



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 14.7.2004
COM(2004)490 final

2004/0161(CNS)

Proposal for a

COUNCIL REGULATION

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

(presented by the Commission)

{SEC(2004)931}

EXPLANATORY MEMORANDUM

1. Following the fundamental reform of the first pillar of the Common Agricultural Policy in 2003 and 2004, the major focus for policy reform in the new financial period will be rural development.
2. With over half of the population in EU-25 living in rural areas, which cover 90% of the territory, rural development is an important policy domain. Farming and forestry remain of overriding importance for land use and the management of natural resources in the EU's rural areas and important as a platform for economic diversification in rural communities.
3. The 'problems' and challenges to be addressed by rural development policy can be summarised as follows:
 - *Economic*: Rural areas have a significantly lower income than the average, an ageing working population, and a greater dependency on the primary sector.
 - *Social*: There is clear evidence of higher unemployment in rural areas. Low population density and depopulation in some areas, may also increase the risk of problems like poor access to basic services, social exclusion, and a narrower range of employment options.
 - *Environmental*: The need to ensure that agriculture and forestry make a positive contribution to the countryside and the wider environment requires a careful balance to be struck.
4. Agenda 2000 established rural development policy as the 2nd pillar of the Common Agricultural Policy, to accompany the further reform of market policy across the whole of European territory. Rural development policy therefore cannot be divorced from its role as 2nd pillar of the Common Agricultural Policy, with emphasis on the word 'common', i.e. the choice that has been made to organise the agricultural sector at EU level. This is of particular significance as regards ensuring the coherence of instruments and policy objectives between the two pillars.
5. The EU's rural development policy follows the overall orientations for a sustainable development in line with the conclusions of the Lisbon (March 2000) and Göteborg (June 2001) European Councils. While the Lisbon conclusions set the target of making the European Union the most competitive knowledge-based economic area by 2010, the Göteborg conclusions added a new emphasis on protecting the environment and achieving a more sustainable pattern of development. The latter conclusions also highlighted the fact that in the context of Agenda 2000, European Agricultural policy had "become more oriented towards satisfying the general public's growing demands regarding food safety, food quality, product differentiation, animal welfare, environmental quality and the conservation of nature and the countryside".
6. Further implementation of CAP reform implies a need for a continued sectoral component in EU rural development policy. In addition, the duality of farm structures and sometimes still high share of agriculture in employment in many of the new MS implies a further important need for the policy to accompany restructuring in agriculture and in rural areas.

7. The territorial components of EU rural development policy to respond to the economic, social and environmental challenges facing rural areas, lie in accompanying agriculture and forestry in their important land management function and in embedding agriculture and forestry in a diversified rural economy and contributing to the socio-economic development of rural areas.
8. The complementarity of the two pillars of the CAP has been accentuated by the recent reform of the CAP, introducing decoupling, cross compliance and modulation (i.e. a transfer of funds from the 1st to the 2nd pillar), to be implemented from 2005 onwards. The 1st pillar concentrates on providing a basic income support to farmers, who are further free to produce in function of market demand, while the 2nd pillar supports agriculture as a provider of public goods in its environmental and rural functions and rural areas in their development.
9. Reflecting the Salzburg conference conclusions (November 2003) and the strategic orientations of the Lisbon and Göteborg European Councils emphasising the economic, environmental, and social elements of sustainability, the following three major objectives for RD policy have been set in the Communication on the Financial Perspectives for the period 2007–2013:
 - Increasing the competitiveness of the agricultural sector through support for restructuring;
 - Enhancing the environment and countryside through support for land management (including RD actions related to Natura 2000 sites);
 - Enhancing the quality of life in rural areas and promoting diversification of economic activities through measures targeting the farm sector and other rural actors;

In summary, the importance of the EU dimension of rural development policy lies in:

- Accompanying and complementing further CAP reform and ensuring coherence with the instruments and the policies of the first pillar;
 - Contributing to other EU policy priorities such as sustainable management of natural resources, innovation and competitiveness in rural areas, and economic and social cohesion.
10. The large number of programmes, programming systems and different financial management and control systems in the current programming period have considerably increased the administrative burden for the Member States and the Commission and decreased the coherence, transparency and visibility of rural development policy.
 11. A first important step is to bring rural development under a single funding and programming framework.
 12. An important instrument to ensure the focus of rural development programming on EU priorities and complementarity with other EU policies will be the EU strategy document for rural development to be prepared by the Commission and which will serve as a basis for the national rural development strategies and programmes.

