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PROPOSAL

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To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union
No. Cion doc.:	COM(2018) 392 final
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

Delegations will find attached document COM(2018) 392 final.

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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

{SEC(2018) 305 final} - {SWD(2018) 301 final}

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

• Reasons for and objectives of the proposal

The Commission proposal for the Multiannual Financial Framework (MFF) for 2021-2027 (the MFF proposal)[1] sets the budgetary framework and main orientations for the Common Agricultural Policy (CAP). On this basis, the Commission presents a set of regulations laying down the legislative framework for the CAP in the period 2021-2027, together with an impact assessment of alternative scenarios for the evolution of the policy. These proposals provide for a date of application as of 1 January 2021 and are presented for a Union of 27 Member States, in line with the notification by the United Kingdom of its intention to withdraw from the European Union and Euratom based on Article 50 of the Treaty on European Union received by European Council on 29 March 2017.

The latest reform of the CAP was decided in 2013 and implemented in 2015. Since then, the context in which that reform was forged has shifted significantly. In particular:

Agricultural prices have fallen substantially – depressed by macroeconomic factors, geopolitical tensions and other forces.

The emphasis of trade negotiations has moved more visibly from multilateral to bilateral deals and the EU has become more open to world markets.

The EU has signed up to new international commitments – e.g. concerning climate change mitigation (through COP 21) and broad aspects of international development (through the UN's Sustainable Development Goals – SDGs), as well as efforts to better respond to other geopolitical developments including migration.

These shifts have prompted a public debate about whether the 2013 reform goes far enough to help the CAP adequately meet broad ongoing challenges related to the economic health of the farm sector, care for the environment, action over climate change, and a strong and economic and social fabric for the EU's rural areas – especially in view of emerging opportunities for action in the areas of trade, the bioeconomy, renewable energy, the circular economy and the digital economy.

The CAP must be modernised to meet these challenges, simplified to do so with a minimum of administrative burden, and made even more coherent with other EU policies to maximise its contribution to the ten Commission Priorities and the Sustainable Development Objectives. Indeed, as the Commission recalled in its recent Communication on the MFF, a modernised Common Agricultural Policy will need to support the transition towards a fully sustainable agricultural sector and the development of vibrant rural areas, providing secure, safe and high-quality food for over 500 million consumers. Europe needs a smart, resilient, sustainable and competitive agricultural sector in order to ensure the production of safe, high-quality, affordable, nutritious and diverse food for its citizens and a strong socio-economic fabric in

[1] [COM(2018) 322 final- MFF Regulation].

rural areas. A modernised Common Agricultural Policy must enhance its European added value by reflecting a higher level of environmental and climate ambition and addressing citizens' expectations for their health, the environment and the climate.

As foreseen in its Program of Work for 2017, the Commission consulted widely on the simplification and modernisation of the CAP to maximise its contribution to the Commission's ten priorities and to the Sustainable Development Goals (SDGs). This focused on specific policy priorities for the future without prejudice to the financial allocations for the CAP in the next MFF. The process included a large consultation, as well as analysis of available evidence on the performance of the CAP, including the relevant REFIT Platform opinions.

The outcome was presented in the Communication adopted on 29 November 2017 and entitled "the Future of Food and Farming". The Communication enables a structured dialogue on the future CAP in EU Institutions as well as with stakeholders. This policy document outlined challenges, objectives and possible avenues for a "future-proof" CAP that needs to be simpler, smarter and modern, and lead the transition to a more sustainable agriculture.

In particular, the Commission identified higher environmental and climate action ambition, the better targeting of support and the stronger reliance on the virtuous Research-Innovation-Advice nexus as top priorities of the post-2020 CAP. It also proposed as a way to improve the performance of the CAP a new delivery model (NDM) to shift the policy focus from compliance to performance, and rebalances responsibilities between the EU and the Member State level with more subsidiarity. The new model aims at better achieving EU objectives based on strategic planning, broad policy interventions and common performance indicators, thus improving policy coherence across the future CAP and with other EU objectives.

• **Consistency with existing policy provisions in the policy area**

Article 39 TFEU sets out the objectives of the CAP:

- to increase agricultural productivity by promoting technical progress and by ensuring the rational development of agricultural production and the optimum utilisation of the factors of production, in particular labour;
- thus to ensure a fair standard of living for the agricultural community, in particular by increasing the individual earnings of persons engaged in agriculture;
- to stabilise markets;
- to assure the availability of supplies;
- to ensure that supplies reach consumers at reasonable prices.

This proposal is fully consistent with the CAP Treaty objectives. It modernises and simplifies the way the Treaty provisions are implemented.

• **Consistency with other Union policies**

Agriculture and forestry cover 84% of the EU territory. The sectors both depend on and influence the environment. Therefore, a number of the proposed CAP specific objectives will trigger environmental and climate action in line with the respective EU policies.

It is well known that consumption patterns have an influence on public health. Via its link to food and sometimes also the way food is produced agricultural policies are linked to health policies. The proposals reinforce the links to health policy, in particular as regards healthy diets and the decrease of the use of anti-microbials.

The EU is a major importer of commodities and an exporter of valuable agriculture and food products and has therefore an impact on food systems outside the EU. The proposal, in line with Art 208 of TFEU, takes into account the EU development cooperation's objectives of poverty eradication and sustainable development in developing countries, in particular by ensuring that EU support to farmers has no or minimal trade effects.

Finally, like in other sectors, agriculture and rural areas can make better use of new technology and knowledge, in particular of digital technologies. The proposals reinforce the links to research policy by putting the organisation of knowledge exchange prominently in the policy delivery model. Similarly, the emphasis placed on digitisation allows linking up to the EU Digital Agenda.

2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

• Legal basis

Articles 42 and 43(2) TFEU as regards CAP Plan Regulation.

• Subsidiarity (for non-exclusive competence)

The Treaty on the Functioning of the European Union provides that the competence for agriculture is shared between the Union and the Member States, while establishing a common agricultural policy with common objectives and a common implementation. The current CAP delivery system relies on detailed requirements at EU level, and features tight controls, penalties and audit arrangements. These rules are often very prescriptive, down to farm level. In the Union's highly diversified farming and climatic environment, however, neither top-down nor one-size-fits-all approaches are suitable to delivering the desired results and EU added value.

In the delivery model in this proposal, the Union sets the basic policy parameters (objectives of the CAP, broad types of intervention, basic requirements), while Member States bear greater responsibility and are more accountable as to how they meet the objectives and achieve agreed targets.

Greater subsidiarity will make it possible to better take into account local conditions and needs, against such objectives and targets. Member States will be in charge of tailoring CAP interventions to maximise their contribution to EU objectives. While maintaining current governance structures – that must continue to ensure an effective monitoring and enforcement of the attainment of all policy objectives - the Member States will also have a greater say in designing the compliance and control framework applicable to beneficiaries (including controls and penalties).

• Proportionality

The economic, environmental and social challenges facing the EU's farm sector and rural areas require a substantial response which does justice to the EU dimension of those challenges. The greater power of choice to be offered to MS in selecting and adapting available policy tools within the CAP to meet objectives, in a more results-based model, should make it even less likely that the CAP oversteps a proportionate level of action.

- **Choice of the instrument**

Since the original acts are all European Parliament and Council regulations the amendments must be introduced by European Parliament and Council regulation.

3. RESULTS OF EX-POST EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS

- **Ex-post evaluations/fitness checks of existing legislation**

The CAP is deeply rooted in the construction and in the development of the European Union (EU). Established in the early sixties around goals enshrined in the Treaty, it has since undergone several waves of reforms to improve the competitiveness of the agricultural sector, to foster rural development, to address new challenges and to better reply to societal demands. The latest major reform was adopted in 2013. In the **2013 reform**, the **general objectives of the CAP were** streamlined around three blocks:

i. Viable food production

ii. Sustainable management of natural resources and climate action

iii. Balanced territorial development

To assess progress towards achieving the above objectives and identify future challenges, a wide consultation process encouraged a structured debate with all stakeholders, including non-agricultural actors. Furthermore, evidence on the performance of the CAP was gathered from a wealth of information available on the CAP (briefly summarised in Box 1 below), which served as background for assessing the achievements and shortcomings of the CAP over the years, but especially with respect to its most recent reform. This concerns in particular:

- evidence collected through the Common Monitoring and Evaluation and Framework (CMEF) which serves for measuring the performance of the CAP[2];

- A series of evaluation studies scheduled over the current Multiannual Financial Framework (2014-2020) to assess current CAP objectives, with first findings available in 2017/18[3].

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[2] Established by Article 110 of Regulation (EU) No 1306/2013 of the European Parliament and 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, as well as by Commission Implementing Regulation (EU) No 834/2014 of 22 July 2014 laying down rules for the application of the common monitoring and evaluation framework of the common agricultural policy.

[3] European Commission (2017) Evaluation and studies plan 2017-2021, Direction General for Agriculture and Rural Development.

Results concerning progress towards targets and corresponding financial envelopes available in the Annual Implementation Reports (AIR) for Rural Development.

- Additional background documents, data, facts, figures relevant for the impact assessment have been published on the internet page of DG AGRI[4].

- **Stakeholder consultations**

An open public consultation was held with more than 322.000 submissions, structured dialogue with stakeholders, five expert workshops, opinions of the REFIT Platform, contributions from the European Economic and Social Committee, the Committee of the Regions, and from National Parliaments. The process also took into account recommendations of the Agricultural Market Task Force (AMTF)[5] and the Cork Conference on Rural Development (2016).[6]

- **Collection and use of expertise**

In order to gather evidence/knowledge from experts on CAP-related issues a set of specialised workshops were organised between March 2017 and February 2018. These workshops allowed to exchange views between experts and Commission officials, and to advance in the formulation of the key conclusions/ issues to take into account in the modernisation and simplification process.

The five issues to be tackled by workshops were selected in order to cover the most relevant areas where gaps on knowledge and disagreements on policy approaches had been detected. The workshops were designed according to a similar methodology based on the following:

(1) collection of the latest evidence available at the level of experts, academics, practitioners and international institutions;

(2) focus on practical experiences on the ground;

(3) assessment on the potential of new technologies/approaches to improve future policy design in the specific area covered.

The summaries of the workshops and presentations are available at:
https://ec.europa.eu/agriculture/events/cap-have-your-say/workshops_en

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4 See:
https://ec.europa.eu/agriculture/statistics/facts-and-figures_en
https://ec.europa.eu/agriculture/sites/agriculture/files/consultations/cap-modernising/eco_background_final_en.pdf
https://ec.europa.eu/agriculture/sites/agriculture/files/consultations/cap-modernising/env_background_final_en.pdf
https://ec.europa.eu/agriculture/sites/agriculture/files/consultations/cap-modernising/soc_background_final_en.pdf

5 Report of the Agricultural Markets Task Force (the AMTF report) (2016), 'Improving Market Outcomes: Enhancing the Position of Farmers in the Supply Chain'.

6 European Commission (2016) Cork 2.0: European Conference on Rural Development, https://ec.europa.eu/agriculture/events/rural-development-2016en.

Workshop 1: Best practices addressing environmental and climate needs (23/24 March 2017)

This two-day workshop involved a wide range of experts on the environmental and climate challenges. It examined:

- tools available for assessing the environmental needs;
- methods to improve the uptake of the measures (with a focus on the role of behavioural approaches).

Workshop 2: Risk management (18/19 May 2017)

This two-day workshop tried to advance in the collection of evidence in the debate on the tools to support the farming community to better face the production, price and income risks. It examined:

- the challenges of the EU market safety net and the recent developments in the risk management system in force in the US;
- the case of future markets in the EU, the EU agricultural insurance and reinsurance sector, the case of a public-private partnership and a crop insurance scheme;
- behavioural aspects of risk management.

Workshop 3: Food and related issues (31 May 2017)

The Workshop on food and related issues examined the CAP's alignment to health policy and its capacity to facilitate farmers' adaptation to changes in consumption patterns. In particular Anti-Microbial Resistance warrants increased attention.

Workshop 4: Socio-economic issues (9 June 2017)

The workshop on socio-economic issues focused on the analysis of the dynamics of growth and jobs in EU agri-food sector. It examined the links between global agriculture and food value chains in the EU from both a conceptual perspective and a practical perspective, based on case-studies.

Workshop 5: Measuring the CAP environmental and climate performance (26 February 2018)

The workshop examined what basic policy objectives can be set at EU level, how they can be implemented at Member State level, and how they can be monitored, controlled and evaluated.

- **Impact assessment**

The impact assessment supporting the legislative proposals, as well as the opinions of the Regulatory Scrutiny Board (RSB), are available on the following site:
List of impact assessments and the accompanying opinions of the Regulatory Scrutiny Board

The RSB initially issued a negative opinion. While appreciating the ambition to modernise and simplify the CAP and the in-depth analysis of different scenarios that usefully highlight the trade-offs between the policy objectives, the Board considered that the report should better explain the rationale, feasibility and functioning of the proposed new delivery model. The required complements were added in the impact assessment report, including in a special Annex on the proposals for the new delivery model. On this basis, the RSB gave a positive opinion with reservations. While acknowledging improvements in the report, the Board requested further specifications on the precise safeguards for mitigating the identified risks. Annex 1 of the impact assessment report (Staff Working Document) spells out adjustments undertaken to meet the requirements of the Board.

Different policy options are presented and discussed in the impact assessment report. There is no preferred option in the impact assessment. Instead various combinations of elements of the proposals were tested in the different options to see what optimum mix could be distilled.

The options essentially test contrasted approaches to achieve the identified objectives:

1. varying levels of environmental and climate ambition, focussing on the potential effects of obligatory and voluntary systems of delivery;

2. different ways to support farm income and in particular its distribution between different farmers, focussing on the potential effects on small and medium-sized farms.

3. broader socio-economic interventions, in particular under the rural development policy, as well as cross-cutting approaches for modernisation.

The first option tests the potential of a voluntary eco-scheme to increase environmental and climate ambition. It also examines the potential role of risk management tools with lower direct payments in supporting farmers' income. Two sub-options reflect different MS environmental ambitions and approaches to direct payments within the new delivery model.

In another option, direct payments are better targeted and the implementation of conditionality is more ambitious in order to improve the joint economic and environmental performance of the CAP, as well as address climate challenges. Sub-options are also developed to illustrate possible differences in MS ambition regarding environmental and climate objectives.

A final option places strong emphasis on environmental care and employment – and shifts the focus on small and medium size farmers as a way to keep jobs in rural areas. MS are obliged to allocate 30% of pillar I payments to provide top ups for four schemes that would be voluntary for farmers - organic farming, permanent grassland, Areas with Natural Constraints (ANC) and linear landscape elements, to further encourage climate action and sustainable management of natural resources.

The impact assessment points out the difficult trade-offs that are inherent to a policy addressing so many diverse objectives, when basic parameters are significantly changed.

A key basic parameter is the level of CAP support. The cut of 5% proposed by the Commission in its May 2018 Communication for the 2021-2027 MFF is within the range considered in the impact assessment.

With respect to farm income, both the level and the distribution of support matter. Securing an adequate level of support and thus farm income remains a key element for the future, in order to ensure food security, environmental and climate ambition, as well as rural vitality. **Better targeting of support** to small and medium sized farms and areas with natural constraints can help keeping more jobs on farms and farming activity on the whole territory, hence strengthening the socio-economic fabric of rural areas. Capping and convergence can improve the distribution of direct payments. It is clear that any option that significantly redistributes direct payments towards farms and regions of lower productivity will, in the short-term, lead to a reduction of EU competitiveness, while it enhances the protection of the environment. Less clear, however, is the appropriate combination of measures that could mitigate negative income effects while at the same time better addressing challenges that are also pertinent for agriculture - such as environment and climate, or societal expectations. This requires incentivising adjustments that improve both the socio-economic as well as the environmental performance of the sector.

Contributions from the stakeholder consultation and analyses demonstrate that this is possible, provided that the necessary accompanying measures addressing a **higher environmental and climate action ambition** enable the adoption of best practices (in both conventional and other forms of farming) that include knowledge, innovation and the latest pertinent technology.

On the basis of the assumptions and choices made in the analysis, there are potential trade-offs in the achievement of economic, environmental and social objectives of the CAP, as well as with respect to its desired modernisation and simplification. In summary, redistribution could lead to manageable income impacts, and support the desired increased ambition of environmental and climate action and other **CAP synergies**. This, however, would require that the sector and the policy grasp the opportunities offered by innovation and technologies already allowing modernisation and simplification.

Other assumptions and choices would certainly alter detailed results, but not the main underlying message – that *the preferred option for the future CAP should combine the most performing elements of the various options, but avoid their weaknesses by introducing the necessary safeguards to ensure an EU level-playing field*. This implies the need for clear criteria for the level and the distribution of income support (e.g. capping and/or degressivity), the climate and environmental ambition, conditionality, the incentives for modernisation and the appropriate degree of subsidiarity/simplification.

- **Regulatory fitness and simplification**

The complexity of the current policy implementation to a large extent is linked to the stress on compliance with detailed rules, laid down at EU level. The proposed new delivery model will remove the layer of EU level eligibility criteria for support which will allow the Member States to define eligibility conditions that are most suited to their particular circumstances. This is expected to produce a substantial simplification.

Historically the CAP developed in successive reforms into different instruments. Sometimes the coordination of these instruments has proved to be difficult. Under the current proposal all the different support elements of the CAP are brought together into one single and coherent framework which will reduce the administrative burden of the CAP implementation.

- **Fundamental rights**

The proposal respects the fundamental rights and observes the principles recognised in particular by the Charter of Fundamental Rights of the European Union.

4. BUDGETARY IMPLICATIONS

The Commission proposal on the multiannual financial framework for 2021-2027 (COM(2018) 322 final) provides that a significant part of the EU budget should continue to be dedicated to agriculture, which is a common policy of strategic importance. Thus, in current prices, it is proposed that the CAP should focus on its core activities with EUR 286.2 billion allocated to the EAGF and EUR 78.8 billion for the EAFRD.

