (c) of Article 101 and in Annexes I to IV to the CAP Strategic Plan referred to in points (a) to (d) of Article 95(2).

   In duly justified cases, a Member State may ask the Commission to approve a CAP Strategic Plan which does not contain all elements. In that case the Member State concerned shall indicate the parts of the CAP Strategic Plan that are missing and provide indicative targets and financial plans as referred to in Article 100 for the whole CAP Strategic Plan in order to show the overall consistency and coherence of the plan. The missing elements of the CAP Strategic Plan shall be submitted to the Commission as an amendment of the plan in accordance with Article 107 within a timeframe which should not exceed three months from the date of approval.

6. Each CAP Strategic Plan shall be approved by the Commission by means of an implementing decision without applying the Committee procedure referred to in Article 139.

7. The CAP Strategic Plans shall only have legal effects after their approval by the Commission.

Article 107

Amendment of the CAP Strategic Plan

1. Member States may submit to the Commission requests to amend their CAP Strategic Plans.

2. Requests for amendment of CAP Strategic Plans shall be duly justified and shall in particular set out the expected impact of the changes to the plan on achieving the specific objectives referred to in Article 6(1). They shall be accompanied by the amended plan including the updated annexes as appropriate.

3. The Commission shall assess the consistency of the amendment with this Regulation and the provisions adopted pursuant to it as well as with Regulation (EU) [HzR] and its effective contribution to the specific objectives.

4. The Commission shall approve the requested amendment to a CAP Strategic Plan provided that the necessary information has been submitted and the amended plan is compatible with Article 9 and the other requirements set out in this Regulation and in Regulation (EU) [HzR], as well as the provisions adopted pursuant to them.

5. The Commission may make observations within 30 working days from the submission of the request for amendment of the CAP Strategic Plan. The Member State shall provide to the Commission all necessary additional information.

6. The approval of a request for amendment of a CAP Strategic Plan shall take place no later than three months after its submission by the Member State.

7. A request for amendment of the CAP Strategic Plan may be submitted once per calendar year subject to possible exceptions provided for in this Regulation or to be determined by the Commission in accordance with Article 109. In addition, three further requests for amendment of the Plan may be submitted during the duration of the CAP Strategic Plan period. This paragraph shall not apply to requests for amendments to submit the missing elements according to Article 106(5).

A request for amendment of the CAP Strategic Plan related to Article 15(3), Article 82(7) and Article 90(3) shall not count for the limitation laid down in the first subparagraph.

A request for amendment of the CAP Strategic Plan related to Article 15(3), Article 82(7) and Article 90(1) points (a) and (b) in relation to EAGF shall take effect as of 1 January of the calendar year following the year of its approval by the Commission and following the respective amendment of the allocations in accordance with Article 81(2).

A request for amendment of the CAP Strategic Plan related to Article 90(1) points (a) and (b) in relation to EAFRD shall take effect after the approval by the Commission and following the respective amendment of the allocations in accordance with Article 83(4).

A request for amendment of the CAP Strategic Plan related to EAGF, other than requests referred to in subparagraph 3, shall take effect from a date to be determined by the Member State that is later than the date of approval by the Commission. Member States may set different date(s) of effect for different elements of the amendment. When determining this date, Member States shall take into account the time limits for the approval procedure laid down in this article and the need of farmers and other beneficiaries to have sufficient time to take into account the amendment. The planned date shall be indicated by the Member State with the request to amend the CAP Strategic Plan and shall be subject to the approval by the Commission in accordance with Article 107(8).

7a. By derogation from paragraphs 2 to 7 and 8 to 9 of this Article, Member States may, at any time, make and apply modifications to elements of their CAP Strategic Plan pertaining to interventions under Chapter IV of Title III, including the eligibility conditions of such interventions, that do not lead to changes of the targets referred to in Article 97(1)(a). They shall notify such modifications to the Commission by the time they start applying them and include them in the next request for amendment of the CAP Strategic Plan in accordance with paragraph 1.

8. Each amendment of the CAP Strategic Plan shall be approved by the Commission by means of an implementing decision without applying the Committee procedure referred to in Article 139.

9. Without prejudice to Article 80, amendments to CAP Strategic Plans shall only have legal effects after their approval by the Commission

10. Corrections of a purely clerical or editorial nature or of obvious errors that do not affect the implementation of the policy and the intervention shall not be considered as a request for amendment. Member States shall inform the Commission of such corrections.

Article 107a

Review of the CAP Strategic Plans

When an amendment is made to any of the legislative instruments listed in Annex XI, each Member State shall assess whether its CAP Strategic Plan should be amended accordingly, in particular the explanation referred to in Article 97(2)(a)(v) and the further elements of the Plan referred to in that explanation. Each Member State shall, within six months after the deadline of transposition of the amendment in case of a Directive listed in Annex XI or within six months after the date of application of the amendment in case of a Regulation listed in Annex XI notify the Commission of the outcome of its assessment with an accompanying explanation and if necessary submit a request to amend its CAP Strategic Plan in accordance with Article 107(2). That amendment shall not be counted in respect of the limit laid down in Article 107(7).

Article 108

Calculation of time limits for Commission actions

For the purposes of this Chapter, where a time limit is set for an action by the Commission, that time limit shall start when all information complying with the requirements laid down in this Regulation and the provisions adopted pursuant to it has been submitted.

This time limit shall not include:

(a) the period which starts on the date following the date on which the Commission sends its observations or a request for revised documents to the Member State and ends on the date on which the Member State responds to the Commission;

(b) for amendments referred to in Article 107, paragraph 7, second subparagraph, the period for the adoption of the delegated act for the amendment of the allocations in accordance with Article 81(2).

Article 109

Delegated powers

The Commission is empowered to adopt delegated acts in accordance with Article 138 supplementing this Chapter as regards:

(b) procedures and time limits for submission to CAP Strategic Plans;

(c) the determination of cases for which the maximum number of amendments referred to in Article 107(7) does not count.

TITLE VI
COORDINATION AND GOVERNANCE

Article 110

Managing Authority

1. Each Member State shall designate a national managing authority (referred to in this Regulation as the 'Managing Authority') for its CAP Strategic Plan.