13. Clearly set objectives in the light of EU priorities and more emphasis on reporting of programme results through reinforced monitoring and evaluation will ensure more transparency and accountability for the use of EU money, while at the same time leaving member states more freedom in how they wish to implement their programmes through less detailed rules and eligibility conditions and simplified financial management and control arrangements.
14. Stakeholder consultation in the design, implementation and evaluation of national strategies and programmes, the integration of the LEADER bottom up approach, exchange of best practice and networking will all help to ensure the structured dialogue underlying good governance.
15. Together with an increased clarity as regards the responsibilities of member states and the Commission in financial management, the proposed changes should significantly improve the implementation and governance of rural development policy.
16. To achieve a more strategic approach to rural development, a first step in the programming phase will be the preparation by the Commission of a strategy document setting out the EU priorities for the three policy axes. It will identify strengths and weaknesses at EU level and core indicators to measure progress in achieving the EU priorities. The EU rural development strategy would then be adopted by the Council and form the basis for the national rural development strategies of the MS. The national rural development strategy would translate the EU priorities to the national situation after stakeholder consultation, set core result indicators and demonstrate the complementarity of rural development programming with other EU policies, in particular cohesion policy.
17. The programmes will articulate the national strategy into a strategy for each of the three thematic axes corresponding to the main policy objectives under point 9 and for the LEADER axis, using quantified objectives and core result indicators (comprising a minimum set of EU-wide common indicators). To ensure a balanced strategy a minimum funding for axis 1 (competitiveness) and axis 3 (wider rural development) of at least 15% of total EU programme funding will be required and of at least 25% for axis 2 (land management). For the LEADER axis a minimum of 7% of the EU funding is reserved.
18. As building blocks for each thematic axis a range of measures will be available. The conditions under which the measures can be implemented have been streamlined and simplified.
19. For axis 1, competitiveness of farming and forestry, the restructuring strategy would be built on measures relating to human and physical capital and to quality aspects and would allow a phasing out of certain measures currently applicable in the new member states.
20. For the strategy for axis 2, environment and land management, agri-environment is a compulsory component. The existing less-favoured areas measure is redefined as far as the delimitation of the intermediate zones (partly based on socio-economic data which in many cases have become outdated) is concerned. The new delimitation is to be based on soil productivity and climatic conditions and the importance of extensive farming activities for land management, low soil productivities and poor climatic conditions giving an indication of the difficulty of maintaining agricultural activity.

21. A general condition for the measures under axis 2 at the level of the beneficiary is respect of the EU and national mandatory requirements relevant for respectively agriculture and forestry.
22. For axis 3, wider rural development, the preferred implementation method is through local development strategies targeting sub-regional entities, either developed in close collaboration between national, regional and local authorities or designed and implemented through a bottom up approach using the LEADER approach (selection of the best local development plans of local action groups representing public-private partnerships). The horizontal application of certain measures under axis 3 remains possible.
23. Each programme should contain a LEADER axis to finance the implementation of the local development strategies of local action groups built on the three thematic axes, the operating costs of local action groups, the cooperation projects between local action groups, experimental and pilot approaches and the capacity building and animation necessary for the preparation of local development strategies.
24. For technical assistance up to 4% of programme funding can be reserved for the implementation of the programme, including financing of national networks to support the implementation of rural development measures and in particular local action groups and to serve as contact point for the European Network for rural development. An EU rural development Network will assist the Commission in the implementation of the policy.
25. The EU co-financing rates are set at axis level, with a minimum of 20% and a maximum of 50% of total public expenditure (75% in Convergence regions). For axis 2 and the LEADER axis the maximum rate will be 55% (80% in Convergence regions), expressing the EU priority attached to these axes. For the Outermost regions the maximum cofinancing rates are increased by 5 points.
26. Of overall EU RD funding available for the period (excluding modulation), 3% will be kept in reserve to be allocated in 2012 and 2013 to the Member States with the most performing LEADER axes.
27. For the implementation of the programmes a reinforced monitoring, evaluation and reporting system based on a common EU framework agreed between the Member States and the Commission will be introduced. Based on the annual national synthesis reports on the execution of programmes and the progress in the implementation of the national strategies (in terms of results), the Commission reports annually on the progress in implementing the EU priorities for rural development. Where necessary this could lead to a proposal for the adjustment of the EU rural development strategy.
28. The outlined approach would allow to focus the EU cofinancing available for rural development on commonly agreed EU priorities for the three policy axes, while leaving sufficient flexibility at Member State and regional level to find a balance between the sectoral dimension (agricultural restructuring) and the territorial dimension (land management and socio-economic development of rural areas), responding to the individual situations and needs. Moreover, the LEADER model could be applied on a wider scale, while for the EU as a whole continuation and consolidation of the LEADER approach would be safeguarded.

Proposal for a

COUNCIL REGULATION

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

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 37 thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament,

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

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

Whereas:

- (1) A rural development policy should accompany and complement the market and income support policies of the Common Agricultural Policy (CAP) and thus contribute to the achievement of the policy's objectives as laid down in Article 33(1) of the Treaty. Rural development policy should also take into account the general objectives for economic and social cohesion policy set out in Article 158 of the Treaty and contribute to their achievement, while integrating other major policy priorities as spelled out in the conclusions of the Lisbon and Göteborg, European Councils for sustainable development.
- (2) According to Article 33(2)(a) of the Treaty, in working out the Common Agricultural Policy and the special methods for its application, account is to be taken of the particular nature of agricultural activity which results from the social structure of agriculture and from structural and natural disparities between the various rural areas.
- (3) The reform of the CAP in June 2003 and April 2004 introduced major changes likely to have a significant impact on the economy across the whole rural territory of the Community in terms of agricultural production patterns, land management methods, employment and the wider social and economic conditions in rural areas.
- (4) Action by the Community should be complementary to that carried out by the Member States or seek to contribute to it. The partnership should be strengthened through arrangements for the participation of various types of partners with full regard to the institutional competences of the Member States. The partners concerned should be involved in the preparation, monitoring and evaluation of programming.