These agricultural funds are complemented by additional funding from Horizon Europe, as the proposed envelope for this program includes EUR 10 billion to support research and innovation in food, agriculture, rural development and the bioeconomy. A new agricultural reserve will be established in the EAGF to finance additional support for the agricultural sector. Unused amounts of the reserve in one year shall be carried over to the following.

As regards distribution of the direct payments among Member States, it is proposed that all Member States with direct payments below 90% of the EU average will see a continuation of the process started in the period of 2014-2020 and will close 50% of the existing gap to 90%. All Member States will contribute to financing this external convergence of direct payments levels. The Member States' allocations for direct payments in the CAP Strategic Plan regulation are calculated on this basis.

For rural development, it is proposed to rebalance the financing between the EU and Member States' budgets. In line with what is foreseen for the European Structural and Investment Funds, an increase in national co-financing rates will allow keeping public support to European rural areas largely unchanged. The distribution of EAFRD support is based on objective criteria linked to the policy objectives and taking into account the current distribution. As is the case today, less developed regions should continue to benefit from higher co-financing rates, which will also apply to certain interventions such as LEADER and the payments for management commitments.

A certain level of flexibility for transfers between allocations will be offered to the Member States. Up to 15% of respective direct payments can be transferred to EAFRD allocation and vice versa. A higher percentage can be transferred from direct payments to EAFRD allocation for interventions addressing environmental and climate objectives and installation grants for young farmers.

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

5. OTHER ELEMENTS

- **Implementation plans and monitoring, evaluation and reporting arrangements**

A shift towards a more performance-oriented policy requires the establishment of a solid performance framework that, based on a set of common indicators, will allow the Commission to assess and monitor the performance of the policy. The current **Common Monitoring and Evaluation Framework (CMEF)** and the current monitoring system of Direct Payments and Rural Development would be used as a basis for monitoring and assessing policy performance, but they will have to be streamlined and further developed (including consistency between the two pillars). Further investment into developing appropriate indicators and ensuring sufficient data streams would be needed.

A new **Performance Monitoring and Evaluation Framework (PMEF)** will cover all instruments of the future CAP: the CAP Strategic Plans as well as those elements of the CAP not covered by the CAP Strategic Plans (some parts of the Common Markets Organisation, specific schemes). Performance would be measured in relation to the Specific Objectives of the policy by using a set of common indicators.

The new model will be organised around the following principles:

- Context indicators remain pertinent, as they reflect relevant aspects of the general trends in the economy, environment and society, and are likely to have an influence on performance.

- A selection of a limited, but more targeted set of indicators should be made primarily in a way to choose those that reflect as closely as possible whether the supported intervention contributes to achieving the objectives versus established baseline and using clear definitions.

- Overall policy performance will be assessed multi-annually on the basis of impact indicators. Annual policy performance follow-up will rely on the full list of result indicators.

- Output indicators would annually link expenditure with the performance of policy implementation. The latter is an annual exercise, and relies on a list of (primarily already available) output indicators.

- The reliability of relevant performance indicators can be facilitated by synergies between statistical and administrative data, but requires the presence of a system of quality controls.

In essence, what is being proposed is a shift in responsibilities and opportunities within a common framework, clearly defined and enforced, to deliver on more than one key objective at the same time, namely simplification, result-orientation (rather than compliance) and policy efficiency and effectiveness.

An annual performance review is foreseen as the key element of the ongoing monitoring and steering of policy implementation. In order to make an annual performance review operational, adequate output indicators and result indicators will have to be submitted jointly in an annual report on the implementation of the CAP Strategic Plan, the so-called *Annual Performance Report*. MS will report annually on realised output and expenditure as well as distance to targets set for the whole period, expressed as values of result indicators.

Evaluations will be carried out in line with paragraphs 22 and 23 of the Inter-institutional agreement for Better Law-Making of 13 April 2016, where the three institutions confirmed that evaluations of existing legislation and policy should provide the basis for impact assessments of options for further action. The evaluations will assess the program's effects on the ground based on the program indicators/targets and a detailed analysis of the degree to which the program can be deemed relevant, effective, efficient, provides enough EU added value and is coherent with other EU policies. They will include lessons learnt to identify any lacks/problems or any potential to further improve the actions or their results and to help maximise their exploitation/impact.

- **Explanatory documents (for directives)**

Not relevant.

- **Detailed explanation of the specific provisions of the proposal**

The proposal concerns three regulations:

- 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) (hereinafter: CAP Strategic Plan Regulation)

- Regulation of the European Parliament and of the Council on the financing, management and monitoring of the common agricultural policy and repealing Regulation (EU) No 1306/2013 (hereinafter: CAP Horizontal Regulation)

- Regulation of the European Parliament and of the Council amending Regulations (EU) No 1308/2013 establishing a common organisation of the markets in agricultural products, (EU) No 1151/2012 on quality schemes for agricultural products and foodstuffs, (EU) No 251/2014 on the definition, description, presentation, labelling and the protection of geographical indications of aromatised wine products, (EU) No 228/2013 laying down specific measures for agriculture in the outermost regions of the Union and (EU) No 229/2013 laying down specific measures for agriculture in favour of the smaller Aegean islands. (hereinafter: Amending Regulation)

These regulations combined adjust the CAP by aligning its objectives to the Juncker priorities and the SDGs while at the same time simplifying the policy implementation. The CAP will become more adjusted to local circumstance by the removal of eligibility condition for support at EU level. Member States will be able to define most eligibility conditions at national level to make them appropriate for their specific circumstances. At the same time, the administrative burden linked to controls will be reduced by limiting the direct link between EU level eligibility conditions and the final beneficiaries.

With the aim of further improving the sustainable development of farming, food and rural areas, the CAP general objectives focus on the economic viability, the resilience and income of farms, on an enhanced environmental and climate performance, and on the strengthened socio-economic fabric of rural areas. Moreover, fostering knowledge, innovation and digitalisation in agriculture and rural areas is a cross-cutting objective.

The new CAP will pursue the following specific objectives:

(a) Support viable farm income and resilience across the EU territory to enhance food security;

(b) enhance market orientation and increase competitiveness including greater focus on research, technology and digitalisation ;

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

(d) Contribute to climate change mitigation and adaptation, as well as sustainable energy;

(e) Foster sustainable development and efficient management of natural resources such as water, soil and air;

(f) Contribute to the protection of biodiversity, enhance ecosystem services and preserve habitats and landscapes;

(g) Attract young farmers and facilitate business development in rural areas;

(h) Promote employment, growth, social inclusion and local development in rural areas, including bio-economy and sustainable forestry;

(i) Improve the response of EU agriculture to societal demands on food and health, including safe, nutritious and sustainable food, as well as animal welfare.

To deliver on these objectives Member States shall ensure simplification and performance of CAP support. They will design interventions that are appropriate in their circumstances based on the types of interventions mentioned in the regulation. The Member States will have to pay particular attention to the environmental and climate specific objectives, to generational renewal, and to the modernisation of the policy implementation by focusing on a better use of knowledge and advice and new (digital) technologies.

The Member States will present their proposed interventions to achieve the EU specific objectives in a CAP Strategic Plan. The legislation lays down rules on the content of such a CAP Strategic Plan and the Commission will check the plans and approve them. The CAP Strategic Plans will combine most CAP Support instruments financed under the EAGF (including the sectoral programs that until now have been established under the CMO regulation) and EAFRD. In this way a single coherent intervention strategy per Member State will be designed though Member States. In the CAP Strategic Plans Member States will set targets on what they want to achieve in the programming period using commonly defined result indicators.

Once the CAP Strategic Plans are established Member States will annually report on the progress made in the implementation using a system of common indicators. The Member States and Commission will monitor progress and evaluate the effectiveness of the interventions.

The section below provides information on the specific content of the three regulations.

CAP Strategic Plan Regulation

Title I provides for the scope of the regulation as well as definitions.

Tittle II presents the CAP general and specific objectives that have to be pursued through the interventions designed by the Member States in their CAP Strategic Plans. Title III introduces a number of common requirements for the CAP strategic Plans, as well as elements which apply to several interventions. The common requirements concern compliance with general principles and fundamental rights such as the avoidance of distortion of competition, respect for the internal market and non-discrimination as well as the respect of the rules of WTO domestic support. They also include requirements as regards specific elements to be defined in the CAP plans, such as what is an agricultural area, an agricultural activity, a genuine farmer, a young farmer. This section describes, the obligations under 'conditionality' (the requirements any beneficiary of area-based payments has to comply with concerning good agricultural practices but also obligations stemming from EU legislation, and the need to have well-functioning farm advisory services.

Finally this Title presents the types of interventions that the Member States may use to implement their CAP Strategic Plans. Types of interventions are the broad categories of interventions that Member States my use in their CAP Strategic Plans.

Title IV provides financial provisions. It includes in particular financial allocations per Member State and per Fund and defines the flexibility for transferring allocations between funds. It provides the contribution rates for EAFRD in relation to public expenditure in the Member States and sets out some minimum or maximum financial allocations for specific purposes.

Title V presents the rules on the CAP Strategic Plans. It mentions what elements Member States have to take into account when drafting a CAP Strategic Plan and what shall be its minimum content including targets and financial planning. This title also explains what rules apply for the approval of the CAP Strategic Plans by the Commission and how such plans can be amended.

Title VI provides the necessary elements on coordination and governance. It attributes responsibilities to Member States' authorities for specific tasks related to the CAP Strategic Plans. It establishes a monitoring committee to involve all stakeholders. It also establishes networks that have to facilitate the successful implementation of the CAP Strategic Plans. These networks will be established both at national and at EU level. Finally, this title establishes the European Innovation Partnership in order to stimulate the exchange of knowledge and innovation.

Title VII introduces the performance monitoring and evaluation framework laying down rules on what and when Member States have to report progress on their CAP Strategic Plans and rules on how this progress will be monitored and evaluated. This title in particular contains the rules on a performance bonus for good environmental and climate performance.

Finally, Titles VIII and IX concern the competition rules, which explain how in particular State aid rules have to be applied, and the final provisions that explain what regulations are repealed and when the regulation becomes applicable.

CAP Horizontal Regulation

It is proposed to maintain the current structure of the CAP in two pillars with annual measures of general application in Pillar I complemented by measures reflecting the national and regional specificities under a multi-annual programming approach in Pillar II. However, the new design of the CAP for post 2020 will point to an increased subsidiarity so that Member States can better tailor implementing measures under both Pillars to their realities and farmers' concrete circumstances. More subsidiarity means rebalancing the responsibilities in the management of the CAP and looking for a new relationship between the European Union, the Member States and the farmers.

On this basis, the current CAP Horizontal Regulation is adapted to the new delivery model and reflects more flexibility for Member States in implementing the policy (in line with their local needs), less bureaucracy for beneficiaries and shift to a performance-based policy.

The move at EU level from an emphasis on compliance to performance requires a clear identification of the objectives which the policy has to achieve: again, these objectives will be established at EU level. In order to advance towards a more result-driven policy mechanism, there will be a shift from assurance on legality and regularity of the underlying transactions to assurance on performance and the respect of EU basic requirements, like the Integrated Administration and Control System (IACS) or the governance bodies (paying agencies, coordinating bodies, competent authorities and certification bodies). The robust and reliable governance structures which characterise the CAP will be maintained.

In addition to financing provisions, the CAP Horizontal Regulation continues to have provisions on general principles for checks and penalties, checks for conditionality and IACS. As a result, the regulation lays down rules on financing, management and control systems, clearance processes (annual financial clearance and annual performance clearance) and conformity procedure.

This regulation includes various simplification elements. First of all, the new annual performance clearance reflects the shift from compliance by the individual beneficiary to performance of the policy in the Member States.

Furthermore, it foresees reducing the number of paying agencies and reinforcing the role of the coordinating body and certification body in line with the new delivery model. This will render the system more transparent and less burdensome for both national administrations and the Commission. The concept of the single audit approach is introduced, in line with the Financial Regulation and the number of Commission audits can be reduced.

Amending Regulation

The Communication on the Future of Food and Farming confirms market orientation as a key element of the CAP, but also highlights challenges related to environmental sustainability and climate change. Moreover, it places the agricultural sector squarely in the debate about food and citizens' concerns in that regard, recalling that "the most important role for the policy is to help farmers anticipate developments in dietary habits and adjust their production according to market signals and consumers' demands". As detailed rules that may prevent the necessary adjustments are laid down at EU level, the reform presents an opportunity to make necessary changes. The CAP should furthermore address citizens' concerns regarding sustainable agriculture production.

It is therefore foreseen to maintain the architecture and main features of Regulation (EU) 1308/2013, while amending a limited number of provisions in view of economic, environmental and societal evolutions experienced since its entry into force in 2014.

Firstly, it is foreseen to delete provisions related to sectoral interventions that have previously been laid down in Regulation (EU) No 1308/2013, as these interventions of the future CAP will be regulated under the [CAP plan regulation] and be part of Member States' strategic plans, to ensure a better coherence of CAP interventions.

Secondly, while the successive 2008 and 2013 reforms of the wine policy have overall reached their objectives, resulting in economically vibrant wine sector, new economic, environmental and climatic challenges have appeared. Therefore, the regulation foresees a number of specific amendments to existing rules to cope with these challenges.

Thirdly, the Communication on the Future of Food and Farming called for geographical indications (GIs) to be made more attractive to farmers and consumers, and render the system easier to manage. It is therefore proposed to amend current rules on GIs, spread over four basic Acts, aiming at a simpler GI system, faster registration of geographical indications and more efficient approval of amendments to product specifications. These changes aim to a simplified GI system that would be more understandable to consumers, easier to promote and would reduce administrative costs of managing the system.

On rules for wine GIs, limiting the EU scrutiny of applications to checking them against manifest errors, separating intellectual property rules from other requirements laid down in the product specification as well as habilitating Member States to decide on amendments that do not have impacts at EU level, would streamline approvals, shorten timelines, and rationalise resources, in line with the twin principles of subsidiarity and proportionality. In the same vein, simplification of some specific procedures, for example the opposition procedure, is envisaged to make the approval process more efficient.

Clarification of the definition of 'Protected Designation of Origin' for wines will enable producer groups to use new varietals, also needed in response to climate change, and allow proper justifications of applications in line with viticulture and oenological realities. Strengthening protection of GIs against counterfeiting of GIs on the interned and on goods in transit is also proposed.

The simplification proposed for wine GIs has to be applied also to agricultural products and foodstuffs: to ensure reasonable level of coherence between the schemes and bring the above benefits to producers of GIs in this sector, too. The aromatised wines GI scheme that only has 5 out of 3350 GIs, cannot be operational and should be merged into another scheme – the agricultural products and foodstuffs scheme is appropriate as already covers other alcoholic beverages.

Furthermore, the regulation foresees provisions that merely translate into internal legislation commitments taken by the EU and its Member States in the context of recent World Trade Organization Ministerial Decisions, notably on export subsidies.

Finally, it is proposed to delete a number of obsolete provisions, *inter alia* the system of production regulation and requirements applying to the sugar sector that expired at the end of the 2016/2017 marketing year.

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[7],

Having regard to the opinion of the Committee of the Regions[8],

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, to boost modernisation and sustainability, including the economic, social, environmental and climate sustainability of the agricultural, forestry and rural

[7] OJ C , , p. .
[8] OJ C , , p. .

areas, and to help reducing the Union legislation-related administrative burden for beneficiaries.

(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, tailoring the support to maximise the contribution to Union objectives.

(3) The use of common definitions entirely set at Union level has caused certain difficulties for Member States to cater their own specificities at national, regional, and local level. Member States should therefore 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 essential elements to be included in those definitions ('framework definitions').

(4) 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 or the maintenance of the agricultural area. 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 the essential Union-wide elements 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, including system such as agroforestry and arable areas with shrubs and trees and that requires the inclusion of 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 allows Member States to specify further criteria and allows them to include species other than grasses or other herbaceous forage that can be grazed or that may produce animal feed, whether used for actual production or not.

(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, in order to avoid double claims, 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.

(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 0.2% 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 genuine farmers. In order to ensure a common approach at Union level for such a targeting of support, a framework definition for 'genuine 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 not considered genuine farmers based on conditions such as income tests, labour inputs on the farm, company object and inclusion in registers. It should also not result in precluding support to pluri-active farmers, who are actively farming but who are also engaged in non-agricultural activities outside their farm, as their multiple activities often strengthen the socio-economic fabric of rural areas.

(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.

(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. 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 access to impartial, sound, relevant and new knowledge.

(13) While under the CAP delivery model the Union should set the Union objectives and define the types of interventions as well as the basic Union requirements applicable to Member States, the latter should be in charge of translating that Union framework into support arrangements applicable to beneficiaries. 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*].

(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 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. Thus, although farmers are ultimately responsible for designing their on-farm strategies, a robust framework should be set up to ensure appropriate risk management. To this aim, Member States and farmers may be able to draw on a Union-level platform on risk management for capacity-building in order to provide farmers with adequate financial instruments for investments and access to working capital, training, knowledge transfer and advice.

(16) Bolstering environmental care 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 architecture of the CAP should therefore reflect greater ambition with respect to these objectives. By virtue of the delivery model, action taken to tackle environmental degradation and climate change should be result-driven and Article 11 TFEU should, for this purpose, be considered as an obligation of result.

As many rural areas in the Union suffer from structural problems such as lack of attractive employment opportunities, skill shortages, underinvestment in connectivity, 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, promoting social inclusion, generational renewal and the development of 'Smart Villages' across the European countryside. 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. 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[9] and Regulation (EU) No 1307/2013 of the European Parliament and of the Council[10].

(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.

(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, animal 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

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[9] 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).

[10] 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).