   Member States may, taking into account their constitutional and institutional provisions, designate regional managing authorities to be responsible for some or all of the tasks referred to in paragraph 2.

   Member States shall ensure that the relevant management and control system has been set up in such a way that it ensures a clear allocation and separation of functions between the Managing Authority and, where relevant, regional managing authorities and other bodies. Member States shall be responsible for ensuring that the system functions effectively throughout the CAP Strategic Plan period.

2. The Managing Authority shall be responsible for managing and implementing the CAP Strategic Plan in an efficient, effective and correct way. In particular, it shall ensure that:

   (a) there is an electronic information system as referred to in Article 117;

   (b) beneficiaries and other bodies involved in the implementation of interventions:

      (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 an operation, where relevant;

      (ii) are aware of the requirements concerning the provision of data to the Managing Authority and the recording of outputs and results;

(c) the beneficiaries concerned are provided, where appropriate by the use of electronic means, with clear and precise information on the statutory management requirements and the minimum GAEC standards established pursuant to Section 2 of Chapter I of Title III to be applied at farm level;

(d) the ex-ante evaluation referred to in Article 125 conforms to the evaluation and monitoring system and is submitted to the Commission;

(e) the evaluation plan referred to in Article 126 is in place, that the ex-post evaluation referred to in that Article is conducted within the time limits laid down in this Regulation, ensuring that such evaluations conform to the monitoring and evaluation system and that they are submitted to the Monitoring Committee referred to in Article 111 and the Commission;

(f) the Monitoring Committee is provided with the information and documents needed to monitor the implementation of the CAP Strategic Plan in the light of its specific objectives and priorities;

(g) the annual performance report is drawn up, including aggregate monitoring tables, and, after the report has been submitted to the Monitoring Committee for opinion, is submitted to the Commission in accordance with Article 8(3)(b) of Regulation (EU) No [HRZ];

(h) relevant follow-up actions on Commission's observations on the annual performance reports are taken;

(i) the paying agency receives all necessary information, in particular on the procedures operated and any controls carried out in relation to interventions selected for funding, before payments are authorised;

(j) beneficiaries under interventions financed by the EAFRD, other than area- and animal-related interventions, acknowledge the financial support received, including the appropriate use of the Union emblem in accordance with the rules laid down by the Commission in accordance with paragraph 5;

(k) publicity is made for the CAP Strategic Plan, including through the national CAP network, by informing:

(i) 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 CAP Strategic Plan and the rules for gaining access to the CAP Strategic Plan funding and

(ii) beneficiaries and the general public of the Union support for agriculture and rural development through the CAP Strategic Plan.

For support financed by the EAGF, as appropriate, Member States shall use the visibility and communication tools and structures used by the EAFRD.

3. Where regional managing authorities referred to in the second subparagraph of paragraph 1 are responsible for the tasks referred to in paragraph 2, the Managing Authority shall ensure appropriate coordination between these authorities with a view to guaranteeing the coherence and consistency of the CAP Strategic Plan design and implementation.

4. The Managing Authority or where relevant the regional managing authorities, as referred to in the second subparagraph of paragraph 1, may delegate tasks to intermediate bodies. In that case, the delegating authority shall retain full responsibility for the efficiency and correctness of the management and implementation of those tasks and ensure that appropriate provisions are in place to allow the other body to obtain all necessary data and information for the execution of those tasks.

5. The Commission may adopt implementing acts laying down uniform conditions for the application of the information, publicity and visibility requirements referred to in points (j) and (k) of paragraph 2.

Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 139(2).

Article 111

Monitoring Committee

1. Each Member State shall set up a national committee to monitor the implementation of the CAP Strategic Plan ('Monitoring Committee') within three months of the date of notification to the Member State of the Commission implementing decision approving a CAP Strategic Plan.

Each Monitoring Committee shall adopt its rules of procedure, which shall include the coordination with regional monitoring committees when set up in accordance with paragraph 4a, and provisions regarding the prevention of conflicts of interest and the application of the principle of transparency.

The Monitoring Committee shall meet at least once a year and shall review all issues that affect the CAP Strategic Plan progress towards achieving its targets.

The Member State shall publish the rules of procedures and the opinions of the Monitoring Committee.

2. Each Member State shall decide the composition of the Monitoring Committee and shall ensure a balanced representation of the relevant public authorities and intermediate bodies and of representatives of the partners referred to in Article 94(3).

Each member of the Monitoring Committee shall have a vote.

The Member State shall publish the list of the members of the Monitoring Committee online.

Representatives of the Commission shall participate in the work of the Monitoring Committee in an advisory capacity.

3. The Monitoring Committee shall examine in particular:

(a) progress in CAP Strategic Plan implementation and in achieving the milestones and targets;

(b) any issues that affect the performance of the CAP Strategic Plan and the actions taken to address those issues, including progress towards simplification and reduction of administrative burden for final beneficiaries;

(c) the elements of the ex-ante assessment listed in Article 52(3) of Regulation (EU) [CPR] and the strategy document referred to in Article 53(1) of Regulation (EU) [CPR];

(d) progress made in carrying out evaluations, syntheses of evaluations and any follow-up given to findings;

(da) relevant information related to the performance of the CAP Strategic Plan supplied by the CAP national network;

(e) the implementation of communication and visibility actions;

(f) administrative capacity building for public authorities and beneficiaries, where relevant.

4. The Monitoring Committee shall give its opinion on:

(b) the methodology and criteria used for the selection of operations;

(c) the annual performance reports;

(d) the evaluation plan and amendments thereof;

(e) any proposal by the managing authority for the amendment of the CAP Strategic Plan.

4b. Where elements are established at regional level, the Member State may set up regional monitoring committees to monitor the implementation of the regional elements and provide the national committee with information in this respect. The provisions laid down in this Article shall apply to these regional committees mutatis mutandis, as regards the elements established at regional level.

Article 112

Technical assistance at the initiative of Member States

1. At the initiative of a Member State, the EAFRD may support actions which are necessary for the effective administration and implementation of support in relation to the CAP Strategic Plan, including establishing and operating the national CAP networks referred to in Article 113(1). The actions referred to in this paragraph may concern previous programming and subsequent CAP Strategic Plan periods.