- (5) The Community may take measures in accordance with the principle of subsidiarity as provided for in Article 5 of the Treaty. Since the goal of rural development cannot be achieved adequately by the Member States given the links between it and the other instruments of the Common Agricultural Policy, the extent of the disparities between rural areas and the limits on the financial resources of the Member States in an enlarged Union, it can be better achieved at Community level through the multiannual guarantee of Community finance and by concentrating it on its priorities. According to the principle of proportionality as stated in Article 5 of the Treaty, the present Regulation does not exceed what is necessary to achieve this goal.
- (6) The activities of the European Agricultural Fund for Rural Development, hereinafter called the "Fund", and the operations to which it contributes must be consistent and compatible with the other Community policies and comply with all Community legislation.
- (7) In its action in favour of rural development the Community takes care to encourage the elimination of disparities and the promotion of equality between women and men in accordance with Articles 2 and 3 of the Treaty.
- (8) To focus the strategic content of rural development policy in line with the Community's priorities and hereby favour its transparency, the Council should adopt strategic guidelines on a proposal from the Commission.
- (9) On the basis of the strategic guidelines adopted by the Council, each Member State should prepare its national rural development strategies constituting the reference framework for the preparation of the rural development programmes. The Member States and the Commission should report on the monitoring of the national and Community strategy.
- (10) The programming of rural development should comply with Community and national priorities and complement the other Community policies, in particular the agricultural market policy, cohesion policy and Common Fisheries Policy.
- (11) To ensure the sustainable development of rural areas it is necessary to focus on a limited number of core priority objectives at Community level relating to agricultural and forestry competitiveness, land management and environment, and quality of life and diversification of activities in those areas.
- (12) There is a need to establish general rules for programming and revising rural development programming, while ensuring an appropriate balance between the three priority axis of the rural development programmes. The duration of programming should be of seven years.
- (13) To achieve the objective of improving the competitiveness of the agricultural and forestry sectors it is important to build clear development strategies aimed at enhancing and adapting human potential, physical capital and the quality of agricultural production.
- (14) With regard to human potential a set of measures on training, setting up of young farmers, early retirement of farmers and farm workers, use by farmers and forest holders of advisory services and setting up of farm relief and management services should be made available.

- (15) As regards training, the evolution and specialisation of agriculture and forestry require an appropriate level of technical and economic training, including new information technologies, as well as adequate awareness in the fields of product quality, results of research and sustainable management of natural resources, including cross-compliance requirements and the application of production practices compatible with the maintenance and enhancement of the landscape and the protection of the environment. It is therefore necessary to broaden the scope of training to all adult persons dealing with agricultural and forestry matters and to include information and dissemination activities. Training and information activities cover issues under both the agricultural and forestry competitiveness and the land management and environment objectives.
- (16) The granting of specific benefits to young farmers may facilitate both their initial establishment and the structural adjustment of their holdings after their initial setting up. The setting-up measure should be streamlined by granting a single premium and made conditional on the establishment of a business plan ensuring the development of young farmers' activities.
- (17) Early retirement from farming should target a significant structural change of the transferred holdings through the measure for the setting-up of young farmers according to the requirements of that measure, or by transferring the holding with a view to increasing its size, also taking into account the experience acquired in the implementation of previous Community schemes in this field.
- (18) The use by farmers and forest holders of management and advisory services should allow them to improve the sustainable management of their holdings. More particularly, the use of farm advisory services, as provided for in Council Regulation (EC) No 1782/2003 of 29 September 2003 establishing common rules for direct support schemes under the Common Agricultural Policy and establishing certain support schemes for farmers and amending Regulations (EEC) No 2019/93, (EC) No 1452/2001, (EC) No 1453/2001, (EC) No 1454/2001, (EC) No 1868/94, (EC) No 1251/1999, (EC) No 1254/1999, (EC) No 1673/2000, (EEC) No 2358/71 and (EC) No 2529/2001¹, should help farmers to assess the performance of their farm business and identify necessary improvements with regard to the statutory management requirements set out in that Regulation.
- (19) The setting up of advisory, management and relief systems for farmers and/or forest holders should help them to adapt, improve and facilitate management and improve the overall performance of their holdings by further enhancing the human potential operating in the farming and forestry sectors.
- (20) With regard to physical capital, a set of measures on the modernisation of farms, improvement of the economic value of forests, adding value to primary agricultural and forestry production, improvement and development of agricultural and forestry infrastructure, restoring agricultural production potential damaged by natural disasters and introduction of appropriate prevention measures should be made available.
- (21) The purpose of Community farm investment aid is to modernise agricultural holdings to improve their economic performance through better use of the production factors

¹ OJ L 270, 21.10.2003, p. 1. Regulation as last amended by Regulation (EC) No 583/2004 (OJ L 91, 30.3.2004, p. 1).

including the introduction of new technologies, targeting quality and on/off-farm diversification, including non-food sectors and energy crops, as well as improving the environmental, occupational safety, hygiene and animal welfare status of farms, while simplifying the conditions for investment aid as compared with those laid down in 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 Regulations².

- (22) Private forests play an important role in economic activity in rural areas and, therefore, Community aid is important for improving and broadening their economic value, for increasing diversification of production and enhancing market opportunities, such as renewable energy.
- (23) Improvements in the processing and marketing of primary agricultural and forestry production should be encouraged by means of support for investments aimed at improving efficiency in the processing and marketing sector, promoting the processing of agricultural and forestry production for renewable energy, introducing new technologies, opening new market opportunities for agricultural and forestry products, putting emphasis on quality, improving performance in the environmental protection, occupational safety, hygiene and animal welfare fields, as appropriate, by targeting small and micro-enterprises which are better placed to add value to local products, while simplifying the conditions for investment aid as compared with those laid down in Council Regulation (EC) No 1257/1999.
- (24) Agricultural infrastructure and restorative and preventive measures against natural disasters should contribute to the agricultural and forestry competitiveness priority.
- (25) With regard to the quality of agricultural production and products, a set of measures on meeting standards by farmers based on Community legislation, encouraging participation of farmers in food quality schemes and supporting producer groups for information and promotion activities should be made available.
- (26) The aim of the measure on meeting standards is to promote a more rapid implementation by farmers of demanding standards based on Community legislation concerning the environment, public health, animal and plant health, animal welfare and occupational safety and with the respect of those standards by farmers. These standards may impose new obligations on farmers and consequently support should be provided to help cover partly the additional costs or income foregone arising from these obligations.
- (27) The aim of the measure providing support for farmers participating in Community or national food quality schemes is to provide assurances to consumers on the quality of the product or the production process used as a result of their participation in such schemes, to achieve added value for agricultural primary products and enhance market opportunities. Since participation in such schemes may give rise to additional costs and obligations which are not fully rewarded by the marketplace, farmers should be encouraged to participate in such schemes.

