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NOTE

From: Presidency
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Subject: Regulation on CAP Strategic Plans
- Advisory Services and Rural Development

Delegations will find in the Annex a Presidency discussion paper on the abovementioned subject for an exchange of views at the Special Committee on Agriculture on 7 October 2019.

The Annex to the Annex contains drafting suggestions of the Finnish Presidency on Articles 13, 64-66, 68-71, 73-74 and 76.

PRESIDENCY DISCUSSION PAPER ON ADVISORY SERVICES AND RURAL DEVELOPMENT

The objective of this paper is to provide the Special Committee on Agriculture (SCA) with a basis for discussion on aspects of Farm advisory services (Article 13) and rural development, especially concerning investments (Article 68). It includes questions on which the SCA is invited to exchange views and, in its annex, Presidency drafting suggestions on the Articles in question.

This Presidency discussion paper takes into account:

- the Romanian Presidency's drafting suggestions (10103/1/19 REV 1) and Member States' written comments regarding these suggestions;
- Member States' written comments sent in September 2019;
- Discussions at the Working Party on Horizontal Agricultural Questions (WP HAQ) on 12 and 25 September 2019.

1. ADVISORY SERVICES (Article 13)**State of play**

According to the Commission proposal, Member States shall include in their CAP Strategic Plan a system providing public or private services for advising farmers and other beneficiaries of CAP support on land management and farm management ('farm advisory services'). They may make use of existing systems.

The farm advisory services shall cover a whole range of issues, including use of the digital Farm Sustainability Tool for Nutrients (FaST). The Presidency considers that well-functioning advisory services and the nutrient tool can contribute to increasing the CAP's overall environmental and climate ambition.

Most Member States support the integration of FaST into the farm advisory services rather than its inclusion in the conditionality requirements, as the Commission has proposed. However, many Member States consider that the description of the required content of FaST is too detailed. In their view, it should describe the scope and content in a general manner rather than to prescribe in detail the tools to be used by Member States.

Some Member States would like to use their already existing national tools instead of FaST. The main objective should be that farmers can use a tool to improve plant nutrition management, either an existing system or a new tool to be developed with the support of the Commission.

The new FaST should be designed in cooperation between the Commission and Member States. The Presidency has asked the Commission to organise an expert workshop on FaST so that Member States can benefit from all the required expertise and exchange information.

The modifications the Finnish Presidency is suggesting for Article 13 are set out in the Annex to this paper.

Questions for the debate:

- Do you consider detailed provisions on FaST necessary? Would the text in paragraph 4(fa) be sufficient?
- Can Member States accept the other modifications suggested for Article 13?

2. RURAL DEVELOPMENT, ESPECIALLY INVESTMENTS (Article 68)

State of play

Article 68 Investments

Member States may grant support for tangible and intangible investments in the agricultural and non-agricultural sectors. Support may cover both productive and non-productive investments. The main elements under discussion are:

- Purchase of land (Article 68(3)(c))

The Romanian Presidency introduced a limited exception for purchase of land not exceeding an amount of 10 % of the total eligible expenditure for the operation concerned. Land purchase was also made eligible for all farmers (not only for young farmers) through the use of financial instruments.

Some Member States are against the possibility to support purchase of land, as it might increase land prices and capitalization of the support to land.

As one of the specific objectives of the CAP is to support young farmers and to speed up their installation, the Presidency is proposing that the exception in Article 68(3)(c) regarding land purchase be limited only to environmental conservation purposes and land purchase by young farmers through the use of financial instruments.

- Maximum rate of support (Article 68(4))

Only a general maximum support rate of 75 % of the eligible cost is set despite the wide variety of the different types of investments covered. Some Member States opposed the maximum support rate of 75 % and proposed, for productive investments, a rate of 40 % or 60%, with certain exemptions, but most Member States are in favour of a maximum of 75%.

The Member States who opposed the rate of 75 % argued that it seems to be too high in some cases, especially for productive investments in the agricultural sector and it could lead to distortions of competition. According to these Member States, the rate could be differentiated by increasing the maximum rate by region type (less developed areas, areas with natural constraints) or beneficiaries (young farmers) as in Annex II to Regulation (EU) No 1305/2013.