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, animal 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, the tackling of 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 2020 under the greening of direct payments, the mitigation of climate change and the need to improve farms sustainability, and in particular the nutrients management. 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, crop rotation, farming practices and farm structures. Member States may also define in addition other national standards related to the main objectives laid down in Annex III in order to improve the environmental and climate delivery of the GAEC framework. As part of GAEC framework, in order to support both the agronomic and the environmental performance of farms, nutrient management plans will be established 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 starting from minimum nutrient management functionalities. A wide interoperability and modularity should also ensure the possibility to add other electronic on-farm and e-governance applications. 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 as well as with the data storage and processing services required.

(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, animal 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[11] and Directive 2009/147/EC of the European Parliament and of the

[11] 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).

Council[12] or Council Directive 91/676/EEC.[13] 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,[14] the relevant provisions of Directive 2000/60/EC of the European Parliament and of the Council[15] and Directive 2009/128/EC of the European Parliament and of the Council[16] are included as SMRs into the scope of conditionality and the list of GAEC standards is adapted accordingly.

(24) Member States should set farm advisory services 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. 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 and set in the CAP Strategic Plan, as well as those stemming from the legislation on water, on the sustainable use of pesticides, as well as the initiatives to combat antimicrobial resistance and the management of risks. In order to enhance the quality and effectiveness of the advice, Member States should integrate advisors 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.

(25) In order to ensure a fairer distribution of income support, the amounts of direct payments above a certain ceiling should be reduced 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, labour should be taken into account when applying the mechanism.

(26) Union legislation should provide that Member States should set requirements in terms of minimum area for receiving decoupled payments in their CAP Strategic Plan. Such requirements should relate to the need to avoid the excessive administrative burden caused by managing numerous payments of small amounts and to that of ensuring an

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12 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).

13 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).

14 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).

15 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).

16 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).

effective contribution of the support to the objectives of the CAP to which the decoupled direct payments contribute. In order to guarantee a minimum level of agricultural income support for all genuine 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 of offering to small farmers the possibility of replacing the other direct payments by providing a round some payment for small farmers.

(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, a specific decoupled payment per hectare, the complementary redistributive income support for sustainability, should be established at Union level. 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.

(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 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 be established to provide young farmers with an additional income support after the initial setting up.

(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 the introduction of 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. Member States may decide to set up eco-schemes for agricultural practices such as the enhanced management of permanent pastures and landscape features, and organic farming. These schemes may also include 'entry-level schemes' which may be a condition for taking up more ambitious rural development commitments.

(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. 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 the support of protein crop production in order to reduce the Union's deficit in this regard.

(33) Compliance of 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,[17] 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.

(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. 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) Sectoral types of interventions 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 sectoral types of interventions 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 cover the sectors of fruit and vegetables, wine,

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

apiculture products, olive oil and table olives, hops and other products to be defined, for which the establishment of sectoral programs 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.

(36) National financial envelopes or other limitations in form of caps are needed in order to maintain specificity of intervention and facilitate programming sectoral 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[18] 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 ‘other sectoral interventions’ 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.

(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 include organic farming premia for the maintenance of and the conversion to organic land; payments for other types of interventions supporting environmentally friendly production systems such as agro-ecology, conservation agriculture and integrated production; forest environmental and

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[18] 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).

climate services and forest conservation; premia for forests and establishment of agroforestry systems; animal welfare; conservation, sustainable use and development of genetic resources. 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 measures should contribute to the implementation of the Union Forest Strategy, and be based on Member States' national or sub-national forest programs or equivalent instruments, which should build on the commitments stemming from the Regulation on the inclusion of greenhouse gas emission and removals from land use, land use energy and forestry [*LULUCF Regulation*] and those made in the Ministerial Conferences on the Protection of Forests in Europe. Interventions should be based on forest management plans or equivalent instruments and may comprise forest area development and sustainable management of forests, including the afforestation of land 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. As regards payments for ANC, the designation of the 2014-2020 Rural Development policy should continue to apply. For the CAP to deliver enhanced Union added 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 and Water Framework Directives. 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. 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.

(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. 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.

(42) In the light of the need to fill the investment gap in the Union agricultural sector and improve access to financial instruments 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 entrants 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 and risk management skills are high. It is therefore essential to continue the support for the setting up of new businesses and new farms. Member States should provide for a strategic approach and identify a clear and coherent set of interventions for generational renewal under the specific objective dedicated to this issue. To this aim, Member States may set in their CAP Strategic Plans preferential conditions for financial instruments for young farmers and new entrants, and should include in their CAP Strategic Plan the ring-fencing of at least an amount corresponding to 2% of the annual direct payments' envelope. 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, insurance premia and mutual funds should be maintained, financed by the EAFRD. The category of mutual funds encompasses both those linked to production losses, and the general and sector-specific income stabilisation tools, linked to income 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 of 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.

(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 types of knowledge with a view to spreading practical solutions. Farm advisory services should be strengthened within the AKIS. The CAP Strategic Plan should provide information on

how advisory services, research and rural networks will work together. Each Member State or region, as appropriate, can fund a number of actions aimed at knowledge exchange and innovation, using the types of interventions developed in this Regulation.

(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 2021 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.

(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, as well as the possibility to further develop these guarantees in delegated acts. 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 financial allocations for these priorities should be set for the support 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.

(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 25% 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 EU-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.

(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.

(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. 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 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.

(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 Managing Authority should be responsible for the management and implementation of each CAP Strategic Plan. Its duties should be specified in this Regulation. The Managing Authority should be able to delegate part of its duties while retaining responsibility for the efficiency and correctness of management. 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) In accordance with the principle of shared management, the Commission is assisted by committees formed by Member States representatives in the implementation of the CAP. With a view to simplifying the system and streamlining the position of Member States, only one Monitoring Committee is established for the implementation of this Regulation, merging the 'Rural Development' Committee and the 'Direct Payments' Committee, which were established under the 2014-2020 programming period. The responsibility to assist Member States in the implementation of the CAP Strategic Plans is shared between the Managing Authority and this Monitoring Committee. The Commission should also be assisted by the 'Common Agricultural Policy' Committee, in accordance with the provisions laid down by this Regulation.

(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 Malta.

(72) In a context where Member States will have much more flexibility and subsidiarity on the design of interventions, networks are a key tool to drive and steer policy and to ensure sufficient attention and capacity in the Member States. A single network should ensure better coordination between networking activities at the Union and at the national and regional levels. The European and national CAP network replace the current European Network for Rural Development and EIP for 'agricultural productivity and sustainability' networks and the National Rural Networks, in the form of a platform providing for more exchange of knowledge in order to capture the results and added value of the policy at European level, particularly the Horizon Europe

policy. In the same perspective of improvement of the exchange of knowledge and innovation, an EIP for ‘agricultural productivity and sustainability’ is set up, implementing 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. Result and output indicators relating to climate- and environment-related objectives may include interventions set out in national environmental and climate-planning instruments emanating from Union legislation.

(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. Moreover, an overall performance bonus is established as part of the incentive mechanism based on allocating the performance bonus, in view of encouraging good environmental and climate performances.

(77) In accordance with the principle of shared management, Member States 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 ex post evaluations.

(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.

(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.

(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 (EC) No 45/2001 of the European Parliament and of the Council[19] and Regulation (EU) 2016/679 of the European Parliament and of the Council[20]. Data subjects should be informed of such processing and of their data protection rights.

(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[21]. 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.

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19 Regulation (EC) No 45/2001 of the European Parliament and of the Council of 18 December 2000 on the protection of individuals with regard to the processing of personal data by the Community institutions and bodies and on the free movement of such data (OJ L 8, 12.1.2001, p. 1).

20 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).

21 OJ L 123, 12.5.2016, p. 1.

(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 and rules on the conditions for the granting of that payment.

(84) In order to ensure that sectoral types of interventions 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 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; rules for the proper functioning of sectoral types of interventions, the basis for the calculation of Union financial assistance, including the reference periods and the calculation of the value of marketed production, and the maximum level of Union financial assistance for market withdrawals; rules for the fixing of a ceiling for expenditure on the replanting of vineyards; and 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. 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, for investments and for cooperation.

(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, and arrangements to ensure a consistent approach for determining the attribution of the performance bonus to Member States. Those powers should be exercised in accordance with Regulation (EU) No 182/2011 of the European Parliament and of the Council.[22]

(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[23] and Regulation (EU) No 229/2013 of the European Parliament and of the Council[24] should remain outside the scope of this Regulation, unless where some of their provisions are explicitly referred to.

(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.

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[22] 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).

[23] 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).

[24] 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).

(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.

(93) In order to ensure legal certainty and continuity, the special provisions for Croatia concerning the gradual introduction of direct payments and complementary national direct payments in the framework of the phasing-in mechanism should continue to apply until 1 January 2021.

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, defining 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 the Member States and approved by the Commission, covering the period from 1 January 2021 to 31 December 2027.

Article 2
Applicable provisions

1. Regulation (EU) [HzR] of the European Parliament and of the Council[25] and the provisions adopted pursuant to that Regulation shall apply to support provided under this Regulation.

2. Chapter III of Title II, Chapter II of Title III and Articles 41 and 43 of Regulation (EU) [CPR] of the European Parliament and of the Council[26] shall apply to support financed by the EAFRD under this Regulation.

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

Article 3
Definitions

For the purposes of granting Union support under 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 defined by Member States;

(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 the Member States in the CAP Strategic Plans based on a type of intervention as provided for in this Regulation;

(d) 'support rate' means the rate of public contribution 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[27];

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

(f) 'operation' means:

(i) a project, contract, action or group of projects selected under the programs concerned;

(ii) in the context of financial instruments, a program contribution 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 which acts under the responsibility of a Managing Authority, or which carries out duties on behalf of such an authority;

(h) In the case of types of intervention for rural development, 'beneficiary' means:

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[27] 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).

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

(ii) in the context of State aid schemes, the body 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-agreed values to be achieved at the end of the period in relation to the result indicators included under a specific objective;

(j) 'milestones' means intermediate targets to be achieved at a given point in time during the CAP Strategic Plan period in relation to the indicators included under a specific objective.

Article 4
Definitions 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, genuine farmer and young farmer:

(a) 'agricultural activity' shall be defined in a way that it includes both the production of agricultural products listed in Annex I to the TFEU, including cotton and short rotation coppice, and 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 defined in a way that it is composed of arable land, permanent crops and permanent grassland. 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, and include areas set aside in accordance with Articles 22, 23 and 24 of Council Regulation (EC) No 1257/1999[28], with Article 39 of Council Regulation (EC) No 1698/2005[29], with Article 28 of Regulation (EU) No 1305/2013 or with Article 65 of this Regulation;

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[28] Council Regulation (EC) No 1257/1999 of 17 May 1999 on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF) and amending and repealing certain Regulations (OJ L 160, 26.6.1999, p. 80).

[29] Council Regulation (EC) No 1698/2005 of 20 September 2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (OJ L 277, 21.10.2005, p. 1).

(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 not included in the crop rotation of the holding for five years or more, used to grow grasses or other herbaceous forage naturally (self-seeded) or through cultivation (sown). It may include other species such as shrubs and/or trees which can be grazed or produce animal feed;

(c) for the purpose of types of interventions in the form of direct payments, 'eligible hectare' shall be defined in a way that it includes any agricultural area of the holding:

(i) 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, and which is at the farmer's disposal. Where duly justified for environmental reasons, eligible hectares may also include certain areas used for agricultural activities only every second year.

(ii) 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:

– no longer complies with the definition of 'eligible hectare' set out in point (a) of Regulation (EU) No 1307/2013 as a result of the implementation of Directives 92/43/EEC and 2009/147/EC or Directive 2000/60/EC;

– for the duration of the relevant commitment by the individual farmer, is afforested 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 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 Articles 65 and 67 of this Regulation.

– for the duration of the relevant commitment of the individual farmer, is set aside 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 0,2 %;

(d) 'genuine farmers' shall be defined in a way to ensure that no support is granted to those whose agricultural activity forms only an insignificant part of their overall economic activities or whose principal business activity is not agricultural, while not precluding from support pluri-active farmers. The definition shall allow to determine which farmers are not considered genuine farmers, based on conditions such as income tests, labour inputs on the farm, company object and/or inclusion in registers.

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

(i) a maximum age limit that may not exceed 40 years;

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

(iii) the appropriate training and/or skills required.

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 and the verification of their tetrahydrocannabinol content referred to in point (c) of paragraph 1 to preserve public health.

TITLE II
OBJECTIVES AND INDICATORS

Article 5
General objectives

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:

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

(b) to bolster environmental care and climate action and to contribute to the environmental- and climate-related objectives of the Union;

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

Those objectives shall be complemented by 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.

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 across the Union to enhance food security;

   (b) enhance market orientation and increase competitiveness, 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, as well as sustainable energy;

   (e) foster sustainable development and efficient management of natural resources such as water, soil and air;

   (f) contribute to the protection of biodiversity, enhance ecosystem services and preserve habitats and landscapes;

   (g) attract young farmers and facilitate business development in rural areas;

   (h) promote employment, growth, social inclusion and local development in rural areas, including bio-economy and sustainable forestry;

(i) improve the response of EU agriculture to societal demands on food and health, including safe, nutritious and sustainable food, food waste, as well as animal welfare.

2. When pursuing the specific objectives Member States shall ensure simplification and performance of the CAP support.

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 and impact. The set of 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 used for the establishment of quantified milestones and targets in relation to those specific objectives in the CAP Strategic Plans and assessing progress towards the targets. The indicators relating to environment- and climate-specific objectives may cover interventions included in relevant national environmental and climate-planning instruments 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.

The common output, result and impact indicators are set out 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 and impact indicators to take into account the experience with their application and, where needed, to add new indicators.

TITLE III
COMMON REQUIREMENTS AND TYPES OF INTERVENTIONS

CHAPTER I
COMMON REQUIREMENTS

SECTION 1
GENERAL PRINCIPLES

Article 8
Selection of interventions

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 the common requirements set out in this Chapter.

Article 9
General principles

Member States shall design the interventions of their CAP Strategic Plans 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 are set out on the basis of objective and non-discriminatory criteria, are compatible with the internal market and do not distort competition.

Member States shall establish the legal framework governing the granting of Union support to beneficiaries on the basis of the CAP Strategic Plan and in accordance with the principles and requirements set out in this Regulation and Regulation (EU) [HzR].

Article 10
WTO domestic support

1. Member States shall ensure that the interventions based on the types of interventions which are listed in Annex II to this Regulation, including the definitions set out in Article 3 and the definitions to be formulated in the CAP Strategic Plans set out in Article 4, respect the provisions of paragraph 1 of Annex 2 to the WTO Agreement on Agriculture.

   Those interventions shall also respect the provisions of the additional paragraph of Annex 2 to the WTO Agreement on Agriculture as set out in Annex II to this Regulation. Interventions belonging to types of interventions other than 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 may instead respect a different paragraph of Annex 2 to the WTO Agreement on Agriculture if that is justified in the CAP Strategic Plan.

2. Member States shall ensure that the interventions based on the crop-specific payment for cotton provided for in Subsection 2 of Section 3 of Chapter II of this Title respect the provisions of Article 6(5) of the WTO Agreement on Agriculture.

SECTION 2
CONDITIONALITY

Article 11
Principle and scope

1. Member States shall include in their CAP Strategic Plans a system of conditionality, under which an administrative penalty shall be imposed on beneficiaries receiving direct payments under Chapter II of this Title or the annual premia under Articles 65, 66 and 67 who do not comply with the statutory management requirements under Union law and the standards for good agricultural and environmental condition of land established in the CAP Strategic Plan, as listed in Annex III, relating to the following specific areas:

   (a) the climate and the environment;

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

   (c) animal welfare.

2. The rules on the administrative penalties to be included in the CAP Strategic Plan shall respect 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 referred to in Annex III within a given legal act, differing in substance from any other requirements in the same act.

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, is maintained in good agricultural and environmental condition. Member States shall define, at national or regional level, minimum standards for beneficiaries for good agricultural and environmental

condition of land in line with the main objective of the standards as referred to in Annex III, taking into account the specific characteristics of the areas concerned, including soil and climatic condition, existing farming systems, land use, crop rotation, farming practices, and farm structures.

2. In respect of the main objectives laid down in Annex III Member States may prescribe standards additional to those laid down in that Annex against those main objectives. However, Member States shall not define minimum standards for main objectives other than the main objectives laid down in Annex III.

3. Member States shall establish a system for providing the Farm Sustainability Tool for Nutrients referred to in Annex III, with the minimum content and functionalities defined therein, to beneficiaries, who shall use the Tool.

The Commission may support the Member States with the design of that Tool and with data storage and processing services requirements.

4. The Commission is empowered to adopt delegated acts in accordance with Article 138 supplementing this Regulation with rules for good agricultural and environmental condition, including establishing the elements of the system of the ratio of permanent grassland, the year of reference and the rate of conversion under GAEC 1 as referred to in Annex III, the format and additional minimum elements and functionalities of the Farm Sustainability Tool for Nutrients.

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').

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 as well as information on financial instruments and business plans established under the CAP Strategic Plan;

(b) the requirements as defined 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[30] 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”[31];

(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).

CHAPTER II
TYPES OF INTERVENTIONS IN THE FORM OF DIRECT PAYMENTS

SECTION 1
TYPES OF INTERVENTIONS AND REDUCTION

Article 14
Types of interventions in the form of direct payments

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

6. 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;

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30 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).

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

(d) the schemes for the climate and the environment.

7. Coupled direct payments shall be the following:

(a) the coupled income support;

(b) the crop-specific payment for cotton.

Article 15
Reduction of payments

1. Member States shall reduce the amount of direct payments to be granted to a farmer pursuant to this Chapter for a given calendar year exceeding EUR 60 000 as follows:

(a) by at least 25 % for the tranche between EUR 60 000 and EUR 75 000;

(b) by at least 50 % for the tranche between EUR 75 000 and EUR 90 000;

(c) by at least 75 % for the tranche between EUR 90 000 and EUR 100 000;

(d) by 100 % for the amount exceeding EUR 100 000.