² OJ L 160, 26.6.1999, p. 80. Regulation as last amended by Regulation (EC) No 583/2004.

- (28) There is a need to improve consumers' awareness of the existence and specifications of products produced under the aforementioned quality schemes. Support should be provided to producer groups to inform consumers and promote products provided under quality schemes supported by Member States within their rural development programmes.
- (29) There is a need to ensure the smooth phasing-out of a set of individual measures introduced through the Treaty of Accession of 2003, namely the measure on semi-subsistence farming and the measure on producer groups, allowing the farming sector of the new Member States to benefit for the first two years of the programming period.
- (30) Support for specific methods of land management should contribute to sustainable development by encouraging farmers and forest holders in particular to employ methods of land use compatible with the need to preserve the natural environment and landscape and protect and improve natural resources. It should contribute to the implementation of the 6th Community Environment Action Programme and the Presidency conclusions regarding the Sustainable Development Strategy. Key issues to be addressed include biodiversity, NATURA 2000 site management, the protection of water and soil, climate change mitigation including the reduction of greenhouse gas emissions, the reduction of ammonia emissions and the sustainable use of pesticides.
- (31) Forestry is an integral part of rural development and support for sustainable land use should encompass the sustainable management of forests and their multifunctional role. Forests create multiple benefits: they provide raw material for renewable and environmentally friendly products and play an important role in economic welfare, biological diversity, the global carbon cycle, water balance, erosion control and the prevention of natural hazards, as well as providing social and recreational services. Forestry measures should be adopted in the light of undertakings given by the Community and the Member States at international level, and be based on Member States' national or sub-national forest programmes or equivalent instruments, which should take into account the commitments made in the Ministerial Conferences on the Protection of Forests in Europe. Forestry measures should contribute to the implementation of the Community Forestry Strategy. This support should avoid distorting competition and should be market-neutral.
- (32) Natural handicap payments in mountain areas and payments in other areas with handicaps should contribute, through continued use of agricultural land, to maintaining the countryside, and the maintenance and promotion of sustainable farming systems. Objective parameters for fixing the level of payments should be laid down in order to ensure the efficiency of this support scheme and ensure that its objectives are achieved.
- (33) Support should continue to be granted to farmers to help address specific disadvantages in the areas concerned resulting from the implementation of Council Directive 79/409/EEC of 2 April 1979 on the conservation of wild birds³ and Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora⁴ in order to contribute to the effective management of NATURA 2000 sites.

³ OJ L 103, 24.4.1979, p. 7. Directive as last amended by Regulation (EC) No 807/2003 (OJ L 122, 16.5.2003, p. 36).

⁴ OJ L 206, 22.7.1992, p. 7. Directive as last amended by Regulation (EC) No 1882/2003 of the European Parliament and of the Council (OJ L 284, 31.10.2003, p. 1).

- (34) Agri-environmental payments should continue to play a prominent role in supporting the sustainable development of rural areas and in responding to society's increasing demand for environmental services. They should further encourage farmers to serve society as a whole by introducing or continuing to apply agricultural production methods compatible with the protection and improvement of the environment, the landscape and its features, natural resources, the soil and genetic diversity. In accordance with the polluter-pays principle these payments should cover only those commitments going beyond the relevant mandatory standards.
- (35) Farmers should continue to be encouraged to adopt high standards of animal welfare by providing for support for farmers who undertake to adopt standards of animal husbandry which go beyond the relevant mandatory standards.
- (36) Support should be granted for non-remunerative investments where they are necessary to achieve the commitments undertaken under agri-environmental schemes or where they enhance on-farm the public amenity value of the NATURA 2000 area concerned.
- (37) In order to contribute to the protection of the environment, the prevention of natural hazards and fires, as well as to mitigate climate change, forest resources should be extended and improved by first afforestation of agricultural land and other than agricultural land. Any first afforestation should be adapted to local conditions and compatible with the environment and enhance biodiversity.
- (38) Agri-forestry systems have a high ecological and social value by combining extensive agriculture and forestry systems, aimed at the production of high-quality wood and other forest products. Their establishment should be supported.
- (39) Given the importance of forests for the successful implementation of Directives 79/409/EEC and 92/43/EEC, specific support should be granted to forest holders to help address specific problems resulting from their implementation.
- (40) Forest-environment payments should be introduced for voluntary commitments to enhance biodiversity, preserve high-value forest ecosystems and reinforce the protective value of forests with respect to soil erosion, maintenance of water resources and water quality and to natural hazards.
- (41) Support should be granted for restoring forestry production potential in forests damaged by natural disasters and fire and introducing preventive actions. Preventive actions against fires should cover areas classified by Member States as high or medium fire risk according to their forest protection plans.
- (42) Support should be granted to forest holders for non-remunerative investments where they are necessary to achieve the forest-environment commitments or in forests to enhance the public amenity value of the areas concerned.
- (43) In order to ensure the targeted and efficient use of land management support under this Regulation, Member States should designate areas for intervention under certain measures of this priority. Mountain areas and other areas with handicaps should be designated on the basis of objective common criteria. Therefore, Council Directives and Decisions adopting lists of less-favoured areas or amending such lists in