2. Actions of the Lead Fund authority in accordance with paragraphs (4), (5) and (6) of Article 25 of Regulation (EU) [CPR] may also be supported provided that the community-led local development referred to in Article 25 of Regulation (EU) [CPR] involves support from EAFRD.

3. Technical assistance at the initiative of Member States shall not finance certification bodies in the meaning of Article 11 of Regulation (EU) [HzR].

Article 113

European and national Common Agricultural Policy networks

1. Each Member State shall establish a national Common Agricultural Policy network (national CAP network) for the networking of organisations and administrations, advisors, researchers and other innovation actors, and other actors in the field of agriculture and rural development at national level at the latest 12 months after the approval by the Commission of the CAP Strategic Plan. The national CAP network shall build on the existing networking experience and practices in the Member States.

2. The Commission shall establish a European network for the Common Agricultural Policy (European CAP network) for the networking of national networks, organisations, and administrations in the field of agriculture and rural development at Union level.

3. Networking through the CAP networks shall have the following objectives:

   (a) increase the involvement of all relevant stakeholders in the implementation of CAP Strategic Plans and, where relevant, in their design;

   (b) accompany the Member States' administrations in the implementation of CAP Strategic Plans and the transition to a performance based delivery model;

   (ba) contribute to improving the quality of implementation of CAP Strategic Plans;

   (c) contribute to the information of the public and potential beneficiaries on the CAP and funding opportunities;

   (d) foster innovation in agriculture and rural development and support peer-to-peer learning and the inclusion of, and the interaction between, all stakeholders in the knowledge-exchange and knowledge-building process;

(e) contribute to monitoring and evaluation capacity and activities;

(f) contribute to the dissemination of CAP Strategic Plans results.

The objective set out in point (c) shall be addressed in particular through the national CAP networks.

4. The tasks of the CAP networks for the achievement of the objectives set out in paragraph 3 shall be the following:

(a) collection, analysis and dissemination of information on actions and good practices implemented or supported under CAP Strategic Plans as well as analysis on developments in agriculture and rural areas relevant to the specific objectives set out in Article 6(1);

(b) contribution to capacity building for Member States administrations and of other actors involved in the implementation of CAP Strategic Plans, including as regards monitoring and evaluation processes;

(e) creation of platforms, fora and events to facilitate exchanges of experience between stakeholders and peer-to-peer learning, including where relevant exchanges with networks in third countries;

(f) collection of information and facilitation of its dissemination as well as networking of funded structures and projects, such as local action groups referred to in Article 27 of Regulation (EU) [CPR], Operational Groups of the European Innovation Partnership for agricultural productivity and sustainability as referred to in Article 114(4) and equivalent structures and projects;

(g) support for cooperation projects between EIP Operational Groups, local action groups referred to in Article 27 of Regulation (EU) [CPR] or similar local development structures, including transnational cooperation;

(h) creation of links to other Union funded strategies or networks;

(i) contribution to the further development of the CAP and preparation of any subsequent CAP Strategic Plan period;

(j) in the case of national CAP networks, participating in and contributing to the activities of the European CAP network;

(ja) in the case of the European CAP network, co-operating with and contributing to the activities of the national CAP networks.

5. The Commission shall adopt implementing acts setting out the organisational structure and operation of the European CAP network. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 139(2).

Article 114

European Innovation Partnership for Agricultural Productivity and Sustainability

2. The aim of the European Innovation Partnership for agricultural productivity and sustainability (EIP) shall be to stimulate innovation and improve the exchange of knowledge. The EIP shall support the AKIS referred to in Article 3(k) by connecting policies and instruments to speed up innovation.

3. The EIP shall contribute to achieving the specific objectives set out in Article 6(1) or the cross-cutting objective referred to in Article 5.

4. It shall in particular:

(a) create added value by better linking research and farming practice and encouraging the wider use of available innovation measures;

(b) connect innovation actors and projects;

(c) promote the faster and wider transposition of innovative solutions into practice, including farmer-to-farmer exchange; and

(d) inform the scientific community about the research needs of farming practice.

EIP Operational Groups supported under the cooperation type of intervention referred to in Article 71 shall form part of the EIP. Each Operational Group shall draw up a plan for an innovative project to be developed or implemented. The innovative project shall be based on the interactive innovation model which has as key principles:

(a) developing innovative solutions focusing on farmers' or foresters' needs while also tackling the interactions across the whole supply chain where useful;

(b) bringing together partners with complementary knowledge such as farmers, advisors, researchers, enterprises or non-governmental organisations in a targeted combination as best suited to achieve the project objectives; and

(c) co-deciding and co-creating all along the project.

Operational Groups may act at transnational, including cross-border, level. The envisaged innovation may be based on new but also on traditional practices in a new geographical or environmental context.

Operational Groups shall disseminate a summary of their plans and of the results of their projects, in particular through the CAP networks.

TITLE VII
MONITORING, REPORTING AND EVALUATION

CHAPTER I

PERFORMANCE FRAMEWORK

Article 115

Establishment of the performance framework

1. A performance framework shall be established under the shared responsibility of Member States and the Commission, which shall allow reporting, monitoring and evaluation of the performance of the CAP Strategic Plan during its implementation.

2. The performance framework shall include the following elements:

   (a) a set of common context, output, result and impact indicators as referred to in Article 7 which will be used as the basis for monitoring, evaluation and the annual performance reporting;

   (b) targets and annual milestones established in relation to the relevant specific objective using the relevant result indicators;

   (c) data collection, storage and transmission;

   (d) regular reporting on performance, monitoring and evaluation activities;

   (f) the ex-ante, interim, and ex post evaluations and all other evaluation activities linked to the CAP Strategic Plan.

Article 116

Objectives of the performance framework

The performance framework's objectives shall be to:

(a) assess the impact, effectiveness, efficiency, relevance, coherence and Union added value of the CAP;

(c) monitor progress made towards achieving the targets of the CAP Strategic Plans;

(d) assess the impact, effectiveness, efficiency, relevance and coherence of the interventions of the CAP Strategic Plans;

(e) support a common learning process related to monitoring and evaluation.