The Commission explained that similar detailed classification as in the present Regulation does not fit to the proposed structure where many details are not set in the basic Regulation. However, Member States have the possibility to set different support rates (below 75%). They need to justify their choices in their CAP Strategic Plans and the Commission has the power to scrutinise them in the approval process.

Article 68(4) offers also the possibility to raise the maximum support rate up to 100 % for certain investments. The Presidency suggests to include in the list:

- in point a) investments aimed at protecting livestock against predation and
- in point d) Operational Group projects of the European Innovation partnership for agricultural productivity and sustainability (as referred to in article 71a) and
- in point e) the specification that only non-productive investments in off farm and forestry infrastructure, land consolidation and improvement would be eligible.

The Presidency has also made a number of drafting suggestions mainly of a technical nature to Articles 64, 65, 69, 71, 72, 73, 74 and 76. In addition, in the light of Member States' views, the word “shall” has been changed into “may” without brackets in Article 70 (Risk management). All changes compared to the latest drafting suggestions by the Romanian Presidency (10103/19) are highlighted in grey.

Questions to Member States:

- Do you accept the return to the original Commission proposal as regards restricting the eligibility of land purchase only to young farmers using financial instruments and for environmental conservation purposes?

 - Can you accept the maximum support rate of 75 % of eligible costs, considering that different support rates could be applied depending on the targeting of the support, and the suggestions for changes in the list concerning the maximum of 100 % support rate?
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Article 13

Farm advisory services

1. Member States shall include in the CAP Strategic Plan a system providing **public or private** services for advising farmers and other beneficiaries of CAP support on land management and farm management ('farm advisory services'). **Member States may make use of existing systems.**
2. The farm advisory services shall cover economic, environmental and social dimensions and deliver up to date technological and scientific information developed by research and innovation. They shall be integrated within the ~~interrelated services of farm advisors, researchers, farmer organisations and other relevant stakeholders that form the Agricultural Knowledge and Innovation Systems (AKIS).~~
3. Member States shall ensure that the farm advice given is impartial and that advisors have no conflict of interest.
4. The farm advisory services 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 ~~support schemes~~ **interventions** as well as information on financial instruments and business plans established under the CAP Strategic Plan;

- (b) the requirements as ~~defined~~ **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 Council¹ 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"²;
 - (d) risk management ~~as referred to in Article 70~~;
 - (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;
 - (f) ~~development of~~ digital technologies in agriculture and rural areas as referred to in Article 102(b);
- fa) at the latest as from {2023} use of the Farm Sustainability Tool for Nutrients to be developed by the Commission together with the Member States. Alternatively, Member States may use another tool that meets the same objective. The Commission may support the Member States with data storage and processing services requirements.**

¹ 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).

² "A European One Health Action Plan against Antimicrobial Resistance (AMR)" (COM(2017) 339 final).

5. The tool referred to in point (fa) of paragraph 4 shall be a digital application that provides a nutrient balance based on relevant information of the farm, legal requirements on nutrients and available information from soil analyses. The tool shall be as far as possible automatically integrated with other relevant digital sources, such as LPIS and IACS, and may enable a two-way communication between farmers and the appropriate paying agency/ management authority. It shall guarantee the privacy and the security of the data of the end-users and, if possible, able to support and interact with other additional digital applications for farm sustainability.

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 ~~be the following~~ **consist in support with regard to:**

- (a) environmental, climate and other management commitments;
- (b) natural or other area-specific constraints;
- (c) ~~A~~ area-specific disadvantages resulting from certain mandatory requirements;
- (d) investments;
- (e) installation of young farmers, ~~and~~ rural business start-up **and development of small farms;**

- (f) risk management tools;
- (g) cooperation;
- (h) knowledge exchange and information.