accordance with Article 21(2) and (3) of Council Regulation (EC) No 950/97 of 20 May 1997 on improving the efficiency of agricultural structures⁵ should be repealed. Natura 2000 areas are designated in accordance with Directives 79/409/EEC and 92/43/EEC. Member States should designate areas suitable for afforestation for environmental reasons, such as protection against erosion, prevention of natural hazards or extension of forest resources contributing to climate change mitigation, and forest areas with a medium to high forest fire risk.

- (44) A sanction system should be set up where beneficiaries receiving payments under certain land management measures do not meet the mandatory requirements provided for in Articles 4 and 5 and Annex III and IV of Council Regulation (EC) No 1782/2003 on all of their holding, taking into account the severity, extent, performance and repetition of non-compliance.
- (45) There is a need to accompany changes in rural areas by helping them to diversify farming activities towards non-agricultural activities and develop non-agricultural sectors, promote employment, improve basic services and carry out investments making rural areas more attractive in order to reverse trends towards economic and social decline and depopulation of the countryside. An effort to enhance the human potential in this respect is also necessary.
- (46) Support should be granted for other measures relating to the broader rural economy. The list of measures should be defined on the basis of experience of the LEADER initiative and having regard to the multi-sectoral needs for endogenous rural development.
- (47) The implementation of local development strategies can reinforce territorial coherence and synergies between measures intended for the broader rural economy and population.
- (48) There is a need to clearly define the principles of coherence and complementarity of the priority for the diversification of the rural economy and improvement of the quality of life in rural areas with other Community financial instruments, and particularly with those of Cohesion policy.
- (49) The LEADER Initiative, after having experienced three programming periods, has reached a level of maturity enabling rural areas to implement the LEADER approach more widely in mainstream rural development programming. Provision should therefore be made to transfer the basic principles of the LEADER approach to the programmes building a specific priority in them, and provide a definition of the local action groups and measures to be supported, including implementation of local strategies, cooperation, networking and acquisition of skills.
- (50) Given the importance of the LEADER approach, a substantial share of the contribution of the Fund should be earmarked for this priority.
- (51) The Fund is to support through technical assistance actions relating to the implementation of the programmes. As part of the technical assistance referred to in

⁵ OJ L 142, 2.6.1997, p. 1.

Article 5... of Council Regulation (EC) No.../...⁶ on the financing of the Common Agricultural Policy, a network for rural development should be set up at Community level.

- (52) Provisions on the allocation of the available resources should be introduced. The overall amount for rural development should be allocated annually. Significant concentration on the regions eligible under the Convergence Objective should be allowed.
- (53) The annual appropriations allocated to a Member State for the Convergence Objective under the Funds for the part coming from the EAGGF Guidance Section, the Structural Funds, the Cohesion Fund and the FIGF should be limited to a ceiling fixed with regard to its capacity for absorption.
- (54) For the indicative breakdown of commitment appropriations available to the Member States criteria should be established according to an objective and transparent method.
- (55) To promote an integrated and innovative approach, 3% of the appropriations allocated to the Member States should be placed in a Community reserve for the LEADER approach.
- (56) Over and above these amounts the Member States must take account of the amounts generated by modulation as provided for in Article 12(2) of Regulation (EC) No .../... [on the financing of the CAP].
- (57) The appropriations available under the Funds should be indexed on a flat-rate basis for programming.
- (58) The rate of the Fund's contribution to rural development programming should be set in relation to public expenditure in the Member States, taking account of the importance of the priority for land management and environment, the situation in the regions covered by the Convergence Objective, the priority given to the LEADER approach, the outermost regions referred to in Article 299 of the Treaty and the islands covered by Council Regulation (EEC) No 2019/93 of 19 July 1993 introducing specific measures for the smaller Aegean islands concerning certain agricultural products⁷.
- (59) In accordance with the principle of subsidiarity and subject to exceptions, there should be relevant national rules on the eligibility of expenditure.
- (60) To ensure the effectiveness, fairness and sustainable impact of the work of the Fund, there should be provisions guaranteeing that investments in businesses are durable and avoiding this fund being used to introduce unfair competition.
- (61) Decentralised implementation of the actions under the Fund should be accompanied by guarantees relating in particular to the quality of implementation, the results, sound financial management and control.
- (62) Member States should take appropriate measures to guarantee sound functioning of management and control systems. To this end, it is necessary to establish the general

⁶ OJ L

⁷ OJ L 184, 27.7.1993, p. 1. Regulation as last amended by Regulation (EC) No 1782/2003.

principles and the basic functions which any management and control system must ensure. It is therefore necessary to maintain the designation of a single Managing Authority and to specify its responsibilities.