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

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

(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.

To calculate the amounts referred to in points a) and b), Member States shall use 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.

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 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 2023 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 is empowered to adopt delegated acts in accordance with Article 138 supplementing this Regulation with rules establishing a harmonised basis for calculation for the reduction of payments laid down in paragraph 1 to ensure a correct distribution of the funds to the entitled beneficiaries.

SECTION 2
DECOUPLED DIRECT PAYMENTS

SUBSECTION 1
GENERAL PROVISIONS

Article 16
Minimum requirements for receiving decoupled direct payments

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

2. Member States shall set an area threshold and only grant decoupled direct payments to genuine farmers whose eligible area of the holding for which decoupled direct payments are claimed goes beyond this area threshold.

When setting the area threshold, Member States shall aim at ensuring that decoupled direct payments may only be granted to genuine 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(1) to which decoupled direct payments contribute.

3. The Member States concerned may decide not to apply paragraph 1 to the outermost regions and to the smaller Aegean Islands.

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 a genuine 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.

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 not to grant the basic income support based on payment entitlements, the payment entitlements allocated under Regulation (EU) No 1307/2013 shall expire on 31 December 2020.

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 2020 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 2020.

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

3. Member States shall, by claim year 2026 at the latest, set a maximum level for the value of payment entitlements for the Member State or for each group of territories defined in accordance with 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 defined in accordance with Article 18(2), Member States 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, Member States shall ensure that, for claim year 2026 at the latest, all payment entitlements have a value of at least 75% of the average planned unit amount for the basic income support for claim year 2026 as laid down in the CAP Strategic Plan transmitted in accordance with Article 106 (1) for the Member State or for the territories as defined in accordance with 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 product resulting from 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 average planned unit amount for the basic income support for claim year 2026 as laid down in the CAP Strategic Plan transmitted in accordance with Article 106 (1) for the Member State or for the territories as defined in accordance with 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 average planned unit amount for the basic income support for claim year 2026, as laid down in the CAP Strategic Plan transmitted in accordance with Article 106 (1) for the Member State or for the territories as defined in accordance with 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 set in accordance with paragraph 5, such criteria may include the fixing of a maximum decrease that may not be lower than 30%.

Article 21
Activation of payment entitlements

1. Member States shall grant genuine farmers holding owned or leased-in payment entitlements basic income support upon activation of those payment entitlements. Member States shall ensure that for the purpose of the activation of payment entitlements genuine 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 defined in accordance with 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 defined in accordance with that Article.

3. Member States shall ensure that payment entitlements from the reserve be only allocated to genuine 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) farmers who have newly set up a holding for the first time, as head of the holding and with appropriate training or acquired necessary skills as defined by the Member States for young farmers.

5. Member States shall allocate payment entitlements to, or increase the value of the existing payment entitlements of genuine 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 genuine 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 and the cases that would trigger its replenishment by a linear reduction of the value of all payment entitlements.

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 defined in accordance with 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 defined in accordance with Article 18(2).

Article 23
Delegated powers

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

(a) the establishment of the reserve;

(b) on access to the reserve;

(c) the content of the declaration and the requirements for the activation of payment entitlements.

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 a genuine farmer.

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
Round sum payment for small farmers

Member States may grant payments to small farmers as defined by Member States by way of a round sum, 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.

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.

2. Member States shall ensure redistribution of support from bigger to smaller or medium-sized farms 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 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.

Article 27
Complementary income support for young farmers

1. Member States may provide for complementary income support for young farmers under the conditions set out in this Article and as further specified in their CAP Strategic Plans.

2. As part of their obligations to contribute to the specific objective 'attract young farmers and facilitate business development in rural areas' set out in point (g) of Article 6(1) and to dedicate at least 2% of their allocations for direct payments to this objective in accordance with Article 86(4), 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.

3. The complementary income support for young farmers shall take the form of an annual decoupled payment per eligible hectare.

SUBSECTION 4
SCHEMES FOR THE CLIMATE AND THE ENVIRONMENT

Article 28
Schemes for the climate and the environment

1. Member States shall provide support for voluntary schemes for the climate and the environment ('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 type of intervention genuine farmers who make commitments to observe, on eligible hectares, agricultural practices beneficial for the climate and the environment.

3. Member States shall establish the list of agricultural practices beneficial for the climate and the environment.

4. Those practices shall be designed to meet one or more of the specific environmental- and climate-related objectives laid down in points (d), (e) and (f) of Article 6(1).

5. Under this type of interventions, 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 minimum requirements for the use of fertilisers and plant protection products, animal welfare, as well as other 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.

6. Support for eco-schemes shall take the form of an annual payment per eligible hectare and it 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 beneficiaries for all or part of the additional costs incurred and income foregone as a result of the commitments as set pursuant to Article 65.

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

8. The Commission is empowered to adopt delegated acts in accordance with Article 138 supplementing this Regulation with further rules on the eco-schemes.

SECTION 3
COUPLED DIRECT PAYMENTS

SUBSECTION 1
COUPLED INCOME SUPPORT

Article 29
General rules

1. Member States may grant coupled income support to genuine 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.

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 economic, social or environmental reasons: cereals, oilseeds, protein crops, grain legumes, flax, hemp, rice, nuts, starch potato, milk and milk products, seeds, sheepmeat and goatmeat, beef and veal, olive oil, silkworms, dried fodder, hops, sugar beet, cane and chicory, fruit and vegetables, short rotation coppice and other non-food crops, excluding trees, used for the production of products that have the potential to substitute fossil materials.

Article 31
Eligibility

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

2. Where the coupled income support concerns bovine animals or sheep and goats, Member States shall define 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[32] or Council Regulation (EC) No 21/2004[33] 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.

Article 32
Measures to avoid beneficiaries of coupled income support suffering from structural market imbalances in a sector

The Commission is empowered to adopt delegated acts in accordance with Article 138 supplementing this Regulation as regards measures in order 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.

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32 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).

33 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 33
Implementation of the Memorandum of Understanding between the European Economic Community and the United States of America on oilseeds

1. Where the coupled income support intervention concerns 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[34], 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 coupled income support for oilseeds concerned by the Memorandum of Understanding 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).

   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.

   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

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

Commission shall revise the reduction coefficients referred to in that paragraph for all Member States that exceeded their reference area in their CAP Strategic Plans.

The Commission shall inform the Member States concerned about the revision of the reduction coefficient 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 revised reduction coefficient referred to in the second subparagraph before 1 April of the year preceding the claim year concerned. The revised reduction coefficient shall be set in the implementing act approving the amendment of the CAP Strategic Plan as referred to in Article 107(8).

4. 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.

SUBSECTION 2
CROP-SPECIFIC PAYMENT FOR COTTON

Article 34
Scope

Member States shall grant a crop-specific payment for cotton to genuine 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 the rules and conditions to be adopted pursuant to paragraph 4.

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 624,11,

– Greece: EUR 225,04,

– Spain: EUR 348,03,

– Portugal: EUR 219,09

4. If the eligible area of cotton in a given Member State and in 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 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 the criteria to be 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 per eligible hectare 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 per eligible hectare within the base area laid down in Article 36(1) shall be increased by an amount of EUR 2.

CHAPTER III
SECTORAL TYPES OF INTERVENTIONS

SECTION 1
GENERAL PROVISIONS

Article 39
Scope

This Chapter lays down rules concerning the types of interventions in the following sectors:

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

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

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

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

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

(f) other sectors referred to in points (a) to (h), (k), (m), (o) to (t) and (w) of Article 1(2) of Regulation (EU) No 1308/2013.

Article 40
Mandatory and optional sectoral types of interventions

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

2. The sectoral type of intervention 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 sectoral 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 sectoral type of intervention referred to in point (f) of Article 39 only if that Member State decides in its CAP Strategic Plan not to implement the sectoral type of intervention 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 sectoral type of intervention referred to in point (f) of Article 39 only if those Member States decide in their CAP Strategic Plans not to implement the sectoral type of intervention referred to in point (e) of Article 39.

Article 41

Delegated powers for additional requirements for sectoral 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;

(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;

(c) the maximum level of Union financial assistance for market withdrawals referred to in point (a) of Article 46(4) and for the types of interventions referred to in Article 52(3);

(d) the rules for the fixing of a ceiling for expenditure on the replanting of vineyards referred to 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.

SECTION 2

THE FRUIT AND VEGETABLES SECTOR

Article 42

Objectives in the fruit and vegetables sector

The following objectives shall be pursued in the fruit and vegetables sector:

(a) planning of production, adjusting production to demand, particularly in terms of quality and quantity, optimisation of production costs and returns on investments and 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 the placing on the market of the products of the fruit and vegetables sector, including through direct marketing; those objectives relate to the specific objectives set out in points (a) and (c) of Article 6(1);

(c) research and development of sustainable production methods, including pest resilience, innovative practices boosting economic competitiveness and bolstering market developments; those objectives relate to the specific objectives set out in points (a), (c) and (i) of Article 6(1) ;

(d) developing, implementing and promoting methods of production respectful of the environment, environmentally sound cultivation practices and production techniques, sustainable use of natural resources in particular protection of water, soil, air, biodiversity and other natural resources; those objectives relate to the specific objectives set out in points (e) and (f) of Article 6(1);

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

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

(g) promotion and marketing of the products of the fruit and vegetables sector, whether in a fresh or processed form; those objectives relate to the specific objectives set out in points (b) and (c) of Article 6(1);

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

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

Article 43
Types of intervention in the fruit and vegetables sector

1. As regards the objectives referred to in points (a) to (h) of Article 42, Member States shall choose in their CAP Strategic Plans one or more of the following types of intervention:

(a) investments in tangible and non-tangible assets, in particular focused on water saving, energy saving, ecological packaging and waste reduction;

(b) research and experimental production, in particular focused on water saving, energy saving, ecological packaging, waste reduction, pest resilience, reduction of risks and impacts of pesticides use, preventing damage caused by adverse climatic events and boosting the use of fruit and vegetable varieties adapted to changing climate conditions;

(c) organic production;

(d) integrated production;

(e) actions to conserve soil and enhance soil carbon;

(f) actions to create and maintain habitats favourable for biodiversity or to maintain the landscape, including the conservation of its historical features;

(g) actions to save energy, increase energy efficiency and to increase renewable energy use;

(h) actions to improve pest resilience;

(i) actions to improve use and management of water, including water saving and drainage;

(j) actions and measures to reduce waste production and to improve waste management;

(k) actions to increase sustainability and efficiency of transport and of storage of products of the fruit and vegetables sector;

(l) actions to mitigate climate change, to adapt to climate change and to increase renewable energy use;

(m) implementation of Union and national quality schemes;

(n) promotion and communication, including actions and activities aimed at diversification and consolidation of the fruit and vegetables markets and at informing about the health advantages of consumption of fruit and vegetables;

(o) advisory services and technical assistance, in particular concerning sustainable pest control techniques, sustainable use of pesticides and climate change adaptation and mitigation;

(p) training and exchange of best practices in particular concerning sustainable pest control techniques, sustainable use of pesticides and contributing to climate change adaptation and mitigation.

2. As regards the objective referred to in point (i) of Article 42, Member States shall choose in their CAP Strategic Plans one or more of the following types of intervention:

(a) setting up and/or refilling of mutual funds by producer organisations and by associations of producer organisations recognised under Regulation (EU) No 1308/2013;

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

(c) replanting of orchards where that is necessary following mandatory grubbing up for health or phytosanitary reasons on the instruction of the Member State competent authority;

(d) market withdrawal for free-distribution or other destinations;

(e) 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;

(f) non-harvesting of fruit and vegetables 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;

(g) harvest 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;

(h) coaching to other producer organisations and associations of producer organisations recognised under Regulation (EU) No 1308/2013 or to individual producers;

(i) implementation and management of third country phytosanitary protocols in the territory of the Union to facilitate access to third country markets;

(j) implementation of Union and national quality schemes;

(k) advisory services and technical assistance, in particular concerning sustainable pest control techniques and sustainable use of pesticides.

3. The Member States shall in their CAP Strategic Plans define the interventions corresponding to the types of intervention chosen in accordance with paragraphs 1 and 2.

Article 44
Operational programs

1. The objectives referred to in Article 42 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 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. They shall pursue the objectives referred to in points (d) and (e) of Article 42 and at least two other objectives referred to in that Article.

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. Operational programs shall be submitted by producer organisations and/or associations of producer organisations recognised under Regulation (EU) No 1308/2013 to the Member States for their approval.

5. Operational programs may be implemented only by producer organisations or by associations of producer organisations recognised under Regulation (EU) No 1308/2013.

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 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.

7. Member States shall ensure that:

(a) at least 20% of expenditure under operational programs covers the interventions linked to the objectives referred to in points (d) and (e) of Article 42;

(b) at least 5% 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 points (d), (e) and (f) of Article 43(2) do not exceed one third of the total expenditure under operational programs.

Article 45
Operational funds

1. Producer organisations in the fruit and vegetables sector and/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 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 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

   By way of derogation from the first subparagraph, the Union financial assistance may be increased as follows:

   (a) in the case of producer organisations, the percentage may be increased to 4,6% of the value of the marketed production, provided that the amount in excess of 4,1% of the value of marketed production is used solely for one or more interventions linked to the objectives referred to in points (c), (d), (e), (g), (h) and (i) of Article 42;

   (b) in the case of associations of producer organisations, the percentage may be increased to 5% of the value of the marketed production, provided that the amount in excess of 4,5% of the value of the marketed production is used solely for one or more interventions linked to the objectives referred to in points (c), (d), (e), (g), (h) and (i) of Article 42 implemented by the association of producer organisations on behalf of its members;

   (c) in the case of transnational producer organisation or transnational association of producer organisations, the percentage may be increased to 5,5% of the value of the marketed production, provided that the amount in excess of 5% of the value of the marketed production is used solely for one or more interventions linked to the objectives referred to in points (c), (d), (e), (g), (h) and (i) of Article 42 implemented by the transnational producer organisation or transnational association of producer organisations on behalf of its members.

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

   (a) producer organisations operating in different Member States implementing interventions linked to the objectives referred to in points (b) and (e) of Article 42 transnationally;

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

(c) operational program covers solely specific support for the production of organic products covered by Council Regulation (EC) No 834/2007[35];

(d) operational program is for the first time implemented by an association of producer organisations recognised under Regulation (EU) No 1308/2013;

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

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

(g) operational program comprises the interventions linked to the objectives referred to in points (c), (d), (e), (h) and (i) of Article 42.

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

[35] 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).

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 specific objectives referred to in Article 6(1) in the apiculture sector.

Article 49
Types of intervention in the apiculture sector and the Union financial assistance

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

   (a) technical assistance to beekeepers and beekeepers' organisations;

   (b) actions to combat beehive invaders and diseases, in particular varroasis;

   (c) actions to rationalise transhumance;

   (d) actions to support laboratories for the analysis of apiculture products;

   (e) restocking of beehives in the Union;

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

   (g) market monitoring actions;

   (h) actions to enhance product quality.

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

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

4. The Union financial assistance to the interventions referred to in paragraph 2 shall be maximum 50% of the expenditure. The remaining part of the expenditure shall be borne by the Member States.

5. When drawing up their CAP Strategic Plans Member States shall seek the advice of 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

Member States shall pursue one or more of the following objectives in the wine sector:

(a) improve competitiveness of Union wine producers including contributing to improvement of sustainable production systems and reduction of environmental impact of the Union wine sector; those objectives relate to the specific objectives set out in points (b) to (f) and (h) of Article 6(1);

(b) improve performance of Union wine enterprises and their adaptation to market demands, as well as increase their 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) contribute 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) contribute 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) increase 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) 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) contribute 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) improve competitiveness of Union grapevine products in third countries; that objective relates to the objectives set out in points (b) and (h) of Article 6(1);

(i) contribute 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 intervention in the wine sector

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

   (a) restructuring and conversion of vineyards, including 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, but excluding the normal renewal of vineyards consisting of replanting of the same parcel of land 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) tangible and intangible investments in 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 and by-products of wine making, processes and technologies, other investments adding value at any stage of the supply chain, including for knowledge exchange;

(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;

(h) promotion carried out in third countries, consisting of one or more of the following:

  (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 at 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 markets, necessary for the expansion 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 facilitate access to third country markets;

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

2. The Member States shall substantiate in their CAP Strategic Plans their choice of objectives and the types of intervention in the wine sector. Within the chosen types of intervention, they shall define interventions.

3. In addition to the requirements set out in Title V, Member States 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 intervention 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.

   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.

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

   (a) 50% of eligible investment costs in less developed regions;

   (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[36]; 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 turnover of less than EUR 200 million, the maximum limits referred to in the first subparagraph shall be halved.

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[36] 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[37].

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.

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 for 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 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.

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;

(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 its maximum rate, referred to in the first subparagraph shall apply only to micro, small and medium-sized enterprises within the meaning of Recommendation 2003/361/EC; however, it may, apply to all

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

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 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.

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 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 referred to in point (f) of Article 52(1) 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 set in their CAP Strategic Plans a minimum percentage of expenditure for actions aimed at 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.

SECTION 5
THE HOPS SECTOR

Article 55

Objectives and types of intervention in the hops sector

1. The Member State referred to in Article 82(3) shall pursue one or more of the following objectives in the hops sector:

   (a) planning of production, adjusting production to demand, particularly in terms of quality and quantity; those objectives relate to the specific objectives set out in points (a), (b) and (c) of Article 6(1);

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

   (c) optimising production costs and returns on investments in response to environmental standards and stabilising producer prices; those objectives relate to the specific objectives set out in points (a) and (c) of Article 6(1);

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

   (e) promoting, developing and implementing methods of production respectful of the environment, environmentally sound cultivation practices and production techniques, sustainable use of natural resources in particular protection of water, soil and other natural resources; those objectives relate to the specific objectives set out in points (e) and (f) of Article 6(1);

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

2. The Member State referred to in Article 82(3) shall define in its CAP Strategic Plan one or more of the types of intervention referred to in Article 60 to pursue the objectives chosen as laid down in paragraph 1. Within the chosen types of intervention they shall define interventions. The Member State referred to in Article 82(3) shall substantiate in its CAP Strategic Plan the choice of objectives, types of intervention and interventions to meet those objectives.