Article 65

Environmental, climate and other management commitments

1. Member States ~~may grant payments for environmental, climate and other management commitments~~ **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 their CAP Strategic Plans.
2. ~~Member States shall include agri-environment-climate commitments in their CAP Strategic Plans.~~
3. ~~Member States may make support under this type of interventions available throughout their territories, in accordance with their national, regional or local specific needs.~~
4. Member States shall only grant payments to farmers ~~and~~ **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).
5. Under this ~~type of interventions~~ **Article**, Member States shall only provide payments covering commitments which:
 - (a) go beyond the relevant statutory management requirements and standards of good agricultural and environmental condition 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 28.
6. Member States shall ~~compensate~~ **determine the payments to be made to farmers and other beneficiaries for** **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**. ~~Where necessary, they may also cover~~ transaction costs. In duly justified cases, Member States may grant support as a flat-rate or as a one- off payment per unit. ~~Payments shall be granted annually.~~
7. 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 ~~and~~ **or** in a measurable way.
8. Commitments shall be undertaken for a period of five to seven years. However, where necessary in order to achieve or maintain certain environmental benefits sought, 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.

~~In exceptional and duly justified cases,~~ **For animal welfare commitments, for commitments for the conservation, sustainable use and development of genetic resources, for conversion to organic farming,** and 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.

8a. 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.

9. Where support under this ~~type of interventions~~ **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 and forest environmental and climate services, Member States shall establish a payment per hectare. **In duly justified cases or for other commitments, Member States may apply other units than hectares.**

~~10. Member States shall ensure that persons carrying out operations under this type of interventions have access to the knowledge and information required to implement such operations.~~

~~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(4).
2. ~~These~~ **Any such** payments shall be granted to ~~genuine~~ farmers in respect of areas designated pursuant to Article 32 of Regulation (EU) No 1305/2013.

By way of derogation from the first subparagraph, in duly justified cases Member States may redesignate the areas subject to natural or other area-specific constraints according to the conditions provided for in Article 32 of Regulation (EU) No 1305/2013.*

3. Member States may only grant payments under this ~~type of interventions~~ **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.

* Recital (40) should be adapted accordingly.

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 and 2009/147/EC or Directive 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(4).
2. ~~These~~ **Any such** payments ~~may~~ **shall** be granted to farmers; ~~or other beneficiaries, forest holders and other land managers~~ in respect of areas with disadvantages referred to in paragraph 1. **In the forestry sector payments shall only be granted to forest holders, forest managers and their associations.**
3. When ~~defining~~ **determining** areas with disadvantages Member States may include 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 ~~type of interventions~~ **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 any 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 standards of good agricultural and environmental condition 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 ~~21~~ as referred to in Annex III, and standards of good agricultural and environmental condition 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 ~~type of interventions~~ **Article** for **those** tangible and/or intangible investments, ~~which~~ **that** contribute to achieving **one or more of** the specific objectives set out in Article 6. ~~Support to the forestry sector shall be based on a forest management plan or equivalent instrument.~~

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 forest management as understood by the Ministerial Conference on the Protection of Forests in Europe of 1993.

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 ~~or~~ **and** land purchase by **young** farmers through the use of financial instruments;
 - (d) purchase of ~~animals~~ **livestock, with the exception of endangered breeds as defined in Article 2(24) of Regulation (EU) No 2016/1012,** annual plants and their planting other than for the purpose of restoring agricultural or forestry potential following natural disaster and catastrophic events;

- (e) interest rate on debt, except in relation to grants given in the form of an interest rate subsidy or guarantee fee subsidy;
- (f) investments in irrigation which are not consistent with the achievement **and maintenance** of good status of water bodies, as laid down in Article 4(1) of Directive 2000/60/EC, including expansion of irrigation affecting water bodies whose status has been defined as less than good in the relevant river basin management plan **for reasons related to quantity**;
- (g) investments in large-scale infrastructures, **as determined by the Member States**, not being part of **community-led** local development strategies **set out in Article 26 of Regulation [CPR], except for broadband, renewable energy and flood and coastal protection**;
- (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.