- (63) Each rural development programme must be subject to appropriate monitoring, watched over by a Monitoring Committee and on the basis of a common monitoring and evaluation framework established and implemented in partnership with the Member States, to effectively meet the specific needs of rural development.
- (64) The effectiveness and the impact of actions under the Fund also depend on improved evaluation on the basis of the common monitoring and evaluation framework. In particular, the programmes should be evaluated for their preparation, implementation and completion.
- (65) To enable the partnership to function effectively and promote Community action, information on it should be publicised as widely as possible. The authorities managing the programmes have a responsibility in this respect.
- (66) The Community reserve for the LEADER approach should be allocated taking the performance of the programmes in this respect into account. The criteria for its allocation should be laid down accordingly.
- (67) Rural development measures as defined in this Regulation should be eligible for Member State support without Community co-financing. In view of the economic impact of such aid and in order to ensure consistency with measures eligible for Community support and simplify procedures, specific State aid rules should be established, also taking into account the experience from the implementation of Regulation (EC) No 1257/1999. Moreover, Member States should be authorised to grant State aid, intended to provide additional financing for rural development measures for which Community support is granted, under a notification procedure in accordance with the provisions of this Regulation as part of programming.
- (68) In accordance with Council Decision 1999/468/EC of 28 June 1999 laying down the procedures for the exercise of implementing powers conferred on the Commission⁸, the measures required for the implementation of this Regulation should be adopted.
- (69) There is a need to adopt transitional rules to facilitate the transition from the existing support scheme to the new rural development support scheme.
- (70) The new support scheme provided for in this Regulation replaces the existing support scheme. Therefore, Regulation (EC) No 1257/1999 should be repealed,

⁸ OJ L 184, 17.7.1999, p. 23.

HAS ADOPTED THIS REGULATION:

TITLE I OBJECTIVES AND GENERAL RULES ON ASSISTANCE

CHAPTER I SCOPE AND DEFINITIONS

Article 1 Scope

1. This Regulation lays down the general rules governing Community support for rural development, financed by the European Agricultural Fund for Rural Development (hereinafter the "Fund"), established by Regulation (EC) No.../...[financing of the CAP].
2. This Regulation defines the Objectives to which rural development policy is to contribute.
3. This Regulation defines the strategic context for rural development policy, including the method for fixing the Community strategic guidelines for rural development policy and the national strategic plan.
4. This Regulation defines the priorities and measures for rural development.
5. This Regulation lays down rules on partnership, programming, evaluation, financial management, monitoring and control on the basis of responsibilities shared between the Member States and the Commission.

Article 2 Definitions

For the purposes of this Regulation, the following terms shall have the meanings assigned to them:

- (a) **'programming'**: the process of organisation, decision-taking and financing in several stages intended to implement, on a multiannual basis, the joint action by the Community and the Member States to achieve the priority goals of the Fund;
- (b) **'region'**: territorial unit corresponding to level I or II of the Nomenclature of territorial units for statistics (NUTS level I and II) within the meaning of Regulation (EC) No 1059/2003 of the European Parliament and of the Council of 26 May 2003⁹.
- (c) **'priority axis'**: one of the priorities of the strategy in a rural development programme corresponding to one of the axes defined in this Regulation comprising a coherent group of measures with specific measurable goals resulting directly from their implementation.

⁹ OJ L 154, 21.6.2003, p. 1.

- (d) **'measure'**: a set of operations contributing to the implementation of a priority;
- (e) **'operation'**: a project selected by the managing authority or under its responsibility or by a local action group according to criteria laid down for the rural development programme concerned and implemented by one or more beneficiaries allowing achievement of the goals of the measure to which it relates;
- (f) **'common monitoring and evaluation framework'**: a general approach developed by the Commission and the Member States defining a limited number of common indicators relating to the baseline situation and the financial execution, implementation, results and impact of the programmes;
- (g) **'local development strategy'**: a coherent set of operations to meet local objectives and needs implemented in partnership at the appropriate level;
- (h) **'beneficiary'**: an operator, body or firm, whether public or private, responsible for implementing operations or receiving aid;
- (i) **'public expenditure'**: any public contribution to the financing of operations whose origin is the budget of the State, of regional or local authorities or the general budget of the European Communities;
- (j) **'Convergence Objective'**: The objective of the action referred to in Article 3(2) of Council Regulation (EC) No.../... of...laying down general provisions of the European Regional Development Fund, the European Social Fund and the Cohesion Fund¹⁰.

CHAPTER II MISSIONS AND OBJECTIVES

Article 3 **Missions**

The Fund contributes to the promotion of sustainable rural development throughout the Community in a complementary manner to the market and income support policies of the Common Agricultural Policy, to Cohesion policy and to the Common Fisheries Policy.

Article 4 **Objectives**

1. Support for rural development shall contribute to achieving the following goals:
 - (a) improving the competitiveness of agriculture and forestry by means of support for restructuring;
 - (b) improving the environment and the countryside by means of support for land management;

¹⁰ OJ L

- (c) improving the quality of life in rural areas and encouraging diversification of economic activity.
2. The objectives set out in paragraph 1 shall be implemented by means of the four priority axes defined in Title IV.

CHAPTER III PRINCIPLES OF ASSISTANCE

Article 5

Complementarity, consistency and conformity

1. The Fund shall complement national, regional and local actions contributing to the priorities of the Community.
2. The Commission and the Member States shall ensure that the assistance from the Fund and the Member States is consistent with the activities, policies and priorities of the Community. The assistance of the Fund must be consistent with the objectives of Economic and Social Cohesion and those of the European Fisheries Fund in particular.
3. This consistency shall be provided by the Community strategic guidelines referred to in Article 9, the national strategic plan referred to in Article 11, the rural development programmes referred to in Article 15 and the annual Commission report referred to in Article 13.
4. There shall also be consistency with the measures financed by the European Agricultural Guarantee Fund.
5. No support under this Regulation shall be granted to schemes eligible for support under common market organisations, subject to exceptions yet to be defined, if appropriate, under Article 95(2).
6. The Member States shall ensure that the operations financed by the Fund are in conformity with the Treaty and any Acts adopted under it.