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 one or more of the following objectives in the olive oil and table olives sector:

(a) reinforcing the organisation and management of production of olive oil and table olives; that objective relates to the specific objectives set out in points (a) and (b) of Article 6(1);

(b) improvement of medium and long term competitiveness of the olive oil and table olives sector, in particular through modernisation; that objective relate to the specific objective set out in point (c) of Article 6(1);

(c) reduction of environmental impact of and contribution to climate action through olive cultivation; that objectives relate to the specific objectives set out in points (d) and (e) of Article 6(1);

(d) improvement of quality of olive oil and table olives; that objective relate to the specific objective set out in point (f) of Article 6(1);

(e) research and development of sustainable production methods, including pest resilience, innovative practices boosting economic competitiveness and bolstering market developments; that objective relates to the specific objectives set out in points (a), (c) and (i) of Article 6(1);

(f) crisis prevention and management, aimed at improving pest resilience, avoiding and dealing with crises in the olive oil and table olives markets; that objective relate to the specific objective set out in point (h) of Article 6(1).

Article 57
Types of intervention and their implementation 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), (b), (c) and (e) of Article 56;

   (b) 75% of actual expenditure incurred for fixed assets investments and 50% for other interventions linked to objective referred to in point (d) of Article 56;

   (c) 50% of actual expenditure incurred for interventions linked to objective referred to in point (f) of Article 56;

   (d) 75% of the actual expenditure incurred for the types of intervention referred to in points (f) and (h) of Article 60(1) where the operational program is implemented in at least three third countries or non-producing Member States by 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 5% of the value of marketed production of each producer organisation or association of producer organisations.

3. Member States shall ensure complementary financing up to 50% of the costs not covered by the Union financial assistance.

SECTION 7
OTHER SECTORS

Article 59
Objectives in other sectors

The Member States shall pursue one or more of the following objectives in the other sectors referred to in point (f) of Article 39:

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

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

(d) promoting, developing and implementing methods of production respectful of the environment, of animal welfare standards, pest resilient and environmentally sound cultivation practices, production techniques and production methods, environmentally sound use and management of by-products and waste, sustainable use of natural resources in particular protection of water, soil and other natural resources; those objectives relate to the specific objectives set out in points (e) and (f) of Article 6(1);

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

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

(g) promotion and marketing of the products of one or more sectors referred to in point (f) of Article 40; those objectives relate to the specific objectives set out in points (b) and (c) of Article 6(1);

(h) crisis prevention and risk management, aimed at avoiding and dealing with crises in the markets within one or more sectors referred to in point (f) of Article 39; those objectives relate to the specific objectives set out in points (a), (b) and (c). Article 6(1).

Article 60
Types of intervention

1. As regards the objectives referred to in points (a) to (g) of Article 59 Member States shall choose in their CAP Strategic Plans one or more of the following types of intervention:

   (a) investments in tangible and non-tangible assets; research and experimental production, as well as other actions, including actions for:

      (i) soil conservation, including the enhancement of soil carbon;

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

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

      (iv) energy saving and energy efficiency increase;

      (v) ecological packaging;

      (vi) animal health and welfare;

(vii) reducing waste production and improving the use and management of by-products and waste;

(viii) improving pest resilience;

(ix) reducing risks and impacts of pesticide use;

(xi) creating and maintaining habitats favourable to biodiversity;

(b) advisory services and technical assistance, in particular regarding climate change adaptation and mitigation;

(c) training including coaching and exchange of best practices;

(d) organic production;

(e) actions to increase the sustainability and efficiency of transport and of storage of products of one or more of the sectors referred to in point (f) of Article 40;

(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 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.

2. As regards the objective referred to in point (h) of Article 59, Member States shall choose in their CAP Strategic Plans one or more of the following types of intervention:

(a) setting up and/or refilling of mutual funds by producer organisations recognised under Regulation (EU) No 1308/2013;

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

(c) collective storage of products produced by the producer organisation or by members of the producer organisation;

(d) replanting of orchards 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;

(e) market withdrawal for free-distribution or other destinations;

(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.

3. Member States shall chose in the CAP Strategic Plans the sectors in which they implement the types of intervention laid down in this Article. For each sector, they shall choose one or more objectives from among those laid down in Article 59 and the types of intervention as laid down in paragraphs 1 and 2 of this Article. For each type of intervention, the Member States shall define interventions. The Member States shall substantiate their choice of sectors, objectives, types of intervention and interventions.

Article 61
Operational programs

1. In each sector concerned, the objectives and the interventions set out by the Member States in their CAP Strategic Plans shall be implemented through approved operational programs of producer organisations and/or associations of producer organisations recognised under Regulation (EU) No 1308/2013, under the conditions laid down in this Article.

2. Operational programs in the sectors referred to in point (f) of Article 39 shall have a minimum duration of three years and a maximum duration of seven years.

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

4. Operational programs shall be submitted by producer organisations and/or associations of producer organisations recognised under Regulation (EU) No 1308/2013 to the Member States for their approval.

5. Operational programs may be implemented only by producer organisations or by associations of producer organisations recognised under Regulation (EU) No 1308/2013.

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) the interventions under operational programs of an association of producer organisations are entirely financed by contributions of those member organisations of that association and that such funding is collected from the operational funds of those member organisations;

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

(c) there is no duplication of funding.

7. Member States shall ensure that the interventions linked to objective referred to in point (h) of Article 59 do not exceed one third of the total expenditure under operational programs of producer organisations or associations of producer organisations.

Article 62
Operational funds

1. Producer organisations and/or their associations in the sectors referred to in point (f) of Article 39 may set up an operational fund. The fund shall be financed by:

(a) financial contributions from:

(i) members of the producer organisation and/or 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 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 63
Union financial assistance

1. The Union financial assistance shall be equal to the amount of the financial contributions referred to in point (a) of Article 62(1) actually paid and limited to 50% of the actual expenditure incurred.

2. The Union financial assistance shall be limited to 5% of the value of marketed production of each producer organisation or association of producer organisations.

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:

(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;

(e) installation of young 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 may grant payments for environmental, climate and other management commitments 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 other beneficiaries who undertake, on a voluntary basis, management commitments which are considered to be beneficial to achieving the specific objectives set out in Article 6(1).

5. Under this type of interventions, 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 minimum requirements for the use of fertiliser and plant protection products, animal welfare, as well as other 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 beneficiaries for costs incurred and income foregone resulting from the commitments made. 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 to deliver a significant enhancement of the quality of the environment at a larger scale and 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, and for new commitments directly following the commitment performed in the initial period, Member States may determine a shorter period in their CAP Strategic Plans.

9. Where support under this type of interventions 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.

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 the specific objectives set out in Article 6(1).

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

3. Member States may only grant payments under this type of interventions 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 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 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 the specific objectives set out in Article 6(1).

2. These payments may be granted to farmers, forest holders and other land managers in respect of areas with disadvantages referred to in paragraph 1.

3. When defining 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 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.

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 2 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 for tangible and/or intangible investments, which contribute to achieving the specific objectives set out in Article 6. Support to the forestry sector shall be based on a forest management plan or equivalent instrument.

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 with the exception of land purchase for environmental conservation or land purchased by young farmers through the use of financial instruments;

(d) purchase of animals, 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 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;

(g) investments in large infrastructures not being part of local development strategies;

(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 the maximum rate of 75% of the eligible costs.

The maximum support rate may be increased for the following investments:

(a) afforestation and non-productive investments linked to the specific environmental- and climate-related objectives set out in points (d), (e) and (f) of Article 6(1);

(b) investments in basic services in rural areas;

(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.

Article 69
Installation of young farmers and rural business start-up

1. Member States may grant support for the installation of young 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 the specific objectives set out in Article 6.

2. Member States may only grant support under this type of interventions to help:

(a) the installation of young farmers who fulfil the conditions included in the definition set out in point (e) of Article 4(1);

(b) the start-up of rural business linked to agriculture and forestry or farm household income diversification;

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

3. Member States shall set conditions for the submission and the content of a business plan.

4. Member States shall grant support in the form of lump sums. Support shall be limited to the maximum amount of EUR 100 000 and may be combined with financial instruments.

Article 70
Risk management tools

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

2. Member States shall grant support under this type of interventions in order to 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 contribute to achieving the specific objectives set out in Article 6.

3. Member States may grant in particular the following support:

   (a) financial contributions to premiums for insurance schemes;

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

4. Member States shall establish the following eligibility conditions:

   (a) the types and coverage of eligible insurance schemes and mutual funds;

   (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.

5. Member States shall ensure that support is granted only for covering losses 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 Sates 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 prepare and to implement Operational Group projects of the European Innovation Partnership for agricultural productivity and sustainability as referred to in Article 114 and LEADER, referred to as community-led local development in Article 25 of Regulation (EU) [CPR], and to promote quality schemes, producer organisations or producer groups or other forms of cooperation.

2. Member States may only grant support under this type of interventions to promote forms of cooperation which involves at least two entities and which contributes to achieving the specific objectives set out in Article 6.

3. Member States may cover under this type of interventions 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 or they may cover only the cost of the cooperation and use funds from other types of intervention, national or Union support instruments for project implementation.

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 as set under national legislation.

8. Member States shall limit support to a maximum of seven years except for 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 under the conditions set out in this Article and as further specified in their CAP Strategic Plans.

2. Under this type of interventions Member States may cover costs of any relevant action to promote innovation, access to training and advice and exchange and dissemination of knowledge and information which contribute to achieving the specific objectives set out in Article 6.

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

   By way of derogation from the first subparagraph, 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.

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 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-up, cooperation, 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.

2. The responsibility of the Managing Authority 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. 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.

Article 74
General rules for financial instruments

1. 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], 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(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 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 CAP Strategic Plan, the amount to be delivered through InvestEU. The amount to be delivered through 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.

   In addition to the allocations referred to in the first subparagraph Member States may allocate part of the technical assistance as set out in Article 112 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.

4. Where a contribution agreement, as set out in Article [9] of the [InvestEU Regulation], has not been concluded by 31 December 2021 for an amount referred to in paragraph 1, 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 plan.

5. Where a guarantee agreement, as set out in Article [9] of the [InvestEU Regulation], has not been concluded within [9] months from the approval of the contribution agreement, the respective amounts paid into the common provisioning fund as a

provisioning shall be transferred back to the CAP Strategic Plan and the Member State shall submit a corresponding request for amendment of the CAP Strategic Plan.

6. Where a guarantee agreement, as set out in Article [9] of the [InvestEU Regulation], has not been fully 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 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 for repayable forms of support in accordance with the CAP Strategic Plan

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 that is 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

1. Without prejudice to Articles 65, 66, 67 and 69, 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;

(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;

(b) investments as referred to in Article 68;

(c) cooperation as referred to in Article 71.

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) sectoral interventions 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.

Article 80
Eligibility of expenditure

1. Expenditure shall be eligible for contribution from the EAGF and the EAFRD from 1 January of the year following the year of the approval of the CAP Strategic Plan by the Commission.

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.

   By way of derogation from Article 73(5) and the first subparagraph, 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].

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 2, 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), 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 sectoral types of interventions

1. The Union financial assistance for types of intervention in the wine sector is allocated to Member States as set out in Annex V.

2. The Union financial assistance for types of intervention in the apiculture sector is allocated to Member States as set out in Annex VIII.

3. The Union financial assistance for types of intervention in the hops sector allocated to Germany shall be EUR 2 188 000 per year.

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 year for Greece;

   (b) EUR 554 000 per year for France; and

   (c) EUR 34 590 000 per year 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 paragraphs 3 and 4.

6. Member States may decide in their CAP Strategic Plans to use up to 3% of the Member States' 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 intervention in other sectors referred to in Section 7 of Chapter III of Title III.

7. Member States may, in 2023, 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 2021 to 31 December 2027 shall be EUR 78 811 million in current prices in accordance with the multiannual financial framework for the years 2021 to 2027[38].

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 the 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 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 the 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.

[38] 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 act 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.

Article 85
EAFRD contribution rates

1. The CAP Strategic Plans shall establish a single EAFRD contribution rate applicable to all interventions.

2. The maximum EAFRD contribution rate shall be:

   (a) 70% of the eligible public expenditure in the outermost regions and in the smaller Aegean islands within the meaning of Regulation (EU) No 229/2013;

   (b) 70% of the eligible public expenditure in the less developed regions;

   (c) 65% of the eligible expenditure for payments under Article 66;

   (d) 43% of the eligible public expenditure in the other regions.

   The minimum EAFRD contribution rate shall be 20 %.

3. By way of derogation from paragraph 2, the maximum EAFRD contribution rate shall be:

   (a) 80 % for management commitments referred to in Article 65 of this Regulation, for payments under Article 67 of this Regulation, for non-productive investments referred to in Article 68 of this Regulation, for support for the European Innovation Partnership under Article 71 of this Regulation and for the LEADER, 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.

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].

2. At least 30% of the total EAFRD contribution to the CAP Strategic Plan as set out in Annex IX shall be reserved for interventions addressing the specific environmental- and climate-related objectives set out in points (d), (e) and (f) of Article 6(1) of this Regulation, excluding interventions based on Article 66.

The first subparagraph does not apply to the outermost regions.

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 90 million.

Technical assistance shall be reimbursed as a flat-rate financing following Article 125(1)(e) of Regulation (EU/Euratom …/…[new Financial Regulation] 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 the following types of interventions:

(a) the Complementary Income Support for Young Farmer as laid down in Article 27;

(b) the installation of young farmers referred to in Article 69.

5. The indicative financial allocations for the coupled income support interventions referred to in Subsection 1 of Section 2 of Chapter II of Title III, shall be limited to a maximum of 10% 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 10% 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%, provided that the amount corresponding to the percentage exceeding the 10% is allocated to the support for protein crops under Subsection 1 of Section 2 of Chapter II of Title III.

The amount included in the approved CAP Strategic Plan resulting from the application of the first and second subparagraphs shall be binding.

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 2 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 6.

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 as defined under the [LIFE Regulation] and to finance actions in respect of transnational learning mobility of people in the field agricultural and rural development with a focus on young farmers, in accordance with the [Erasmus Regulation].

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 weighting 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);

   (d) 40% for expenditure for natural or other area-specific constraints referred to in Article 66.

Article 88
Indicative financial allocations

1. Member States shall set out, in their CAP Strategic Plan, an indicative financial allocation for each intervention. For each intervention, the multiplication of the planned unit amount, without the application of the percentage of variation referred to in Article 89, and the planned outputs, shall equal this indicative financial allocation.

2. Where different unit amounts are planned within an intervention, the sum of the multiplications of the planned unit amounts, without the application of the percentage of variation referred to in Article 89 and the corresponding planned outputs shall equal the indicative financial allocation referred to in paragraph 1.

Article 89
Variation of the unit amount

1. Without prejudice to the application of Article 15, Member States shall set a maximum amount of support per unit or a percentage of variation for each intervention of the following types of interventions:

(a) decoupled direct payments and coupled income support referred to in Chapter II of Title III;

(b) payments for management commitments referred to in Article 65;

(c) payments for natural constraints or other area-specific disadvantages referred to in Articles 66 and 67.

Percentage of variation is the percentage by which the realised average or uniform unit amount may exceed the planned average or uniform unit amount referred to in the CAP Strategic Plan.

For each intervention in the form of direct payments, the realised average or uniform unit amount shall never be lower than the planned unit amount, unless the realised output exceeds the planned output as established in the CAP Strategic Plan.

Where different unit amounts have been defined within an intervention, this subparagraph shall apply to each uniform or average unit amount of that intervention.

2. For the purposes of this Article, the realised average or uniform unit amount is calculated by dividing the annual expenditure paid by the corresponding realised output for each intervention.

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 15% 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 2021 to 2026 to the Member State's allocation for EAFRD in financial years 2022 – 2027; or

(b) up to 15% of the Member State's allocation for EAFRD in financial years 2022 – 2027 to the Member State's allocation for direct payments set out in Annex IV for calendar years 2021 to 2026.

The percentage of transfer from Member State's allocation for direct payments to its allocation for EAFRD referred to in 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 the Member States use the corresponding increase in accordance with point (b) of Article 86(5).

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 2023, 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.

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 defined 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 from 1 January 2021 to 31 December 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 to 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).

Article 93
CAP Strategic Plan architecture

Each Member State shall establish a single CAP Strategic Plan for its entire territory.

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.

Article 94
Procedural requirements

1. Member States shall draw up the CAP Strategic Plans based on transparent procedures, 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 the 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 public authorities;

   (b) economic and social partners;

   (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 involve those partners in the preparation of the CAP Strategic Plans.

4. Member States 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.

CHAPTER II
CONTENT OF THE CAP STRATEGIC PLAN

Article 95
Content for the CAP Strategic Plans

1. Each CAP Strategic Plan shall contain the following sections:

   (a) an assessment of needs;

   (b) an intervention strategy;

   (c) a description of elements common to several interventions;

   (d) a description of the direct payments, sectoral and rural development interventions specified in the strategy;

(e) target and financial plans;

(f) a description of the governance and coordination system;

(g) a description of the elements that ensure modernisation of the CAP;

(h) a description of the elements related to simplification and reduced administrative burden for final beneficiaries.

2. Each CAP Strategic Plan shall contain the following annexes:

(a) Annex I on the ex-ante evaluation and the strategic environmental assessment (SEA);

(b) Annex II on the SWOT analysis;

(c) Annex III on the consultation of the partners;

(d) 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.

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 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 risk management;

(d) where applicable, an analysis of the specific needs of vulnerable geographical areas, such as the outermost regions;

(e) prioritisation and ranking of needs, including a sound justification of the choices made and if relevant, 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 the most recent and most reliable data for this assessment.