{By way of derogation from point (f) investments in irrigation may be made eligible if an ex-ante environmental analysis shows that there will be no significant negative environmental impact from the investment. Such an environmental impact analysis shall be carried out by the competent authority or be approved by it.}

4. Member States shall limit the support to the maximum rate of 75 % of the eligible costs.

The ~~maximum~~ support rate may be increased **to a maximum of 100%** for the following investments:

- (a) afforestation 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 investments aimed at protecting livestock against predation**;
- (b) investments in basic services in rural areas, **as determined by the Member States**;
- (c) investments in the restoration of agricultural or forestry potential following natural disasters or catastrophic events and investments in appropriate preventive actions in forests and in the rural environment;
- (d) 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;**
- (e) non-productive investments in off farm forestry infrastructure, land consolidation and improvement.**

5. Where Union law imposes 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 agricultural holding.

Article 69

Installation of young farmers, ~~and~~ rural business start-up **and development of small farms**

1. Member States may grant support for the installation of young farmers, ~~and~~ rural business start-up **and development of small farms** 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.
2. Member States may only grant support under this ~~type of interventions~~ **Article** to help:
 - (a) the installation of young farmers who fulfil the conditions **provided for by the Member State in its CAP Strategic Plan in accordance with** ~~included in the definition set out in~~ point (e) of Article 4(1);
(aa) the development of small farms, as determined by the Member States;
 - (b) the start-up of rural business linked to agriculture and forestry or farm household income diversification **into non-agricultural activities;**
 - (c) the business start-up of non-agricultural activities in rural areas, **as determined by the Member States** ~~being part of 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 ~~combined with financial instruments~~ **differentiated in accordance with objective criteria.**

Article 70

Risk management tools

1. Member States ~~shall~~ **may** grant support for risk management tools under the conditions set out in this Article and as further specified in their CAP Strategic Plans, **based on their assessment of needs following the SWOT analysis.**
2. ~~Member States shall grant s~~Support **granted** under this ~~type of interventions~~ **Article** in order ~~to~~ **shall** promote risk management tools, which help ~~genuine~~ farmers manage production and income risks related to their agricultural activity which are outside their control, ~~and which~~ **It shall** 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 in line with their assessment of needs and,** in particular, ~~the following support~~ **for**:
 - (a) financial contributions to premiums for insurance schemes;
 - (b) financial contributions to mutual funds, including 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 ~~insurance schemes and mutual funds~~ **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.
6. Member States shall limit the support to the maximum rate of 70% of the eligible costs.
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 ~~to implement~~ Operational Group ~~projects~~ **operations** of the European Innovation Partnership for agricultural productivity and sustainability as referred to in Article 114; ~~and~~
 - (b) **prepare and implement** LEADER, referred to as community-led local development in Article 25 of Regulation (EU) [CPR]*; ~~;~~
 - (c) ~~and to promote~~ **and support** quality schemes **and their use by farmers**; ~~;~~
 - (d) **support** producer organisations or producer groups; ~~;~~
 - (e) **support** other forms of cooperation. ~~;~~

* The Presidency also proposes to amend recital (45) as follows: "[...] community supported agriculture; **all** actions within the scope of LEADER; and the setting up of producers groups and producer organisations [...]".

2. Member States may only grant support under this ~~type of interventions~~ **Article** to promote forms of cooperation which involves at least two ~~entities~~ **actors** and which contributes to achieving **one or more of** the specific objectives set out in Article 6.
3. Member States may cover under this ~~type of interventions~~ **Article** the costs related to all aspects of the cooperation.
4. Member States may grant the support as an overall amount covering the cost of cooperation and the cost of the ~~projects and~~ operations implemented, **including investment costs**, or they may cover only the costs of the cooperation and use funds from other types of intervention, national or Union support instruments for project implementation.

Where support is paid as an overall amount, Member States shall ensure that the relevant rules and requirements for similar operations covered under other types of interventions for rural development as set out in Articles 65, 66, 67, 68, 69, 70 and 72 of this Regulation are respected.

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, 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 Member States shall ensure that the relevant Union rules and requirements for similar operations covered under the type of interventions for investments as set out in Article 68 of this Regulation are respected.

- ~~5. Where support is paid as an overall amount, Member States shall ensure that Union rules and requirements pertaining to similar actions covered under other types of interventions are respected. This paragraph does not apply to LEADER, referred to as community-led local development in Article 25 of Regulation (EU) [CPR].~~

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, 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 set ~~under~~ **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).