Article 6

Partnership

1. Fund assistance shall be implemented through close consultations, hereinafter "partnership", between the Commission and the Member State and with the authorities and bodies designated by the Member State under national rules and practices in force, namely:
 - (a) the competent regional, local authorities and other public authorities;
 - (b) the economic and social partners;
 - (c) any other appropriate body representing civil society, non-governmental (especially environmental) organisations and bodies responsible for promoting equality between men and women.

The Member State shall designate the most representative partners at national, regional and local level and in the economic, social, environmental or other sphere, hereinafter 'partners'. It shall create the conditions for a broad and effective involvement of all appropriate bodies, in accordance with national rules and practices, taking into account the need to promote equality between men and women and sustainable development through integration of environmental protection and improvement requirements.

2. The partnership shall be conducted with due regard to the respective institutional, legal and financial responsibilities of each category of partner.
3. The partnership shall be involved in the preparation and monitoring of the national strategy plan and in the preparation, implementation, monitoring and evaluation of the rural development programmes. The Member States shall involve all appropriate partners at the various programming stages, due regard being had to the time limit set for each step.

Article 7
Subsidiarity

The Member States shall be responsible for implementing the rural development programmes at the appropriate territorial level, according to their own institutional arrangements. This responsibility shall be carried out in accordance with this Regulation.

Article 8
Equality between men and women

The Member States and Commission shall promote equality between men and women at all the various stages of programme implementation.

This includes the stages of conception, implementation, monitoring and evaluation.

TITLE II
THE STRATEGIC APPROACH TO RURAL DEVELOPMENT

CHAPTER I
THE COMMUNITY STRATEGIC GUIDELINES

Article 9
Content and adoption

1. The Council adopts at Community level strategic guidelines for rural development for the programming period from 1 January 2007 to 31 December 2013 in the light of the policy priorities set at Community level.

These guidelines shall set at Community level the strategic priorities for rural development for the programming period with a view to implementing each of the priority headings laid down in this Regulation.

2. No later than three months after the adoption of this Regulation, the Community strategic guidelines shall be adopted according to the procedure laid down in Article 37 of the Treaty. This decision shall be published in the *Official Journal of the European Union*.

Article 10
Review

With a view to taking account of changes in the Community priorities in particular, the Community strategic guidelines may be subject to a mid-term review.

CHAPTER II
NATIONAL STRATEGY PLAN

Article 11
Content

- 1 The Member State shall submit a national strategy plan indicating the priorities of the action of the Fund and of the Member State concerned taking into account the Community strategic guidelines on rural development, their specific objectives, the contribution from the Fund and the other financial resources.

- 2 The national strategy plan shall ensure that Community aid for rural development is consistent with the Community strategic guidelines and that Community, national and regional priorities all coordinate.

The national strategy plan shall be a reference tool for preparing Fund programming. It shall be implemented through the rural development programmes.

3. Each national strategy plan shall include:
 - (a) an evaluation of the economic, social and environmental situation and the potential for development;
 - (b) the strategy chosen for joint action by the Community and Member State concerned, showing the consistency of the choices made with the Community strategic guidelines;
 - (c) the thematic and territorial priorities for rural development under each priority axis, including the main quantified objectives and the appropriate monitoring and evaluation indicators;
 - (d) a list of the rural development programmes implementing the national strategy plan and an indicative Fund allocation for each programme, including the amounts resulting from modulation in accordance with Article 10(2) of Regulation (EC) No 1782/2003;
 - (e) the means to ensure coordination with the other CAP instruments and with Cohesion policy;
 - (f) if appropriate, the budget for achieving the Convergence Objective laid down in Article 3 of Regulation (EC) No.../... [cohesion];

- (g) a description of the arrangements and the indication of the amount earmarked for establishing the national rural network referred to in Articles 67(2) third subparagraph and 69, including those Member States that have opted for regionalised programming.

Article 11a
Preparation

1. Each Member State shall prepare its national strategy plan immediately after the Community strategic guidelines are adopted.

This plan shall be prepared in accordance with the Member States' institutional arrangements, following close collaboration with the partners referred to in Article 6. It shall be drawn up in close collaboration with the Commission and shall cover the period from 1 January 2007 to 31 December 2013.

2. Each Member State shall send the Commission its national strategic plan before submitting its rural development programmes.

CHAPTER III
STRATEGIC MONITORING

Article 12
Annual summary report by Member State

1. For the first time in 2008 and no later than 1 October each year, each Member State shall submit to the Commission a summary report setting out the progress made in implementing its strategy and objectives and their contribution to the achievement of the Community strategic guidelines for rural development.
2. The report shall summarise the annual programme implementation reports referred to in Article 86 and shall describe in particular:
- (a) the achievements and results of the rural development programmes relative to the indicators set out in the national strategy plan;
 - (b) the results of the annual ongoing evaluations made of each programme.
3. Notwithstanding paragraph 1, for single programmes as referred to in Article 14(2) Member States may include in the annual implementation reports referred to in Article 86 the elements provided for in paragraph 2 within the time limit set in Article 86.

Article 13
Annual Commission report

1. For the first time in 2009 and at the start of each year, the Commission shall present an annual report summarising the main developments, trends and challenges relating to the implementation of the national strategy plans and the Community strategic guidelines.