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 for each relevant common and, where relevant, CAP Strategic Plan specific result indicators and related milestones. 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 points (a) and (b) of paragraph 2 of this Article;

   (b) interventions, based on the types of intervention set out in Title III, except the crop-specific payment for cotton laid down in Subsection 2 of Section 3 of Chapter II of that Title 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 also provide the following elements, showing the consistency of the strategy and the complementarity of interventions across the specific objectives set out in Article 6(1):

   (a) an overview of the environmental and climate architecture of the CAP Strategic Plan which describes the complementarity and baseline conditions between the conditionality and the different interventions addressing the specific environmental- and climate-related objectives set out to in points (d), (e), and (f) of Article 6(1), as well as the way to achieve the greater overall contribution set out to in Article 92;

   (b) an explanation of how the environment and climate architecture of the CAP Strategic Plan is meant to contribute to already established long-term national targets set out in or deriving from the legislative instruments referred to in Annex XI;

   (c) in relation to the specific objective 'attract young farmers and facilitate their business development' set out in point (g) of Article 6(1), an overview of the CAP Strategic Plan relevant interventions and specific conditions such as those specified in Articles 22(4), 27, 69 and 71(7) shall be presented. Member States shall in particular refer to Article 86(5) when presenting the financial plan in relation to the types of interventions referred to in Articles 27 and 69. The overview shall also explain the interplay with national instruments with a view of improving the consistency between Union and national actions in this area;

(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 sectoral interventions 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 sectoral types of interventions referred to in Chapter III of Title III;

(e) an explanation as to which interventions will contribute to ensure a coherent and integrated approach to risk management;

(f) a description of the interplay between national and regional interventions, including the distribution of financial allocations per intervention and per fund.

Article 98
Elements common to several interventions

The description of elements common to several interventions referred to in point (c) of Article 95(1) shall include:

(a) the definitions provided by Member States in compliance with Article 4(1), as well as the minimum requirements for interventions in the form of decoupled direct payments pursuant to Article 16;

(b) a description of the system of conditionality, which comprises the following:

(i) for each GAEC standard as referred to in Annex III a description of the way the Union standard is implemented, including the following elements: summary of the on-farm practice, territorial scope, type of farmers concerned, and justification of the contribution to the main objective of the practice;

(ii) a description of the overall contribution to the specific environmental- and climate-related objectives set out in points (d), (e) and (f) of Article 6(1);

(c) a description of the use of 'technical assistance' as referred to in Articles 83(2), 86(3) and 112 and of the CAP networks as referred to in Article 113;

(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) the use of the estimated product of reduction of direct payments as referred to in Article 15;

(iii) an overview of the coordination, demarcation and complementarities between the EAFRD and other Union funds active in rural areas;

Article 99
Interventions

The description of each intervention specified in the strategy referred to in point (d) of Article 95(1) 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 do not overlap;

(d) the eligibility conditions;

(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) the annual planned outputs for the intervention, and where relevant, a breakdown per uniform or average unit amount of support;

(g) the annual planned unit amount of support, its justification and a justified maximum upper variation of that unit amount as referred to in Article 89. Where applicable, the following information shall also be provided:

(i) the form and rate of support;

(ii) the calculation of the unit amount of support and their certification as referred to in Article 76;

(iii) the different uniform unit amounts of support within that intervention, notably for groups of territories defined in Article 18(2);

(iv) where Member States decide to differentiate the amount of the basic income support per hectare in accordance with Article 18(2) for each group of territories;

(h) the resulting annual financial allocation for the intervention, as referred to in Article 88. 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 as referred to in point (a) of Article 97(1), indicating the break-down in annual milestones.

2. The financial plan referred to in point (e) of Article 95(1) shall comprise tables consistent with points (f) and (h) of Article 99, including:

   (a) the Member State's allocations for direct payments types of interventions as referred to in Article 81(1), for sectoral 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);

   (b) the transfers of amounts 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 States 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(7);

   (c) the Member State's allocations for the sectoral 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);

   (d) a breakdown of the Member States allocations for types of interventions in the form of direct payments after transfers as specified in points (b) and (c) based on indicative financial allocations per type of interventions and per intervention, specifying the planned outputs, the average or uniform unit amount and the maximum variation referred to in Article 89. Where applicable, the breakdown shall include the amount of the reserve of payment entitlements.

   The total estimated product of reduction of payments shall be specified.

   Taking into account the use of the 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 average unit amounts or uniform unit amounts shall be established before reduction of payments;

   (e) a breakdown of the allocations for sectoral types of interventions referred to in Section VII of Chapter III of Title III per intervention and with an indication of the planned outputs and the average unit amount;

   (f) a breakdown of the Member States allocations for rural development after transfers to and from direct payments as specified in point (b), per type of interventions 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 average or uniform unit amounts, as well as, where applicable, a breakdown of the amounts planned for grants and amounts planned for financial instruments. The amounts for technical assistance shall also be specified;

(g) indications of the interventions contributing to the minimum spending requirements laid down in Article 86.

The elements referred to in this paragraph shall be established per year.

Article 101
Governance and coordination systems

The description of 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 the Regulation (EU) [HzR];

(b) the identification and role of delegated and intermediate bodies not referred to in the Regulation (EU) [HzR];

(c) information on the control systems and penalties referred to in Title IV of the Regulation (EU) [HzR], including:

(i) the integrated administration and control system referred to in Chapter II of Title IV of the Regulation (EU) [HzR];

(ii) the control and penalty system for conditionality referred to in Chapter IV of Title IV of the Regulation (EU) [HzR];

(iii) the competent control bodies responsible for the checks;

(d) a description of the monitoring and reporting structure.

Article 102
Modernisation

The description of 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 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 designed as the combined organisation and knowledge flows between persons, organisations and institutions who use and produce knowledge for agriculture and interrelated fields;

(ii) a description of how advisory services as referred to in Article 13, research and CAP networks will work together within the framework of the AKIS, and how advice and innovation support services are provided;

(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 Strategic Environmental Assessment (SEA) as referred to in Directive 2001/42/EC of the European Parliament and of the Council[39] 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), a comprehensive 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.

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;

(c) opportunities identified in the CAP Strategic Plan area;

(d) threats identified in the CAP Strategic Plan area;

(e) where relevant, an analysis of territorial aspects, highlighting those territories specifically targeted by interventions;

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[39] 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).

(f) where relevant, an analysis of sectoral aspects, notably for those sectors subject to specific interventions and/or sectoral programs.

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 shall include a short analysis of access to land, land mobility and land restructuring, access of 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 a brief description of how the consultation was carried out.

4. 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) Article 95(2) shall contain the following:

(a) a short description of additional national financing which is provided within the scope of the CAP Strategic Plan, including the amounts per measure and indication of compliance with the requirements under this Regulation;

(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.

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 amending this Chapter as regards the content of the CAP Strategic Plan and its annexes.

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, containing the information referred to in Article 95 no later than 1 January 2020].

2. The Commission shall assess the proposed CAP Strategic Plans on the basis of the completeness of the plans, the consistency and coherence with the general principles of Union law, with this Regulation and the provisions adopted pursuant to it and with the Horizontal Regulation, their effective contribution to the specific objectives set out in Article 6(1), the 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.

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 Commission is satisfied that the Plan is compatible with the general principles of Union law, the requirements set out in this Regulation, the provisions adopted pursuant to it and in Regulation (EU) [HzR].

5. The approval of each CAP Strategic Plan shall take place no later than eight 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, the 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.

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 the 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 Commission is satisfied that the amended plan is compatible with the general principles of Union law, the requirements set out in this Regulation, the provisions adopted pursuant to it and in Regulation (EU) [HzR].

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 provided that any observations made by the Commission have been adequately taken into account.

7. A request for amendment of the CAP Strategic Plan may be submitted no more than once per calendar year subject to possible exceptions to be determined by the Commission in accordance with Article 109.

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 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 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.

Article 109

Delegated powers

The Commission is empowered to adopt delegated acts in accordance with Article 138 amending this Chapter as regards:

(a) procedures and time limits for the approval of CAP Strategic Plans;

(b) the procedures and time limits for submission and approval of requests for amendments to CAP Strategic Plans;

(c) the frequency with which the CAP Strategic Plans are to be submitted during the programming period, including the determination of exceptional 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. Member States shall designate a Managing Authority for their CAP Strategic Plans.

   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 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 appropriate secure electronic system to record, maintain, manage and report statistical information on the plan and its implementation required for the purposes of monitoring and evaluation and, in particular, information required to monitor progress towards the defined objectives and targets;

   (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;

      (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 the list of the statutory management requirements and the minimum standards of good agricultural and environmental condition established pursuant to Section 2 of Chapter I of Title III to be applied at farm level, as well as clear and precise information thereon;

   (d) the ex-ante evaluation referred to in Article 125 conforms to the evaluation and monitoring system and that it is accepted and 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 consultation of the Monitoring Committee, is submitted to the Commission;

(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 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 as well as by informing beneficiaries and the general public of the Union support for agriculture and rural development through the CAP Strategic Plan.

3. The Member State or the Managing Authority may designate one or more intermediate bodies including local authorities, regional development bodies or non-governmental organisations, to carry out the management and implementation of CAP Strategic Plan interventions.

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

5. The Commission shall be empowered to adopt delegated acts in accordance with Article 138, supplementing this Regulation with detailed rules on 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. The Member State shall set up a committee to monitor implementation of the CAP Strategic Plan ('Monitoring Committee') before the submission of the CAP Strategic Plan.

   Each Monitoring Committee shall adopt its rules of procedure.

   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 of the Monitoring Committee and all the data and information shared with the Monitoring Committee online.

2. The 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;

   (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;

   (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:

   (a) draft CAP Strategic Plan;

   (b) the methodology and criteria used for the selection of operations;

(c) the annual performance reports;

(d) the evaluation plan and any amendment thereof;

(e) any proposal by the managing authority for the amendment of the CAP Strategic Plan.

Article 112
Technical assistance at the initiative of the 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 the establishing and operating of the national CAP networks referred to in Article 113(1). The actions referred to in this paragraph may concern previous 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.

3. Technical assistance at the initiative of the Member States shall not finance certification bodies in the meaning of Article 11 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 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.

2. A European network for the Common Agricultural Policy (European CAP network) shall be put in place 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 stakeholders in the design and implementation of CAP Strategic Plans;

(b) accompany the Member States' administrations in the implementation of CAP Strategic Plans and the transition to a performance based delivery model;

(c) facilitate peer to peer learning and interaction among all agricultural and rural stakeholders;

(d) foster innovation and support the inclusion of all stakeholders in the knowledge-exchange and knowledge-building process;

(e) support the monitoring and evaluation capacities of all stakeholders;

(f) contribute to the dissemination of CAP Strategic Plans results.

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 supported under CAP Strategic Plans;

(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;

(c) collection and dissemination of good practice;

(d) collection of information, including statistics and administrative information, and analysis on developments in agriculture and rural areas relevant to the specific objectives set out in Article 6(1);

(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 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 LAGs 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.

Article 114
European Innovation Partnership for Agricultural Productivity and Sustainability

1. The Commission shall establish a European Innovation Partnership for agricultural productivity and sustainability (EIP).

2. The aim of the EIP shall be to stimulate innovation and improve the exchange of knowledge.

3. The EIP shall contribute to achieving the specific objectives set out to in Article 6(1).

4. The EIP shall support the AKIS referred to in Article 13(2) by connecting policies and instruments to speed up innovation. 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; and

(d) inform the scientific community about the research needs of farming practice.

EIP Operational Groups shall form part of the EIP. They shall draw up a plan for innovative projects to be developed, tested, adapted or implemented 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 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.

The envisaged innovation may be based on new but also on traditional practices in a new geographical or environmental context.

Operational Groups shall disseminate their plans and 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. Member States shall establish a performance framework 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, including those 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 result indicators;

   (c) data collection, storage and transmission;

   (d) regular reporting on performance, monitoring and evaluation activities;

   (e) mechanisms for rewarding for good performance and for addressing low performance;

   (f) the ex-ante, interim, and ex post evaluations and all other evaluation activities linked to the CAP Strategic Plan;

3. The performance framework shall cover:

   (a) the content of CAP Strategic Plans;

   (b) the market measures and other interventions provided for in Regulation (EU) No 1308/2013.

Article 116
Objectives of the performance framework

The performance framework shall aim to:

(a) assess the impact, effectiveness, efficiency, relevance, coherence and Union added value of the CAP;

(b) set milestones and targets for the specific objectives set out in Article 6;

(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 an electronic information system in which they shall record and maintain key information on the implementation of the CAP Strategic Plan that is needed for monitoring and evaluation, in particular on each intervention selected for funding, as well as on completed interventions, 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 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, complete, 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 the list of context indicators, other indicators needed for the appropriate monitoring and evaluation of the policy, the methods for the calculation of indicators 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. By 15 February 2023 and 15 February of each subsequent year until and including 2030, the Member States shall submit to the Commission an annual performance report on the implementation of the CAP Strategic Plan in the previous financial year. The report submitted in 2023 shall cover the financial years 2021 and 2022. For direct payments as referred to in Chapter II of Title III, the report shall cover only financial year 2022.

2. The last annual performance report, to be submitted by 15 February 2030, 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, 5 and 6. The Commission shall inform the Member State within 15 working days of the date of receipt 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 the implementation of the CAP Strategic Plan by reference to financial data, output and result indicators and in accordance with the second paragraph of Article 118. They shall also include information about realised outputs, realised expenditure, realised results and distance to respective targets.

   For the types of interventions which are not subject to Article 89 of this Regulation, and where the realised output and the realised expenditure ratio deviates by 50% from the annual planned output and expenditure ratio, the Member State shall submit a justification for this deviation.

5. The data transmitted shall relate to achieved values for indicators for partial and fully implemented interventions. They shall also set out a synthesis of the state of implementation of the CAP Strategic Plan realised during the previous financial year, any issues which affect the performance of the CAP Strategic Plan, in particular as regards deviations from milestones, giving reasons and, where relevant, describing the measures taken.

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.

7. The Commission shall carry out an annual performance review and an annual performance clearance referred to in Article [52] of the Regulation (EU) [HzR] based on the information provided in the annual Performance reports.

8. In the annual performance review, the Commission may make observations on the 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*.

9. Where the reported value of one or more result indicators reveals a gap of more than 25% from the respective milestone for the reporting year concerned, the Commission may ask the Member State to submit an action plan in accordance with Article 39(1) of Regulation (EU) [HzR], describing the intended remedial actions and the expected timeframe.

10. The annual performance reports, as well as a summary for citizens of their content, shall be made available to the public.

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 122
Annual review meetings

1. Member States shall organise each year an annual review meeting with the Commission, to be chaired jointly or by the Commission, which will take place not earlier than two months after the submission of the annual performance report.

2. The annual review meeting shall aim at examining the performance of each plan, including progress made towards achieving established targets, any issues affecting performance and past or future actions to be taken to address them.

CHAPTER III
INCENTIVE SYSTEM FOR GOOD ENVIRONMENTAL AND CLIMATE PERFORMANCE

Article 123
Performance bonus

1. A performance bonus may be attributed to Member States in the year 2026 to reward satisfactory performance in relation to the environmental and climate targets provided that the Member State concerned has met the condition set out in Article 124(1).

2. The performance bonus shall be equal to 5% of the amount per Member State for financial year 2027 as set out in Annex IX.

   Resources transferred between the EAGF and the EAFRD under Articles 15 and 90 are excluded for the purpose of calculating the performance bonus.

Article 124
Attribution of the performance bonus

1. Based on the performance review of the year 2026, the performance bonus withheld from a Member State's allocation following the second paragraph of Article 123 shall be attributed to this Member State if the result indicators applied to the specific environmental- and climate-related objectives set out in points (d), (e) and (f) of Article 6(1) in its CAP Strategic Plan have achieved at least 90% of their target value for the year 2025.

2. The Commission shall within two months of the receipt of the annual performance report in the year 2026 adopt an implementing act without applying the Committee procedure referred to in Article 139 to decide for each Member State whether the respective CAP Strategic Plans have achieved the target values referred to in paragraph 1 of this Article.

3. Where the target values referred to in paragraph 1 are achieved, the amount of the performance bonus shall be granted by the Commission to the Member States concerned and considered to be definitely allocated to financial year 2027 on the basis of the decision referred to in paragraph 2.

4. Where the target values referred to in paragraph 1 are not achieved, the commitments for financial year 2027 relating to the amount of the performance bonus of the Member States concerned shall not be granted by the Commission.

5. When attributing the performance bonus, the Commission may take into consideration cases of force majeure and serious socio-economic crises impeding the achievement of the relevant milestones.

6. The Commission shall adopt implementing acts laying down the detailed arrangements to ensure a consistent approach for determining the attribution of the performance bonus to Member States. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 139(2).

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 CAP specific objectives, 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 the specific objectives of the CAP Strategic Plan;

(d) how the expected outputs will contribute to results;

(e) whether the quantified target values for results are realistic, having regard to the support envisaged from the EAGF and EAFRD;

(f) the adequacy of human resources and administrative capacity for management of the CAP Strategic Plan;

(g) the suitability of the procedures for monitoring the CAP Strategic Plan and for collecting the data necessary to carry out evaluations;

(h) the suitability of the milestones selected for the performance framework;

(i) measures planned to reduce the administrative burden on beneficiaries;

(j) the rationale for the use of financial instruments financed by the EAFRD.

4. The ex-ante evaluation shall incorporate the requirements for strategic environmental assessment 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 shall be carried out by the to improve the quality of the design and implementation of the plans, as well as to assess their effectiveness, efficiency, relevance, coherence, Union added value and impact in relation to their contribution to the CAP general and specific objectives set out in Articles 5 and 6(1).

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.

4. Member States shall be responsible for evaluating the adequacy of the CAP Strategic Plan interventions for the purpose of achieving the specific objectives set out in Article 6(1).