Article 117

Electronic information system

Member States shall establish a secure electronic information system or use an existing one in which they shall record and keep key information on the implementation of the CAP Strategic Plan that is needed for monitoring and evaluation, in particular for monitoring progress towards the objectives and targets set, including information on each beneficiary and operation.

Article 118

Provision of information

Member States shall ensure that beneficiaries of support under the CAP Strategic Plan interventions and local action groups referred to in Article 25 of Regulation (EU) [CPR] shall undertake to provide to the Managing Authority or other bodies delegated to perform functions on its behalf, all the information necessary for the purpose of monitoring and evaluation of the CAP Strategic Plan.

Member States shall ensure that comprehensive, timely and reliable data sources are established to enable effective follow-up of policy progress towards objectives using output, result and impact indicators.

Article 119

Monitoring procedures

The Managing Authority and the Monitoring Committee shall monitor the implementation of the CAP Strategic Plan and progress made towards achieving the targets of the CAP Strategic Plan on the basis of the output and result indicators.

Article 120

Implementing powers for the performance framework

The Commission shall adopt implementing acts on the content of the performance framework. Such acts shall include indicators other than those of Annex I which are needed for the appropriate monitoring and evaluation of the policy, the methods for the calculation of indicators set out in and outside of Annex I, and the necessary provisions to guarantee accuracy and reliability of the data collected by Member States. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 139(2).

CHAPTER II

ANNUAL PERFORMANCE REPORTS

Article 121

Annual performance reports

1. Member States shall, in accordance with [Article 8(3) and (4) of Regulation (EU) [HzR]], provide an annual performance report on the implementation of the CAP Strategic Plan in the previous financial year.

   The last annual performance report, to be provided in accordance with [Article 8(3) and (4) of Regulation (EU) HzR], shall comprise a summary of the evaluations carried out during the implementation period.

3. In order to be admissible, the annual performance report shall contain all the information required in paragraphs 4, 4a, 5, 5a, 5b and 6, and, when relevant, 4b. Without prejudice to the annual clearance procedures provided for in Regulation (EU) HzR, the Commission shall inform the Member State concerned within 15 working days from the submission of the annual performance report if it is not admissible, failing which it shall be deemed admissible.

4. Annual performance reports shall set out key qualitative and quantitative information on the implementation of the CAP Strategic Plan by reference to financial data, output and result indicators, including at regional level where relevant.

4a. The quantitative information referred to in paragraph 4 shall include:

   (a) the realised outputs;

(b) the expenditure declared in the annual accounts and relevant to the outputs referred to in point (a), before application of any penalties or other reductions, and for the EAFRD, taking into account reallocation of cancelled or recovered funds pursuant to Article 55 of Regulation [HzR];

(c) the ratio between expenditure referred in point (b) and relevant outputs referred to in point (a) ('realised unit amount');

(d) results and distance to corresponding milestones set in accordance with point (a) of Article 97(1).

The information referred to in points (a), (b) and (c) shall be broken down per unit amount as set out in the CAP Strategic Plan in accordance with point (g) of Article 99, for the purpose of performance clearance. For output indicators used only for monitoring according to Annex I only the information referred to in point (a) shall be included.

4b. For an intervention not covered by the integrated system referred to in Article 63(2) of Regulation [HzR], Member States may, in addition to the information provided under paragraph 4a, decide to provide in each annual performance report:

(a) either the average unit amounts for the operations selected in the previous financial year and the related number of outputs and expenditure; or

(b) the ratio between the total public expenditure excluding additional national financing as referred to in Article 103(5), committed for operations for which payments have been made in the previous financial year and the realised outputs as well as the related number of outputs and expenditure.

This information shall be used by the Commission for the purposes of Articles 38 and 52 of Regulation [HzR] for each of the years when the related operations are paid.

5. The qualitative information referred to in paragraph 4 shall include:

(a) a synthesis of the state of implementation of the CAP Strategic Plan in respect of the previous financial year;

(b) any issues which affect the performance of the CAP Strategic Plan, in particular as regards deviations from milestones, where appropriate, giving reasons and, where relevant, describing the measures taken.

5a. For the purposes of Article 52(2) of Regulation [HzR], Member States may decide to also include under the qualitative information referred to in paragraph 4:

(a) justification of any excess of the realised unit amount compared to the corresponding planned unit amount or, where applicable, the maximum planned unit amount referred to in Article 89 of this Regulation; or

(b) where a Member State decides to make use of one of the possibilities provided in paragraph 4b, justification of any excess of the realised unit amount compared to either the corresponding average unit amount for operations selected or the ratio between the total public expenditure excluding additional national financing as referred to in Article 103(5), committed for operations for which payments have been made in the previous financial year and the related realised outputs, depending on the Member State's choice.

5b. Justification shall be included for the purpose of Article 38(2) of Regulation [HzR] where the excess referred to in point (a) of paragraph 5a is higher than 50%. Alternatively, where a Member State decides to make use of the possibility provided for in paragraph 4b, justification shall be required only where the excess referred to in point (b) of paragraph 5a is higher than 50%.

6. For financial instruments, in addition to the data to be provided under paragraph 4 information shall be provided on:

(a) the eligible expenditure by type of financial product;

(b) the amount of management costs and fees declared as eligible expenditure;

(c) the amount, by type of financial product, of private and public resources mobilised in addition to the EAFRD;

(d) interest and other gains generated by support from the EAFRD contribution to financial instruments as referred to in Article 54 of Regulation (EU) [CPR] and resources returned attributable to support from the EAFRD as referred to in Article56 of that Regulation.

(da) total value of loans, equity or quasi-equity investments in final recipients which were guaranteed with eligible public expenditure excluding additional national financing referred to in Article 103(5) and which were actually disbursed to final recipients.

Where Member States decide to apply paragraph 4b for financial instruments, the information referred to in that paragraph shall be provided at the level of final recipients.

6a. For the purpose of the biennial performance review, the annual performance report shall contain information on the additional national financing referred to in points (a) and (d) of Article 103(5). Such support shall be taken into account for the biennial performance review referred to in Article 121a.

10. The annual performance reports, as well as a summary for citizens of their content, shall be made available to the public.