Article 72

Knowledge exchange and information

1. Member States may grant support for ~~agricultural, forestry and rural business~~ knowledge exchange and information **in agricultural, forestry, and rural businesses and communities, as well as for the protection of nature, environment and climate, including environmental education and awareness actions,** under the conditions set out in this Article and as further specified in their CAP Strategic Plans.
2. **Support u**~~nder this type of interventions~~ **Article** Member States may cover costs of any relevant action to promote innovation, ~~access to training and advice,~~ **drawing up and updating of plans, studies, as well as** ~~and exchange and dissemination of knowledge and information which contribute to achieving~~ **one or more of** the specific objectives set out in Article 6.

Support for advisory services shall only be granted for advisory services that comply with the third paragraph of Article 13.

3. ~~Member States shall limit the support to a maximum of 75% of the eligible costs.*~~

~~By way of derogation from the first subparagraph, i~~In the case of setting-up of farm 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.**

4. ~~By way of derogation from paragraph 3, in outermost regions and other duly justified cases Member States may apply a higher rate or a higher amount than that set in in that paragraph to achieve the specific objectives set out in Article 6.~~

5. ~~In the case of support to the setting-up of farm advisory services, Member States shall ensure that the 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. The Managing Authority of the CAP Strategic Plan, **authorities at regional level** or ~~other~~ designated intermediate bodies shall define selection criteria for interventions relating to the following types of interventions: investments, installation of young farmers, ~~and~~ rural business start-and up **and development of small farms**, knowledge exchange and information, after consultation of the Monitoring Committee referred to in Article 111. 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.

* No limitation to aid intensity is foreseen anymore.

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, **authorities at regional level or designated intermediate bodies** set out in the 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 s**Selection criteria ~~may not be defined~~ for operations that have received a Seal of Excellence certification under Horizon 2020 or Horizon Europe or have been selected under Life +, provided that such operations are consistent with the CAP Strategic Plan.
5. Operations shall not be selected 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. **Member States shall set the starting date of eligibility of costs.**
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

General 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.**

- ~~12.~~ Where support is granted in the form of financial instruments ~~as laid down in Article 52 of Regulation (EU) [CPR]~~, 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 2 to 5 shall apply.

~~2.~~ ~~Where support under the types of interventions of this Chapter is granted in the form of financial instruments as laid down in Article 52 of Regulation (EU) [CPR], Member States shall respect the requirements set out in the following paragraphs.~~

3. In accordance with Article 52(2) of Regulation (EU) [CPR] and by way of derogation from Article ~~62~~68(2) of this Regulation, working capital, standalone or as part of an operation, may be eligible expenditure.

For activities falling within the scope of Article 42 TFEU, working capital may be eligible expenditure with a gross grant equivalent of up to EUR 200 000 over any period of three fiscal years, without prejudice to any support rates laid down in this Regulation.

4. Where an operation receives a combination of support in the form of financial instruments and grants, the maximum applicable support rate shall apply to the combined support provided to the operation and the combined eligible expenditure declared by the Member State shall not exceed 100% of the eligible cost of the operation.

5. Eligible expenditure of a financial instrument shall be the total amount of CAP Strategic Plan contributions paid, or, in the case of guarantees, set aside as agreed in guarantee contracts, by the financial instrument within the eligibility period, where that amount corresponds to:

- (a) payments to, or for the benefit of, final recipients, in the case of loans, equity and quasi-equity investments;

- (b) resources set aside as agreed in guarantee contracts, whether outstanding or already come to maturity, in order to honour possible guarantee calls for losses, calculated based on a multiplier ratio covering a multiple amount of 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 any 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.

For the purposes of point (b) of this paragraph, the multiplier ratio shall be established in a prudent ex-ante risk assessment and agreed in the relevant funding agreement. The multiplier ratio may be reviewed, if 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 and/or specific funds, in accordance with Article 53(3) of Regulation (EU) [CPR], are selected through a direct award of contract, the amount of management cost and fees paid to these bodies that ~~can~~ **may** be declared as eligible expenditure shall be subject to a threshold of [up to 5%] of the total amount of CAP Strategic Plan contributions disbursed to final recipients in loans, equity or quasi-equity investments or set aside as agreed in guarantee contracts.

This threshold shall not apply where the selection of bodies implementing financial instruments is made through a competitive tender in accordance with the applicable law and the competitive tender establishes the need for higher level of management costs and fees.