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 evaluation of the CAP Strategic Plan by 31/12/2031.

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.

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 the end of the third year following the start of implementation of the CAP Strategic Plans 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 the [New Financial Regulation].

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 an initial report on the implementation of this Article, including first results on the performance of the CAP, to the European Parliament and the Council, after the completion of the interim evaluation. 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 its reporting requirement pursuant to Article [38(3)(e)(i)] of the [New Financial Regulation], 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.

Article 129
General provisions

1. Member States shall provide the Commission with all the necessary information enabling it to perform the monitoring and evaluation of the CAP.

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[40], 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. Existing administrative registers such as the IACS, LPIS, animal and vineyard registers shall be maintained. The IACS and LPIS shall be further developed to better meet the statistical needs of the CAP. Data from administrative registers shall be used as much as possible 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 the 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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[40] 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 209 of the 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 payments made 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.

3. By way of derogation from paragraph 2, Articles 107, 108 and 109 TFEU shall apply to support provided for an operation falling both within and outside the scope of Article 42 TFEU, save where support for working capital is provided through a financial instrument.

Article 132
Additional national financing

Payments by Member States in relation to operations falling within the scope of Article 42 TFEU that are intended to provide additional financing for interventions for which Union support is granted at any time during the CAP Strategic Plan period may only be made if they comply with this Regulation, are included in Annex V to the CAP Strategic Plans as provided for in Article 103(5) and have been approved by the Commission.

Article 133
National fiscal measures

Articles 107, 108 and 109 TFEU shall not apply to national fiscal measures whereby Member States decide to deviate from general tax rules by allowing for the income tax base applied to farmers to be calculated on the basis of a multiannual period.

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 direct payments system 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. For direct payments granted in the outermost regions of the Union in accordance with Chapter IV of Regulation (EU) No 228/2013 only point (a) and (b) of Article 3(2), point (a), (b) and (d) of Article 4(1), Section 2 of Chapter I of Title III, Article 16 and Title IX of this Regulation shall apply. Point (a), (b) and (d) of Article 4(1), Section 2 of Chapter I of Title III, Article 16 and Title IX shall apply without any obligations related to the CAP Strategic Plan.

2. For direct payments granted in the smaller Aegean islands in accordance with Chapter IV of Regulation (EU) No 229/2013 only point (a) and (b) of Article 3(2), Article 4, Section 2 of Chapter I of Title III, Sections 1 and 2 of Chapter II of Title III and Title IX of this Regulation shall apply. Article 4, Section 2 of Chapter I of Title III, Sections 1 and 2 of Chapter II of Title III and Title IX 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 the 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, and processed in aggregated form only.

3. Personal data shall be processed in accordance with the rules of Regulations (EC) No 45/2001 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 45/2001 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, 15, 23, 28, 32, 35, 36, 37, 41, 50,78, 81, 104 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, 12, 15, 23, 28, 32, 35, 36, 37, 41, 50, 78, 81, 104 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, 15, 23, 28, 32, 35, 36, 37, 41, 50, 78, 81, 104 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.

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
FINAL PROVISIONS

Article 140
Repeals

1. Regulation (EU) No 1305/2013 is repealed with effect from 1 January 2021.

However, it shall continue to apply to operations implemented pursuant to rural development programs approved by the Commission under that Regulation before 1 January 2021.

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.

2. Regulation (EU) No 1307/2013 is repealed with effect from 1 January 2021.

However, it shall continue to apply in respect of aid applications relating to claim years starting before 1 January 2021.

Articles 17 and 19 of Regulation (EU) No 1307/2013, as well as Annex I to that Regulation where relevant for Croatia, shall continue to apply until 31 December 2021.

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 and (EU) No 1307/2013 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 Regulation (EU) No 1305/2013 may be integrated into support provided for under this Regulation, including for technical assistance and for the ex post evaluations.

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 Brussels,

For the European Parliament
The President

For the Council
The President

LEGISLATIVE FINANCIAL STATEMENT

1. FRAMEWORK OF THE PROPOSAL

1.1. Title of the proposal

a) Proposal for a Regulation of the European Parliament and of the Council on the financing, management and monitoring of the common agricultural policy and repealing Regulation (EU) No 1306/2013;

b) 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;

c) Proposal for a Regulation of the European Parliament and of the Council amending Regulations (EU) No 1308/2013 establishing a common organisation of the markets in agricultural products, (EU) No 1151/2012 on quality schemes for agricultural products and foodstuffs, (EU) No 251/2014 on the definition, description, presentation, labelling and the protection of geographical indications of aromatised wine products, (EU) No 228/2013 laying down specific measures for agriculture in the outermost regions of the Union and (EU) No 229/2013 laying down specific measures for agriculture in favour of the smaller Aegean islands.

1.2. Policy area(s) concerned *(Program cluster)*

Program cluster 8 - Agriculture & Maritime Policy under Heading 3 of the Multiannual Financial Framework (MFF) 2021-2027 – Natural Resources and Environment

1.3. The proposal/initiative relates to:

☐ a new action following a pilot project/preparatory action[41]

☒ the extension of an existing action

☐ a merger or redirection of one or more actions towards another/a new action

1.4. Grounds for the proposal/initiative

1.4.1. Requirement(s) to be met in the short or long term including a detailed timeline for roll-out of the implementation of the initiative

The objectives of the Common Agricultural Policy (CAP), set out in Article 39 of the Treaty on the Functioning of the European Union, aim at:

[41] As referred to in Article 58(2)(a) or (b) of the Financial Regulation.

(a) increasing agricultural productivity (including through technical progress and optimum usage of the factors of production);
(b) thus ensuring a fair standard of living for the agricultural community (including by increasing earnings);
(c) stabilising markets;
(d) ensuring the availability of supplies; and
(e) ensuring that supplies reach consumers at reasonable prices.

Those are adjusted and articulated to the challenges mentioned in section 1.4.2 below in order to put the emphasis on the 10 Commission priorities for 2015-2019 and UN Sustainable Development Goals and in order to fulfil the above the proposals aiming to lay down the legislative framework for the Common Agricultural Policy for the period 2021-2027 – A simpler, smarter, modern and more sustainable CAP.

1.4.2. *Added value of Union involvement (it may result from different factors, e.g. coordination gains, legal certainty, greater effectiveness or complementarities). For the purposes of this point 'added value of Union involvement' is the value resulting from Union intervention which is additional to the value that would have been otherwise created by Member States alone.*

The cross-border and global nature of key challenges faced by EU agriculture and rural areas require a common policy at EU level. The CAP addresses those challenges by:

- securing a single market and level playing field via a common income safety net system of support that underpins food security and avoids potential distortions of competition;
- shoring up EU farming sector resilience necessary to harness globalisation and
- delivering on key dimensions of sustainability challenges like climate change, water use, air quality and biodiversity via the CAP environmental architecture.

In other areas, a strong EU-wide dimension needs to be combined with more subsidiarity. These areas include food safety (e.g. harmonisation of standards), rural area challenges (with big gaps in rural unemployment existing between Member States), poor rural infrastructure and services, weaknesses in research and innovation, and problems related to food quality, public health and nutrition. An appropriate EU-level response to these challenges allows more effective and efficient action when combined with more flexibility at Member State level.

1.4.3. *Lessons learned from similar experiences in the past*

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

1.4.4. Compatibility and possible synergy with other appropriate instruments

Predominantly as regards the CAP, significant synergies and simplification effects will be obtained by including under one strategic framework of the CAP Strategic Plan the implementation of interventions financed by the EAGF and EAFRD. The structures already in place in the Member States shall be sustained while management and control rules simplified and tailored to specific interventions implemented by the Member States.

The CAP maintains strong synergies with climate and environment policies, food safety and health-related issues, digital agenda in rural areas and bioeconomy, knowledge and innovation enlargement and neighbourhood policy, trade and development policies, Erasmus+.

The CAP will work in synergy and complementarity with other EU policies and funds such as actions implemented under the European Structural and Investment Funds, the InvestEU fund, the ninth Framework Program for Research as well as environmental and climate-related policies. Where appropriate, common rules will be established in view of maximising consistency and complementarity between funds, while making sure that specificities of these policies are respected.

Synergies with the Research Framework Program (FP) will be secured in the FP9 cluster on “Food and Natural Resources” whose objective is to make agriculture and food systems fully safe, sustainable, resilient, circular, diverse and innovative. The CAP will forge even stronger links to EU Research and Innovation policy by introducing bioeconomy as a priority for the CAP. Under the cluster on “Food and Natural Resources”, emphasis is also given to reaping the benefits of the digital revolution, so Research and Innovation activities will contribute to the digital transformation of agriculture and rural areas.

The legislative proposals concerned by this financial statement should be seen in the broader context of the proposal for the Common Provisions Regulation laying down a single framework of common rules for funds such as the EAFRD, the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Maritime and Fisheries Fund and others. That framework regulation will make an important contribution to reducing administrative burden, to spending EU funds in an effective way, and to put simplification into practice.

1.5. Duration and financial impact

☒ **limited duration**

– ☒ in effect from 01/01/2021 to 31/12/2027

– ☒ Financial impact from 2021 to 2027 for commitment appropriations and from 2021 to beyond 2027 for payment appropriations.

☒ **unlimited duration** for Proposal for a Regulation of the European Parliament and of the Council amending Regulations (EU) No 1308/2013 establishing a common organisation of the markets in agricultural products, (EU) No 1151/2012 on quality schemes for agricultural products and foodstuffs, (EU) No 251/2014 on the definition, description, presentation, labelling and the protection of geographical indications of aromatised wine products, (EU) No 228/2013 laying down specific measures for agriculture in the outermost regions of the Union and (EU) No 229/2013 laying down specific measures for agriculture in favour of the smaller Aegean islands

– Implementation as from 2021 (budget year).

1.6. Management mode(s) planned[42]

☒ **Direct management** by the Commission

– ☒ by its departments, including by its staff in the Union delegations;

– ☒ by the executive agencies

☒ **Shared management** with the Member States

☐ **Indirect management** by entrusting budget implementation tasks to:

– ☐ third countries or the bodies they have designated;

– ☐ international organisations and their agencies (to be specified);

– ☐the EIB and the European Investment Fund;

– ☐ bodies referred to in Articles 70 and 71 of the Financial Regulation;

– ☐ public law bodies;

– ☐ bodies governed by private law with a public service mission to the extent that they provide adequate financial guarantees;

– ☐ bodies governed by the private law of a Member State that are entrusted with the implementation of a public-private partnership and that provide adequate financial guarantees;

– ☐ persons entrusted with the implementation of specific actions in the CFSP pursuant to Title V of the TEU, and identified in the relevant basic act.

– *If more than one management mode is indicated, please provide details in the 'Comments' section.*

Comments

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

[42] Details of management modes and references to the Financial Regulation may be found on the BudgWeb site: https://myintracomm.ec.europa.eu/budgweb/EN/man/budgmanag/Pages/budgmanag.aspx

2. MANAGEMENT MEASURES

2.1. Monitoring and reporting rules

Specify frequency and conditions.

A performance, monitoring and evaluation framework shall be established with a view to:

(a) assess the impact, effectiveness, efficiency, relevance, coherence and EU added value of the CAP;

(b) set milestones and targets for CAP Strategic Plans specific objectives;

(c) monitor progress made towards achieving the CAP Strategic Plan targets;

(d) assess the impact, effectiveness, efficiency, relevance and coherence of the CAP Strategic Plans interventions;

(e) support a common learning process related to monitoring and evaluation.

The Managing Authority and the Monitoring Committee will monitor the implementation of the CAP Strategic Plan and progress made towards achieving CAP Strategic Plan targets.

Annual performance reports

By 15 February 2023 and 15 February of each subsequent year until and including 2030, Member States shall submit to the Commission annual performance reports on the implementation of the CAP Strategic Plan in the previous financial year. These reports shall set out key qualitative and quantitative information on implementation of the CAP Strategic Plan by reference to financial data, output and result indicators. They shall also include information about realised outputs, realised expenditure, realised results and distance to respective targets.

The data transmitted shall relate to achieved values for indicators for partial and fully implemented interventions. They shall also set out a synthesis of the state of implementation of the CAP Strategic Plan realised during the previous financial year, any issues which affect the performance of the CAP Strategic Plan, in particular as regards deviations from milestones, underlining reasons and, where relevant, the measures taken.

The Commission shall carry out an Annual Performance Review and an Annual Performance Clearance based on the information provided in the Annual Performance reports.

CAP strategic Plan evaluation

Member States shall carry out ex-ante evaluations, including an analysis of the strength, weaknesses, opportunities and threats relevant for the CAP Strategic Plan concerned in order to identify the needs to be addressed by the CAP Strategic Plan.

Evaluations of CAP Strategic Plans shall be carried out by the Member States to improve the quality of the design and implementation of plans, as well as to assess their effectiveness, efficiency, relevance, coherence, EU added value and impact in relation to their contribution to the CAP general and specific objectives.

Performance assessment by the Commission

The Commission shall establish a multiannual evaluation plan of the CAP to be carried out under the responsibility of the Commission.

The Commission shall carry out an interim evaluation to examine the effectiveness, efficiency, relevance, coherence and EU added value of the Funds taking into account the indicators set out in Annex VII. The Commission may make use of all relevant information already available in accordance with Article 128 of Financial Regulation.

The Commission shall carry out a retrospective evaluation to examine the effectiveness, efficiency, relevance, coherence and EU added value of the Funds.

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 an initial report on the implementation of this Article, including first results on the performance of the CAP, to the European Parliament and the Council by 31 December 2025. A second report including an assessment of the performance of the CAP shall be presented by 31 December 2031.

Reporting based on a core set of indicators

The information provided by the Member States is the basis on which the Commission shall report on the progress towards the achievement of specific objectives over the whole programming period using for this purpose a core set of indicators.

In compliance with its reporting requirement pursuant to Article 38(3)(e)(i) of the Financial Regulation, 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.

2.2. Management and control system(s)

2.2.1. Justification of the management mode(s), the funding implementation mechanism(s), the payment modalities and the control strategy proposed

The CAP is primarily implemented in shared management with the Member States. The existing governance bodies set up in the Member States, notably the paying agencies and certification bodies, have shown their effectiveness in protecting the EU budget and ensuring sound financial management. The steady low error rate levels under the CAP in the most recent years show that the management and control systems set up by the Member States function properly and provide reasonable assurance.

The new delivery model under the CAP acknowledges this situation by conferring more subsidiarity on Member States in deciding and managing the control systems in place within a more general set of rules at the level of the Union. Moreover, following the strategy on budgeting focused on results and performance oriented payments, the CAP will link the eligibility of the payments to the actual delivery on the ground. Performance is therefore at the heart of the financial management and assurance model in the legislative proposals for the CAP post 2020.

The control strategy for the new period will be fully in line with the single audit approach, ensuring that accredited paying agencies and certification bodies provide the necessary assurance. The Commission will pay particular attention to the effective functioning of the governance systems in place and the reliability of the performance reporting. As currently, there will be an audit strategy drafted at the beginning of the period and a multi-annual working program.

To summarise, the Commission will ensure that the governance systems set up in the Member States are functioning effectively, will reimburse the payments incurred by the accredited paying agencies and will carry out annual performance clearance assessing the achieved outputs reported by the Member States.

2.2.2. *Information concerning the risks identified and the internal control system(s) set up to mitigate them*

There are more than seven million beneficiaries of the CAP, receiving support under a large variety of different aid schemes. The downward trend in the reduction of the error rate in the domain of the CAP shows robust and reliable management and control systems in the paying agencies.

The CAP has been implemented so far through detailed eligibility rules at the level of the beneficiary which added complexity, administrative burden and risk of error. The costs of the management and control system, in order to mitigate this risk, have been considered as somewhat disproportionate.

The legislative package for the CAP post 2020 reduces substantially the compliance element, increasing the focus on performance. Obligations stemming from EU rules are to be fulfilled by Member States who then should put in place the appropriate management and control system. Member States will have more flexibility to design the schemes and measures that better fit their concrete realities. Therefore, the CAP funding will be conditioned to a strategic delivery of the policy towards common objectives defined at EU level. The CAP Plan will be the agreement between the Member States and the Commission whereby the strategy for 7 years, targets, interventions and planned expenditure are laid down and approved.

The proposal for the regulation on the financing, management and monitoring of the common agricultural policy adapts the current set up to this new delivery model, while maintaining the well-functioning governance bodies (paying agencies and certification bodies). As in the current situation, every year the head of each paying agency is required to provide a management declaration which covers the completeness, accuracy and veracity of the accounts, the proper functioning of the governance structures, including fulfilment of EU basic requirements, and the reliability of the performance reporting. An independent audit body (Certification Body) is required to provide an opinion on these elements.

Expenditure will be reduced if the Member State has not delivered outputs to the agreed standards. Compliance audits will still be carried out to assess the functioning of the governance structures. The Commission will continue to audit agricultural expenditure, using a risk-based approach in order to ensure that its audits are targeted to the areas of highest risk, in accordance with the single audit principle. Furthermore, there are clear mechanisms for suspensions of payments for cases of serious deficiencies in the governance structures or significant underperformance trends.

The main risk envisaged for the new period is that the alleviation of concrete and detailed rules on how the management and control system in the Member State should be established at the level of the paying agencies may have a reputational impact for the Commission in cases where eligibility rules established by the Member States are not respected. It should be stressed that the Commission will ensure that governance systems are in place and outputs and results are being achieved. In the spirit of budgeting focused on results, the Commission will put the focus to what the policy delivers.

2.2.3. *Estimation and justification of the cost-effectiveness of the controls (ratio of "control costs ÷ value of the related funds managed"), and assessment of the expected levels of risk of error (at payment & at closure)*

The new delivery model for the CAP is expected to significantly reduce the cost of controls, both for Member States and beneficiaries.