10a. Without prejudice to the annual clearance procedures provided for in Regulation (EU) [HzR], the Commission may make observations on the admissible annual performance reports within one month from their submission. Where the Commission does not provide observations within that deadline, the reports shall be deemed to be accepted. Article 108 on calculation of time limits for Commission actions shall apply mutatis mutandis.

11. The Commission shall adopt implementing acts laying down rules for the presentation of the content of the annual performance report. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 139(2).

Article 121a

Biennial performance review

1. The Commission shall carry out a biennial performance review based on the information provided in the annual performance reports.

2. Where the value of one or more result indicators reported in accordance with Article 121, that have been used by the Member State concerned for performance review in the CAP Strategic Plan in accordance with Annex I, reveals a shortfall of more than 35% from the respective milestone for financial year 2024 and 25% for financial year 2026, the Member State concerned shall submit a justification for this deviation. Following the assessment of that justification, where necessary, the Commission may ask the Member State concerned to submit an action plan in accordance with Article 39(1) of Regulation (EU) [HzR] describing the intended remedial actions and the expected timeframe.

3. In 2026, the Commission shall review the information provided in the performance reports for financial year 2025. Where the value of one or more result indicators reported in accordance with Article 121, that have been used by the Member State concerned for performance review in the CAP Strategic Plan in accordance with Annex I, reveals a shortfall of more than 35% from the respective milestone for financial year 2025, the Commission may ask the Member State concerned for remedial actions.

Article 122

Annual review meetings

1. Member States shall organise each year a review meeting with the Commission, to be chaired jointly or by the Commission and to take place not earlier than two months after the submission of the annual performance report.

2. The review meeting shall aim at examining the performance of each plan, including progress made towards achieving established targets and available information on relevant impacts, as well as any issues affecting performance and past or future actions to be taken to address them.

CHAPTER IIA

REPORTING FOR THE CROP SPECIFIC PAYMENT FOR COTTON AND THE TRANSITIONAL NATIONAL AID

Article 122a

Annual reporting

By 15 February 2025 and 15 February of each subsequent year until and including 2030 the Member States shall provide to the Commission with the following information on the implementation of the crop-specific payment for cotton laid down in Subsection 2 of Section 3 of Chapter II of Title III in the previous financial year: number of beneficiaries, amount of payment per hectare and number of hectares paid.

Article 122b

Annual reporting on transitional national aid

By 15 February 2025 and 15 February of each subsequent year until and including 2030 the Member State shall provide to the Commission the following information on the implementation of the transitional national aid laid down in Article 132a in the previous financial year for each relevant sector: the number of beneficiaries, the total amount of transitional national aid granted, the hectares, the number of animals or other units for which that aid has been granted.

CHAPTER IV

CAP STRATEGIC PLAN EVALUATION

Article 125

Ex-ante evaluations

1. Member States shall carry out ex-ante evaluations to improve the quality of the design of their CAP Strategic Plans.

2. The ex-ante evaluation shall be carried out under the responsibility of the authority responsible for the preparation of the CAP Strategic Plan.

3. The ex-ante evaluation shall appraise:

   (a) the contribution of the CAP Strategic Plan to the specific objectives set out in Article 6(1) and the cross-cutting objective referred to in Article 5, taking into account national and regional needs and potential for development as well as lessons drawn from implementation of the CAP in previous programming periods;

   (b) the internal coherence of the proposed CAP Strategic Plan and its relationship with other relevant instruments;

(c) the consistency of the allocation of budgetary resources with those specific objectives set out in Article 6(1) and the cross-cutting objective referred to in Article 5 that are addressed by the CAP Strategic Plan;

(d) how the expected outputs will contribute to results;

(e) whether the quantified target values for results and milestones are appropriate and realistic, having regard to the support envisaged from the EAGF and EAFRD;

(i) measures planned to reduce the administrative burden on beneficiaries;

(j) where relevant, the rationale for the use of financial instruments financed by the EAFRD.

4. The ex-ante evaluation may incorporate the requirements for the SEA set out in Directive 2001/42/EC taking into account climate change mitigation needs.

Article 126

Evaluation of CAP Strategic Plans during the implementation period and ex post

1. Member States shall carry out evaluations of the CAP Strategic Plans during implementation and ex-post to improve the quality of the design and implementation of the plans. Member States shall assess their CAP Strategic Plan's effectiveness, efficiency, relevance, coherence, Union added value and impact in relation to their contribution to the CAP general and those specific objectives set out in Articles 5 and 6(1) which are addressed by the CAP Strategic Plan. The CAP Strategic Plan's overall impact shall be assessed by the ex-post evaluation only.

2. Member States shall entrust evaluations to functionally independent experts.

3. Member States shall ensure that procedures are in place to produce and collect the data necessary for evaluations.

5. Member States shall draw up an evaluation plan providing indications on intended evaluation activities during the implementation period.

6. Member States shall submit the evaluation plan to the Monitoring Committee no later than one year after the adoption of the CAP Strategic Plan.

7. The Managing Authority shall be responsible for completing a comprehensive ex-post evaluation of the CAP Strategic Plan by 31 December 2031.

8. Member States shall make all evaluations available to the public.

CHAPTER V

PERFORMANCE ASSESSMENT BY THE COMMISSION

Article 127

Performance assessment and evaluation

1. The Commission shall establish a multiannual evaluation plan of the CAP to be carried out under its responsibility. That evaluation plan shall also cover the measures under Regulation (EU) No 1308/2013.

1a. The Commission shall submit to the European Parliament and to the Council a summary report of Member States' CAP Strategic Plans before 31 December 2023. The report shall include an analysis of the joint effort and collective ambition of Member States to address the specific objectives set out in Article 6(1), in particular those mentioned in points (d), (e), (f) and (i) thereof.

1b. By December 2025 the Commission shall submit a report to the European Parliament and the Council in order to assess the operation of the new delivery model by the Member States and consistency and combined contribution of Member States strategic plans' interventions to achieve environmental and climate commitments of the Union. When necessary the Commission shall issue recommendations to the Member States to facilitate the achievement of these commitments.