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 or combined with InvestEU

1. ~~In accordance with Article 10 of Regulation (EU) [CPR] and the requirements set out in this Article,~~ 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,** the amount to be **contributed to and** delivered through InvestEU. The amount to be ~~delivered through~~ **contributed to** InvestEU shall not exceed **[5%]** of the total EAFRD allocation, ~~except in duly justified cases.~~ The CAP Strategic Plan shall contain the justification of the use of the InvestEU ~~budgetary guarantees~~ **and its contribution to the achievement of the policy objectives under the CAP Strategic Plan.**

~~In addition to~~ **As part of** the allocations referred to in the first subparagraph Member States may allocate part of the technical assistance as set out in Article ~~41~~**286(3)** to be contributed to InvestEU for the corresponding InvestEU Assistance for activities set out in the contribution agreement referred to in Article [9] of [InvestEU Regulation].

2. For the requests for an amendment of a CAP Strategic Plan ~~referred to in Article 107,~~ only resources of future years may be identified.

~~Resources of 2026 and 2027 shall not be used for allocations under paragraph 1.~~

3. The amount referred to in the first subparagraph of paragraph 1 shall be used for the provisioning of the part of the EU guarantee under the Member State compartment **upon conclusion of the contribution agreement referred to in article 9(2) of the Regulation ...[InvestEU Regulation].**

4. Where a contribution agreement, as set out in Article [9] of the [InvestEU Regulation], has not been concluded by ~~31 December 2021~~ **within the deadline set out in the second subparagraph of paragraph 2 of Article 9 of the Regulation [InvestEU Regulation]** for an amount referred to in paragraph 1 **allocated in the CAP Strategic plan referred to in Article 106**, the Member State shall submit a request for amendment of the CAP Strategic Plan in accordance with Article 107, to use the corresponding amount.

The contribution agreement for an amount referred to in paragraph 1 allocated in the request of the amendment of a CAP Strategic Plan shall be concluded simultaneously with the adoption of the decision amending the CAP ~~p~~**Strategic Plan**.

5. Where a guarantee agreement, as set out in Article [9] of the [InvestEU Regulation], has not been concluded within ~~[9]~~**nine** months from the approval of the contribution agreement, **the contribution agreement shall be terminated or prolonged by mutual agreement. In case the contribution agreement is terminated**, the respective amounts paid into the common provisioning fund as a provisioning shall be ~~transferred back to the CAP Strategic Plan~~ **recovered as internal assigned revenue pursuant to Article 21 (3)(b) of Regulation (EU, Euratom) 2018/1046** and the Member State shall submit a corresponding request for amendment of the CAP Strategic Plan **to use the corresponding amounts**.

The modification of the contribution agreement shall be concluded simultaneously with the adoption of the decision amending the CAP Strategic Plan.

- 5a. Where the participation of a Member State in Invest EU is partially or totally discontinued, the Member State shall submit a request for an amendment of the CAP Strategic Plan to use the amounts to the future annual tranches originally scheduled for the contribution to InvestEU. The modification of the contribution agreement shall be concluded simultaneously with the adoption of the decision amending the CAP Strategic Plan.**

6. Where a guarantee agreement, as set out in Article [9] of the [InvestEU Regulation], has not been ~~fully~~**duly** implemented within [four years] from the signature of the guarantee agreement, the Member State may request that amounts committed in the guarantee agreement but not covering underlying loans, **equity investments** or other risk bearing instruments shall be treated in accordance with paragraph 5.
7. Resources generated by or attributable to the amounts contributed to InvestEU ~~and delivered through budgetary guarantees~~ shall be made available to the Member State and shall be used **in the form of financial instruments and budgetary guarantees** ~~for repayable forms of support~~ in accordance with the CAP Strategic Plan.
- 8. The automatic decommitment time limit as provided for in Article 32 of [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 support is 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, ~~a body~~**bodies** that ~~is~~**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

Simplified Cost Options **Forms of grants**

1. Without prejudice to Articles 65, 66, 67, ~~and 69~~, **74 and 75**, the support granted 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.

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 ~~following types of interventions for rural development:~~

- ~~(a)~~—management commitments as referred to in Article 65 **for genetic resources and animal welfare**;
 - ~~(b)~~—investments as referred to in Article 68;
 - ~~(c)~~—cooperation as referred to in Article 71.
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