The EU level requirements have been significantly reduced and they have been set at the level of the Member States, who should use this opportunity to adapt the obligations to be fulfilled by beneficiaries to the concrete national or regional circumstances.

Member States will define the management and control system within the simplified EU framework defined in the legislative proposals. The Integrated Administration and Control System (IACS), accountable for roughly 88% of the CAP payments, is maintained although specific elements, so far defined at EU level, will be left to Member States. Therefore, intensity and scope of controls which is the main cost driver is no longer defined at EU level.

The focus on performance requires a robust and reliable reporting system, which as mentioned in previous sections, will be subjet to independent audits. It is not expected though that this has a significant impact on the administrative burden of the Member States, since most of the output indicators are already available in the accredited paying agencies.

The Member States have the potential to simplify and reduce the administrative burden linked to the management and control of the CAP, since they will be able to tailor eligibility rules at beneficiary level and decide most suitable way to control (no one-size-fits-all). As stated in the Impact Assessment accompanying the CAP legislative proposals, chapter on simplification, the delivery costs for the new CAP are not expected to be higher (currently at 3.6%), even when taking into account the enhanced focus on performance reporting.

As regards the expected level of errors, according to the new delivery model, the eligibility of the expenditure is assessed in terms of outputs achieved. Therefore, errors would not be calculated in respect to legality and regularity of individual transactions but on the level of outputs achieved in relationship with the expenditure reimbursed. The expenditure which has not a corresponding output will be reduced in the framewok of the annual performance clearance, so the EU budget remains protected.

2.3. Measures to prevent fraud and irregularities

Specify existing or envisaged prevention and protection measures, e.g. from the Anti-Fraud Strategy.

The legislative package envisages that Member States shall ensure effective prevention against fraud, especially in the areas with a higher level of risk, preventing, detecting and correcting irregularities and fraud. Member States must impose effective, dissuasive and proportionate penalties as laid down in Union legislation or national law, and recover any irregular payments plus interests.

These EU basic requirements are part of the governance structures that will be audited by the Certification Bodies and on a risk-based approach, also by the Commission following the single audit principle.

Details will be addressed, as appropriate, in a revised AGRI Anti-fraud Strategy. It is however not expected that the typology of fraud and other serious irregularities will substantially change in the future compared to the status quo.

The current approach of delivering targeted training to Member States on the prevention, detection and correction of fraud and other serious irregularities is likely to be extended onto the future CAP. The same applies to thematic guidance notes for Member States on specific areas of high risk.

3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL

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

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

As regards the market-related expenditure, it should be underlined that the amounts taken into account for market-related expenditure are based on the assumption of no public intervention buying-in and other measures related to a crisis situation in any sectors.

A new agricultural reserve will be established in the EAGF, to provide additional support for the agricultural sector for the purpose of safety-net measures in the context of market management or stabilisation and/or in case of crises affecting the agricultural production or distribution. The amount of the reserve will be at least EUR 400 million at the beginning of each financial year. The unused amounts of the agricultural crisis reserve in financial year 2020 will be carried forward to financial year 2021 to set up the reserve; an annual roll-over of the unused amounts will apply in the period 2021-2027. In case the reserve is used, it will be re-filled using existing budgetary availabilities or by fresh appropriations. In case the specific EAGF sub-ceiling fixed in the MFF 2021-2027 is overshoot, the financial discipline will apply to cover all needs above the sub-ceiling, including those for refilling the reserve. Therefore, the repeated application of financial discipline for the purpose of setting up the reserve is not foreseen in the period 2021-2027. The financial discipline mechanism will remain for the purpose of ensuring the respect of the EAGF sub-ceiling.

As concerns direct payments types of interventions, the net ceilings for financial year 2021 (calendar year 2020) set by Regulation (EU) No 1307/2013 of the European Parliament and of the Council, are higher than the amounts allocated to direct payments types of interventions indicated in the accompanying tables, consequently they will need to be adjusted in line with the final agreement on the CAP financal envelope within the deadlines needed for timely implementation in the Member States.

The proposal includes a continuation of the process of external convergence of direct payments: Member States with an average support level below 90% of the EU average will close 50% of the gap to 90% of the EU average in 6 gradual steps starting in 2022. All Member States will contribute to financing this convergence. It is reflected in the Member States allocations for direct payments in Annex IV to the CAP Strategic Plans Regulation.

The impact of the reduction of payments in direct support to farmers is budgetary neutral for the direct payments allocation, as the product ofthe reduction of payments will be used to finance redistributive payment within the same Member State. In case the product of the reduction of payments cannot be accomodated in the financing of direct payments types of interventions, it will be transferred to the EAFRD allocation of the Member State concerned. The amounts of such possible transfer cannot be quantified at this stage.

As regards the revenue assigned to the EAGF, the estimate reflects the effect of granted deferrals and instalments on the past clearance decisions that will be cashed in after 2020, and the estimated assigned revenue from clearance and irregularities to be collected. The latter is assumed to decrease compared to current levels following the introduction of the new delivery model.

As regards the EAFRD, the proposal foresees a decrease in EU co-financing rates similarly to the other European Structural and Investment Funds. This together with the allocation for the EAFRD types of interventions will allow keeping public support to European rural areas largely unchanged. The allocation between Member States is based on objective criteria and past performance.

The reform proposals contain provisions giving Member States a degree of flexibility in relation to their allocation for direct payments types of interventions and for rural development types of interventions, as well as between the allocation for direct payments types of interventions and for certain sectoral types of interventions. In case Member States decide to use that flexibility, this will have financial consequences within the given financial amounts, which cannot be quantified at this stage.

3.1. Heading of the multiannual financial framework and preliminary list of new expenditure budget lines proposed[43]

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	Heading 3: Natural Resources and Environment	Diff./Non-diff.[44]	from EFTA countries[45]	from candidate countries[46]	from third countries	within the meaning of Article [21(2)(b)] of the Financial Regulation
3	[08.01.YY] EAGF Non-operational technical assistance	Non-diff	NO	NO	NO	NO
3	[08.01.YY] EAFRD Non-operational technical assistance	Non-dif	NO	NO	NO	NO
3	[08.01.YY] Executive agencies	Non-diff	NO	NO	NO	NO

43 A number of the existing budgetary lines is to be maintained and the numbering is to be adapted to the new budgetary nomenclature (e.g. current chapters 05 07 and 05 08). Following the development of the CAP proposal the nomenclature could be adjusted.

44 Diff. = Differentiated appropriations / Non-diff. = Non-differentiated appropriations.

45 EFTA: European Free Trade Association.

46 Candidate countries and, where applicable, potential candidates from the Western Balkans

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	Heading 3: Natural Resources and Environment	Diff./Non-diff.[44]	from EFTA countries[45]	from candidate countries[46]	from third countries	within the meaning of Article [21(2)(b)] of the Financial Regulation
3	[08.02.YY] Agricultural reserve	Non-diff	NO	NO	NO	NO
3	[08.02.YY] Sectoral types of interventions under the CAP plan	Non-diff	NO	NO	NO	NO
3	[08.02.YY] Market related expenditure outside the CAP plan	Diff and non-diff	NO	NO	NO	NO
3	[08.02.YY] Direct payments types of interventions under the CAP plan	Non-diff	NO	NO	NO	NO
3	[08.02.YY] Direct payments outside the CAP plan	Non-diff	NO	NO	NO	NO
3	[08.02.YY] EAGF Operational technical assistance	Diff and non-diff	NO	NO	NO	NO
3	[08.03.YY] 2021-2027 rural development types of interventions under the CAP plan	Diff	NO	NO	NO	NO
3	[08.03.YY] EAFRD Operational technical assistance	Diff	NO	NO	NO	NO
7	[08.01.YY] Expenditure related to official and temporary agents in the ‘Agriculture and rural development’ policy area	Non-diff	NO	NO	NO	NO
7	[08.01.YY] External personnel and other management expenditure in support of the 'Agricultural and Rural Development' policy area	Non-diff	NO	NO	NO	NO
7	[08.01.YY] Expenditure related to information and communication technology equipment and services of the 'Agricultural and Rural Development' policy area	Non-diff	NO	NO	NO	NO

The list of budget items in the table above is preliminary and does not prejudge the concrete budget nomenclature that the Commission will propose in the context of the annual budgetary procedure.

3.2. Estimated impact on expenditure

3.2.1. Summary of estimated impact on expenditure

EUR million (with three decimal places)

Heading of multiannual financial framework	**3**	Natural Resources and Environment

			2021	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	***Post 2027***	**TOTAL**
08 02 YY – Agricultual reserve	Commitments = Payments	(1)	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.		**p.m.**
08 02 YY – Sectoral types of interventions under the CAP plan [47]	Commitments = Payments	(2)	2,044.116	2,066.584	2,091.060	2,115.010	2,139.737	2,165.443	2,192.347		**14,814.294**
08 02 YY - Market related expenditure outside the CAP plan	Commitments	(3)	638.309	638.309	638.309	638.309	638.309	638.309	638.309		**4,468.163**
	Payments	(4)	605.136	611.601	623.808	627.643	629.770	630.334	630.314	109.558	**4,468.164**
08 02 YY – Direct payments types of interventions	Commitments = Payments	(5)	37,392.689	37,547.129	37,686.679	37,802.859	37,919.038	38,035.217	38,151.396		**264,535.007**
08 02 YY – Direct payments outside the CAP plan	Commitments = Payments	(6)	421.321	421.321	421.321	421.321	421.321	421.321	421.321		**2,949.249**
08 02 YY – EAGF operational technical	Commitments = Payments[49]	(7)	71.000	71.000	71.000	71.000	71.000	71.000	71.000		**497.000**

[47] An increase in the Sectoral types of interventions under the CAP plan is explained by the allocation proposed for the support to the apiculture sector amounting to EUR 60 million, as well as the evolution of the expenditure in fruit and vegetables sector, which is not limited by an EU level envelope, following the observed past level of execution.

assistance[48]											
08 01 YY - Appropriations of an administrative nature financed from the EAGF[50]	Commitments = Payments	(8)	13.000	13.000	13.000	13.000	13.000	13.000	13.000		**91.000**
67 01 & 67 02 – Revenue assigned to the EAGF	Commitments = Payments	(9)	280.000	230.000	130.000	130.000	130.000	130.000	130.000		**1,160.000**
SUBTOTAL – EAGF	Commitments	(10)=(1+2+3+5+6+7+8-9)	**40,300.435**	**40,527.343**	**40,791.369**	**40,931.499**	**41,072.405**	**41,214.290**	**41,357.373**		**286,194.715**
	Payments	11)=(1+2+4+5+6+7+8-9)	**40,267.262**	**40,500.635**	**40,776.868**	**40,920.833**	**41,063.866**	**41,206.315**	**41,349.378**	**109.558**	**286,194.715**

08 03 YY – Rural development types of interventions	Commitments	(12)	11,230.561	11,230.561	11,230.561	11,230.561	11,230.561	11,230.561	11,230.561		**78,613.927**
	Payments	(13)	786.139	3,703.699	6,314.312	7,860.977	9,356.414	10,331.700	11,025.236	29,235.450	**78,613.927**
08 03 YY – EAFRD operational technical assistance EU	Commitments = Payments[51]	(14)	22.147	22.147	22.147	22.147	22.147	22.147	22.147		**155.029**
08 01 YY - Appropriations of an administrative nature financed from the EAFRD	Commitments = Payments	(15)	6.000	6.000	6.000	6.000	6.000	6.000	6.000		**42.000**

49 For simplification, the appropriations for EAGF technical assistance are here considered as non-differentiated. The amount of RAL tends to be insignificant compared to the total amounts concerned by this financial statement.

48 Including also the amounts financed currently under chapters 05 07 (Audit of agricultural expenditure) and 05 08 (Policy strategy and coordination of the Agriculture and rural development policy area).

50 Including the amounts financed currently under item 05 01 04 01 - Support expenditure for European Agricultural Guarantee Fund (EAGF) - Non-operational technical assistance and 05 01 06 01 - Consumer, Health, Agriculture and Food Executive Agency - Contribution from the agricultural promotion program

51 For simplification, the appropriations for EAFRD technical assistance are here considered as non-differentiated. The amount of RAL tends to be insignificant compared to the total amounts concerned by this financial statement.

SUBTOTAL – EAFRD	Commitments	(16)=(12+14+15)	11,258.708	11,258.708	11,258.708	11,258.708	11,258.708	11,258.708	11,258.708		**78,810.955**
	Payments	(17)=(13+14+15)	814.286	3,731.846	6,342.459	7,889.124	9,384.561	10,359.847	11,053.383	29,235.450	**78,810.955**
TOTAL appropriations for the CAP	Commitments	=10+16	**51,559.143**	**51,786.051**	**52,050.077**	**52,190.207**	**52,331.113**	**52,472.998**	**52,616.081**		**365,005.670**
	Payments	=11+17	**41,081.548**	**44,232.481**	**47,119.327**	**48,809.957**	**50,448.427**	**51,566.162**	**52,402.761**	**29,345.008**	**365,005.670**

Totals do not tally due to rounding.

Heading of multiannual financial framework	7	'Administrative expenditure'

EUR million (with three decimal places)

		2021	2022	2023	2024	2025	2026	2027	*Post 2027*	TOTAL
Human resources		125.678	125.678	125.678	125.678	125.678	125.678	125.678		**879.746**
Other administrative expenditure		6.008	6.008	6.008	6.008	6.008	6.008	6.008		**42.056**
TOTAL appropriations under HEADING 7 of the multiannual financial framework	Commitments = Payments	**131.686**	**131.686**	**131.686**	**131.686**	**131.686**	**131.686**	**131.686**		**921.802**

EUR million (with three decimal places)

		2021	2022	2023	2024	2025	2026	2027	*Post 2027*	TOTAL
TOTAL appropriations across HEADINGS of the multiannual financial framework	Commitments	**51,690.829**	**51,917.737**	**52,181.763**	**52,321.893**	**52,462.799**	**52,604.684**	**52,747.767**		**365,927.472**
	Payments	**41,213.234**	**44,364.167**	**47,251.013**	**48,941.643**	**50,580.113**	**51,697.848**	**52,534.447**	**29,345.008**	**365,927.472**

Totals do not tally due to rounding.

3.2.2. *Summary of estimated impact on appropriations of an administrative nature*

– ☐ The proposal/initiative does not require the use of appropriations of an administrative nature

– ☒ The proposal/initiative requires the use of appropriations of an administrative nature, as explained below:

EUR million (to three decimal places)

Years	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**TOTAL**
HEADING 7 of the multiannual financial framework								
Human resources	125.678	125.678	125.678	125.678	125.678	125.678	125.678	**879.746**
Other administrative expenditure	6.008	6.008	6.008	6.008	6.008	6.008	6.008	**42.056**
Subtotal HEADING 7 of the multiannual financial framework	**131.686**	**131.686**	**131.686**	**131.686**	**131.686**	**131.686**	**131.686**	**921.802**
Outside HEADING 7[52] of the multiannual financial framework								
Human resources	1.850	1.850	1.850	1.850	1.850	1.850	1.850	12.950
Other expenditure of an administrative nature	17.150	17.150	17.150	17.150	17.150	17.150	17.150	120.050
Subtotal outside HEADING 7 of the multiannual financial framework	**19.000**	**19.000**	**19.000**	**19.000**	**19.000**	**19.000**	**19.000**	**133.000**

Totals do not tally due to rounding.

TOTAL	**150.686**	**150.686**	**150.686**	**150.686**	**150.686**	**150.686**	**150.686**	**1 054.802**

The appropriations required for human resources and other expenditure of an administrative nature will be met by appropriations from the DG that are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

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52 Technical and/or administrative assistance and expenditure in support of the implementation of EU programs and/or actions (former 'BA' lines), indirect research, direct research.

3.2.2.1. Estimated requirements of human resources

– ☐ The proposal/initiative does not require the use of human resources.

– ☒ The proposal/initiative requires the use of human resources, as explained below:

Estimate to be expressed in full time equivalent units

Years		2021	2022	2023	2024	2025	2026	2027
• Establishment plan posts (officials and temporary staff)								
Headquarters and Commission's Representation Offices		845	845	845	845	845	845	845
Delegations		3	3	3	3	3	3	3
Research								
• External staff (in Full Time Equivalent unit: FTE) - AC, AL, END, INT and JED [53] Heading 7								
Financed from HEADING 7 of the multiannual financial framework	- at Headquarters	57.75	57.75	57.75	57.75	57.75	57.75	57.75
	- in Delegations	1	1	1	1	1	1	1
Financed from the envelope of the program [54]	- at Headquarters	29	29	29	29	29	29	29
	- in Delegations							
Research								
Other (specify)								
TOTAL		**935.75**	**935.75**	**935.75**	**935.75**	**935.75**	**935.75**	**935.75**

The human resources required will be met by staff from the DG who are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

[53] AC= Contract Staff; AL = Local Staff; END = Seconded National Expert; INT = agency staff; JPD= Junior Professionals in Delegations.

[54] Sub-ceiling for external staff covered by operational appropriations (former 'BA' lines).

3.2.3. *Third-party contributions*

The proposal/initiative:

– ☒ does not provide for co-financing by third parties

– ☐ provides for the co-financing by third parties estimated below:

Appropriations in EUR million (to three decimal places)

Years	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**TOTAL**
Specify the co-financing body								
TOTAL appropriations co-financed								

3.3. Estimated impact on revenue

– ☐ The proposal/initiative has no financial impact on revenue.

– ☒ The proposal/initiative has the following financial impact:

  – ☐ on own resources

  – ☒ on other revenue

please indicate, if the revenue is assigned to expenditure lines ☒

EUR million (to three decimal places)

Budget revenue line:	Impact of the proposal						
	2021	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
67 01 & 67 02	280	230	130	130	130	130	130

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

08 02 YY – Sectoral types of interventions

08 02 YY – Direct payments types of interventions

Other remarks (e.g. method/formula used for calculating the impact on revenue or any other information).

Please refer to comments under point 3