2. The Commission shall carry out an interim evaluation to examine the effectiveness, efficiency, relevance, coherence and Union added value of the EAGF and the EAFRD by 2026 taking into account the indicators set out in Annex I. The Commission may make use of all relevant information already available in accordance with Article 128 of Regulation (EU, Euratom) 2018/1046.

3. The Commission shall carry out an ex-post evaluation to examine the effectiveness, efficiency, relevance, coherence and Union added value of the EAGF and the EAFRD.

4. Based on evidence provided in evaluations on the CAP, including evaluations on CAP Strategic Plans, as well as other relevant information sources, the Commission shall present a report on the interim evaluation, including first results on the performance of the CAP, to the European Parliament and the Council by the end of 2027. A second report including an assessment of the performance of the CAP shall be presented by 31 December 2031.

Article 128

Reporting based on a core set of indicators

In compliance with the reporting requirement pursuant to Article 41(3)(h)(iii) of Regulation (EU, Euratom) 2018/1046, the Commission shall present to the European Parliament and the Council the performance information referred to in that Article measured by the core set of indicators set out in Annex XII of this Regulation.

Article 129

General provisions

1. Member States shall provide the Commission with the available information necessary to enable it to perform the monitoring and evaluation of the CAP referred to in Article 127.

2. Data needed for the context and impact indicators shall primarily come from established data sources, such as the Farm Accountancy Data Network and Eurostat. Where data for these indicators are not available or not complete, the gaps shall be addressed in the context of the European Statistical Program established under Regulation (EC) No 223/2009 of the European Parliament and of the Council[36], the legal framework governing the Farm Accountancy Data Network or through formal agreements with other data providers such as the Joint Research Centre and the European Environment Agency.

3. Data from administrative registers, such as the integrated system referred to in Article 63(2) of Regulation (EU) [HzR], the identification system for agricultural parcels referred to in Article 66 of that Regulation, and animal and vineyard registers, shall also be used for statistical purposes, in cooperation with statistical authorities in Member States and with Eurostat.

4. The Commission may adopt implementing acts, laying down rules on the information to be sent by Member States, taking into account the need to avoid any undue administrative burden, as well as rules on the data needs and synergies between potential data sources. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 139(2).

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36 Regulation (EC) No 223/2009 of the European Parliament and of the Council of 11 March 2009 on European statistics and repealing Regulation (EC, Euratom) No 1101/2008 of the European Parliament and of the Council on the transmission of data subject to statistical confidentiality to the Statistical Office of the European Communities, Council Regulation (EC) No 322/97 on Community Statistics, and Council Decision 89/382/EEC, Euratom establishing a Committee on the Statistical Programs of the European Communities (OJ L 87, 31.3.2009, p. 164).

TITLE VIII
COMPETITION PROVISIONS

Article 130

Rules applying to undertakings

Where support under Title III of this Regulation is granted to forms of cooperation between undertakings, it may be granted only to such forms of cooperation which comply with the competition rules as they apply by virtue of Articles 206 to 210 of Regulation (EU) No 1308/2013.

Article 131

State aid

1. Save as otherwise provided for in this Title, Articles 107, 108 and 109 TFEU shall apply to support under this Regulation.

2. Articles 107, 108 and 109 TFEU shall not apply to support provided by Member States pursuant to and in accordance with this Regulation, or to additional national financing referred to in Article 132 of this Regulation falling within the scope of Article 42 TFEU.

Article 132

Additional national financing

Support provided by Member States in relation to operations falling within the scope of Article 42 TFEU that is intended to provide additional financing for interventions in rural development laid down in Chapter IV of Title III for which Union support is granted at any time during the CAP Strategic Plan period may only be made if it complies with this Regulation and is included in Annex V to the CAP Strategic Plans approved by the Commission.

Member States shall not provide support for interventions in sectors laid down in Chapter III of Title III of this Regulation except where it is explicitly provided for in that chapter.

Article 132a

Transitional national aid

1. Member States having granted transitional national aid in the period 2015-2022 in accordance with Article 37 of Regulation (EU) No 1307/2013 may continue to grant transitional national aid to farmers.

2. The conditions for granting transitional national aid shall be identical to those referred to in Article 37(3) of Regulation (EU) No 1307/2013.

   By way of derogation from the first subparagraph, where the conditions for granting transitional national aid referred to in the first subparagraph related to a reference period, Member States may decide to modify the reference period to no later than year 2018.

3. The total amount of transitional national aid that may be granted per sector shall be limited to the following percentage of the level of payments in each of the sector-specific financial envelopes as authorised by the Commission in accordance with Article 132(7) or Article 133a(5) of Regulation (EC) No 73/2009 in 2013:

   - 50% in 2023,
   - 45% in 2024,
   - 40% in 2025,
   - 35% in 2026,
   - 30% in 2027.

   For Cyprus, the percentage shall be calculated on the basis of the sector-specific financial envelopes set out in Annex XVIIa to Regulation (EC) No 73/2009.

TITLE IX
GENERAL AND FINAL PROVISIONS

CHAPTER I

GENERAL PROVISIONS

Article 134

Measures to resolve specific problems

1. In order to resolve specific problems, the Commission shall adopt implementing acts which are both necessary and justifiable in an emergency. Such implementing acts may derogate from provisions of this Regulation, to the extent and for such a period as is strictly necessary. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 139(2).

2. On duly justified imperative grounds of urgency, and in order to resolve such specific problems as referred to in paragraph 1 while ensuring the continuity of the CAP Strategic Plan in the case of extraordinary circumstances, the Commission shall adopt immediately applicable implementing acts in accordance with the procedure referred to in Article 139(3).

3. Measures adopted under paragraph 1 or 2 shall remain in force for a period not exceeding twelve months. If after this period the specific problems referred to in those paragraphs persist, the Commission may, in order to establish a permanent solution, submit an appropriate legislative proposal.

4. The Commission shall inform the European Parliament and the Council of any measure adopted under paragraph 1 or 2 within two working days of its adoption.

Article 135

Application to the outermost regions and the smaller Aegean islands

1. Chapter II of Title III does not apply to the outermost regions.

2. For direct payments granted in the outermost regions of the Union in accordance with Chapter IV of Regulation (EU) No 228/2013 and in the smaller Aegean islands in accordance with Chapter IV of Regulation (EU) No 229/2013, point (a) and (b) of Article 3, point (a), (b) and (d) and the second sentence of point (c) of Article 4(1), Section 2 of Chapter I of Title III and Title IX of this Regulation shall apply. Point (a), (b) and (d) of Article 4(1) and Section 2 of Chapter I of Title III shall apply without any obligations related to the CAP Strategic Plan.

CHAPTER II

INFORMATION SYSTEM AND PROTECTION OF PERSONAL DATA

Article 136

Exchange of information and documents

1. The Commission, in collaboration with Member States, shall establish an information system to enable the secure exchange of data of common interest between the Commission and each Member State.

2. The Commission shall ensure that there is an appropriate secure electronic system in which key information and report on monitoring and evaluation can be recorded, maintained and managed.

3. The Commission shall adopt implementing acts, laying down rules for the operation of the system referred to in paragraph 1. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 139(2).

Article 137

Processing and protection of personal data

1. Without prejudice to Articles [96, 97 and 98] of Regulation (EU) [HzR] Member States and the Commission shall collect personal data for the purpose of carrying out their respective management control, monitoring and evaluation obligations under this Regulation, and in particular those laid down in Titles VI and VII, and shall not process this data in a way which is incompatible with this purpose.

2. Where personal data are processed for monitoring and evaluation purposes under Title VII using the secure electronic system referred to in Article 136, they shall be made anonymous.

3. Personal data, including when such data is processed by providers of farm advisory services referred to in Article 13, shall be processed in accordance with the rules of Regulations (EC) No 2018/1725 and (EU) No 2016/679. In particular, such data shall not be stored in a form which permits identification of data subjects for longer than is necessary for the purposes for which they were collected or for which they are further processed, taking into account the minimum retention periods laid down in the applicable national and Union law.

4. Member States shall inform the data subjects that their personal data may be processed by national and Union bodies in accordance with paragraph 1 and that in this respect they enjoy the data protection rights provided by Regulations (EC) No 2018/1725 and (EU) No 2016/679.

CHAPTER III

DELEGATIONS OF POWER AND IMPLEMENTING PROVISIONS

Article 138

Exercise of 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 Articles [4, 7, 12, 32, 35, 36, 37, 41, 50, 78, 81, 83, 104, 109 and 141] shall be conferred on the Commission for a period of seven years from the date of entry into force of this Regulation. The Commission shall draw up a report in respect of the delegation of power not later than nine months before the end of the seven-year period. The delegation of power shall be tacitly extended for periods of an identical duration, unless the European Parliament or the Council opposes such extension not later than three months before the end of each period.

3. The delegation of powers referred to in Articles [4, 7, 11, 12, 28, 32, 35, 36, 37, 41, 50, 78, 81, 83, 94, 110, 120 and 141] 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. Before adopting a delegated act, the Commission shall consult experts designated by each Member State in accordance with the principles laid down in the Interinstitutional Agreement of 13 April 2016 on Better Law-Making.

5. As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and to the Council.

6. A delegated act adopted pursuant to Articles [4, 7, 12, 32, 35, 36, 37, 41, 50, 78, 81, 83, 104, 109 and 141] 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 139

Committee procedure

1. The Commission shall be assisted by a committee called 'Common Agricultural Policy 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.

   In the case of acts referred to in Articles 120 and 129(4) where the Committee delivers no opinion, the Commission shall not adopt the draft implementing act and the third subparagraph of Article 5(4) of Regulation (EU) No 182/2011 shall apply.

3. Where reference is made to this paragraph, Article 8 of Regulation (EU) No 182/2011, in conjunction with Article 5 thereof, shall apply.

CHAPTER IV

TRANSITIONAL AND FINAL PROVISIONS

Article 140

Repeals

1. Regulation (EU) No 1305/2013 is repealed with effect from 1 January 2023.

However, it shall, subject to [the Transitional Regulation ….XXX], continue to apply to the implementation of rural development programmes pursuant to Regulation (EU) No 1305/2013[37] until 31 December 2025. It shall, under the same conditions, apply to expenditure incurred by the beneficiaries and paid by the paying agency in the framework of these rural development programmes until 31 December 2025.

Article 32 and Annex III of Regulation (EU) No 1305/2013 shall continue to apply in respect of the designation of areas facing natural and other specific constrains. References to the rural development programs shall be read as references to the CAP Strategic Plans.

Until the networks referred to in Article 113 of this Regulation are established, the European network for rural development, the European Innovation Partnership network and the national rural networks referred to in Articles 52, 53 and 54 of Regulation (EU) No 1305/2013 may carry out, in addition to the activities referred to in those Articles, the activities referred to in Article 113 and 114 of this Regulation.

When the networks referred to in Article 113 of this Regulation are established, they may carry out until 31 December 2025, in addition to the activities referred to in Articles113 and 114 of this Regulation, the tasks referred to in Article 52(3), Article 53(3) and Article 54(3) of Regulation (EU) No 1305/2013 related to the implementation of the rural development programmes pursuant to Regulation (EU) No 1305/2013.

[37] The way in which references to Regulation 1305/2013 are made in this act needs to be further examined from a legal/technical point of view.

2. Regulation (EU) No 1307/2013 is repealed with effect from 1 January 2023.

However, it shall continue to apply in respect of aid applications relating to claim years starting before 1 January 2023.

3. The references made in this Regulation to Regulation (EC) No 73/2009 and Regulation (EC) No 1307/2013 shall be understood as being made to those Regulations such as they were in force before their repeal.

Article 140a

Eligibility of certain types of expenditure relating to the CAP Strategic Plan period

1. Expenditure relating to legal commitments to beneficiaries incurred under the measures referred to in Article 31 of Regulation (EC) No 1257/1999 or in Articles 39 or 43 of Council Regulation (EC) No 1698/2005 which are receiving support under Regulation (EU) No 1305/2013 may continue to be eligible for an EAFRD contribution in the period 2023-2027, subject to the following conditions:

   (a) such expenditure is provided for in the respective CAP Strategic Plan in accordance with this Regulation and complies with Regulation (EU) [HzR];

   (b) the EAFRD contribution rate of the intervention set in the CAP Strategic Plan in accordance with this Regulation to cover those measures, applies;

   (c) the integrated system referred to in Article 63(2) of Regulation (EU) [HzR] applies to the legal commitments undertaken under measures that correspond to the area- and animal-based types of interventions listed in Chapters II and IV of Title III of this Regulation and the relevant operations are clearly identified; and

   (d) the payments for the legal commitments referred to in point (c) are made within the period laid down in Article 42 of Regulation (EU) [HzR].

2. Expenditure relating to legal commitments to beneficiaries incurred under the measures referred to in Article 23 of Council Regulation (EC) No 1698/2005 may continue to be eligible for an EAFRD contribution in the period 2023-2027, subject to the conditions that:

(a) such expenditure is notified to the Commission as an additional information in the part of the CAP Strategic Plan dedicated to the intervention strategy, referred to in Article 97, and by indicating the expenditure in the financial plan of the CAP Strategic Plan referred to in Article 100(2);

(aa) it complies with Regulation (EU) No 1306/2013 that shall continue to apply with regard to such expenditure[38], and

(b) the EAFRD contribution rate established in the CAP Strategic Plan pursuant to Article 85(2)(d) of this Regulation applies.

3. Expenditure relating to legal commitments to beneficiaries incurred under the multiannual measures referred to in Articles 22, 28, 29, 33 and 34 of Regulation (EU) No 1305/2013 may be eligible for an EAFRD contribution in the period 2023-2027, subject to the following conditions:

(a) such expenditure is provided for in the respective CAP Strategic Plan in accordance with this Regulation and complies with Regulation (EU) [HzR];

(b) the EAFRD contribution rate of the intervention set in the CAP Strategic Plan in accordance with this Regulation to cover those measures, applies;

(c) the integrated system referred to in Article 63(2) of Regulation (EU) [HzR] applies to the legal commitments undertaken under measures that correspond to the area- and animal-based types of interventions listed in Chapters II and IV of Title III of this Regulation and the relevant operations are clearly identified; and

[38] The question of where to introduce the continued application of Regulation (EU) No. 1306/2013 needs to be further examined from a legal-technical point of view.

(d) the payments for the legal commitments referred to in point (c) are made within the period laid down in Article 42 of Regulation (EU) [HzR].

4. Expenditure relating to legal commitments to beneficiaries incurred under the measures referred to in Articles 14 to 18, points (a) and (b) of Article 19(1), Article 20, Articles 23 to 27, 35, 38, 39 and 39a of Regulation (EU) No 1305/2013, Article 35 of Regulation (EU) No 1303/2013 [and Article 4 of Regulation EU [XXXX/XXXX] [Transitional Regulation]][39] for a time period going beyond 1 January 2026 may be eligible for an EAFRD contribution in the period 2023-2027, subject to the following conditions:

(a) such expenditure is provided for in the respective CAP Strategic Plan in accordance with this Regulation with the exception of Article 68(3)(g) and complies with Regulation (EU) [HzR];

(b) the EAFRD contribution rate of the intervention set in the CAP Strategic Plan in accordance with this Regulation to cover those measures, applies.

5. Expenditure relating to legal commitments to beneficiaries incurred under the multiannual measures referred to in Articles 28 and 29 of Regulation (EU) No 1305/2013 may be eligible for support from the EAGF in the period 2023- 2027, subject to the following conditions:

(a) such expenditure is provided for in the respective CAP Strategic Plan in accordance with Article 28 (6) b) and complies with Regulation (EU) [HzR];

(b) the integrated system referred to in Article 63(2) of Regulation (EU) [HzR] applies to the legal commitments undertaken under measures that correspond to schemes for the climate, the environment and animal welfare as referred to in Article 28 of this Regulation and the relevant operations are clearly identified;

[39] Dependant of the fact that Art. 4 will be part of the Transitional Regulation or not (dependant on adoption of new CPR Regulation).

(c) the payments for the legal commitments referred to in point bare made within the period laid down in Article 42 of Regulation (EU) [HzR].

Article 140b

Transition for financial allocations for types of interventions in certain sectors

3. As from the date from which a CAP Strategic Plan has legal effects in accordance with Article 106(7) of this Regulation, the sum of the payments made in a financial year within each of the aid schemes referred to in Articles 29 to 31 and Articles 39 to 60 of Regulation (EU) No 1308/2013 and within each of the types of interventions for certain sectors referred to in points (b) to (e) of Article 39 of this Regulation shall not exceed the financial allocations laid down in Article 82 of this Regulation for each financial year for each of the types of interventions for certain sectors referred to in points (b) to (e) of Article 39 of this Regulation.

Article 140c

Eligibility of expenditure for multi-funded community-led local development

By way of derogation from Articles 80 (1) and 106 (7), expenditure incurred under Article 25 (2) (c) and (3) of Regulation XXXX/XXXX [New CPR Regulation] in combination with Article 71 (1)(b) and Article 2 (2) of this Regulation shall be eligible for contribution from the EAFRD as of the date of submission of the CAP Strategic Plan provided that the support is paid by the paying agency as of 1 January 2023. Regulation (EU) No 1306/2013 shall apply in respect of such expenditure from the date of submission of the CAP Strategic Plan until 31 December 2022.

Article 141

Transitional measures

The Commission is empowered to adopt delegated acts in accordance with Article 138 supplementing this Regulation with measures to protect any acquired rights and legitimate expectations of beneficiaries to the extent necessary for the transition from the arrangements provided for in Regulations (EU) No 1305/2013, (EU) No 1307/2013 and (EU) No 1308/2013 to those laid down in this Regulation. Those transitional rules shall in particular lay down the conditions under which support approved by the Commission under Regulations (EU) No 1305/2013 and (EU) No 1308/2013 may be integrated into support provided for under this Regulation, including for technical assistance and for the ex post evaluations.

Article 141a

Review of Annex XI

By 31 December 2025 the Commission shall review the list in Annex XI in view of the Union acquis in the area of environment and climate existing at that time and, where appropriate, make legislative proposals to add additional legislation to that list.

Article 142

Entry into force and application

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

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

Done at [Strasbourg],

For the European Parliament	*For the Council*
The President	*The President*