This report shall be based on the Commission's analysis and appraisal of the Member States' annual summary reports referred to in Article 12 and any other available information. It shall indicate the measures taken or to be taken by the Member States and Commission in order to provide an appropriate follow-up to the report's conclusions.

2. The annual Commission report shall be sent to the Council, Parliament, the European Economic and Social Committee and the Committee of the Regions.

TITLE III PROGRAMMING

CHAPTER I PROGRAMMING CONTENT

Article 14

Rural development programmes

1. The Fund shall act in the Member States through rural development programmes. These programmes implement a rural development strategy through a set of measures grouped together in accordance with the priority axes defined in Title IV, for the achievement of which aid from the Fund will be sought

Each rural development programme shall cover a period between 1 January 2007 and 31 December 2013.

2. A Member State may submit either a single programme for its entire territory or a programme for each region.

Article 15

Content of programmes

Each rural development programme shall include:

- (a) an analysis of the situation in terms of strengths and weaknesses, the strategy chosen to meet them and the *ex-ante* evaluation referred to in Article 89;
- (b) a justification of the priorities chosen having regard to the Community strategic guidelines and the national strategic plan, as well as the expected impact in the *ex-ante* evaluation;
- (c) an information on the priority axes and measures proposed for each priority axis and their description, including the specific verifiable objectives and indicators referred to in Article 85 that allow the programme's progress, efficiency and effectiveness to be measured;
- (d) a financing plan, comprising two tables:
 - (i) a table setting out, in accordance with Article 70(5) and (6), the total Fund contribution planned for each year. When applicable, this financing plan shall indicate separately within the total Fund contribution the appropriations

provided for the regions eligible under the Convergence Objective. The planned annual Fund contribution shall be compatible with the Financial Perspectives;

- (ii) a table specifying for the entire programming period the total Community contribution planned and the matching national public funding for each priority axis, the Fund contribution rate for each priority axis and the amount earmarked for technical assistance. When applicable, this table shall also indicate separately the planned Fund contribution for the regions eligible under the Convergence Objective and the matching national public funding.
- (e) for information, an indicative breakdown of the initial amounts by measure in terms of public and private expenditure;
- (f) the elements needed for the appraisal of competition rules and, when applicable, the list of aid schemes allowed under Article 87 of the Treaty;
- (g) information on the complementarity with the measures financed by the other CAP instruments, through Cohesion policy as well as by the European Fisheries Fund;
- (h) programme implementing arrangements, including:
 - (i) the designation by the Member State of all the authorities provided for in Article 76;
 - (ii) a description of the monitoring and evaluation systems, as well as the composition of the Monitoring Committee;
 - (iii) details on the implementation of the LEADER approach;
 - (iv) the description of the control systems, covering in particular the organisation and procedures of the authorities and bodies in charge of the implementation of the programme and the internal control system operating in those authorities and bodies;
 - (v) the provisions to ensure that the programme is publicised;
 - (vi) a description of the arrangements agreed between the Commission and Member State concerned for exchanging the computerised data needed to meet the requirements of this Regulation as regards payments, monitoring and evaluation.
- (i) The designation of the partners referred to in Article 6 and the results of the consultations of the partners.

Article 16

Balance between priorities

The Community financial contribution to each of the three objectives referred to in Article 4 shall cover at least 15% of the Fund's total contribution to the programme for priority axis I and III referred to in Sections I and III respectively under Chapter I of Title IV and 25% of the Fund's total contribution to the programme for the priority axis II referred to in Section II of Chapter I.

CHAPTER II PREPARATION, APPROVAL AND REVIEW

Article 17

Preparation and approval

1. Rural development programmes shall be established by a Member State following close cooperation with the partners referred to in Article 6.
2. Member States shall submit to the Commission a proposal for each rural development programme, containing the information mentioned in Article 15, as soon as possible after the submission of its strategic plan to the Commission in accordance with Article 11a(2).
3. The Commission shall assess the proposed programmes on the basis of their consistency with the Community strategic guidelines for rural development, the national strategic plan and this Regulation.

Where the Commission considers that a rural development programme is not consistent with the Community strategic guidelines, the national strategy plan or this Regulation, it shall request the Member State to revise the proposed programme accordingly.

4. Each rural development programme shall be adopted as soon as possible after its submission by the Member State, in accordance with the procedure laid down in Article 95(2).

Article 18

Review

1. The rural development programmes shall be re-examined and, if appropriate, adapted for the remainder of the period at the Member State's or Commission's initiative, following Monitoring Committee approval. The purpose of these revisions shall be to take account of the outcome of evaluations and the Commission's annual reports, particularly with a view to strengthening or adapting the way in which the Community priorities are taken into account. The rural development programmes shall be revised, when applicable, following allocation of the LEADER reserve referred to in Article 92.
2. The Commission shall adopt a decision on requests to revise rural development programmes shortly after the submission of a request by a Member State in accordance with the procedure laid down in Article 95(2).

Changes requiring approval by Commission decision shall be defined in accordance with the procedure laid down in Article 95(2).

**TITLE IV
RURAL DEVELOPMENT PRIORITIES**

**CHAPTER I
PRIORITIES**

SECTION 1

**PRIORITY AXIS 1:
IMPROVING THE COMPETITIVENESS OF
THE AGRICULTURAL AND FORESTRY SECTOR**

*Article 19
Measures*

Support targeting the competitiveness of the agricultural and forestry sector shall concern:

- (a) measures aimed at improving human potential through:
 - (i) vocational training and information actions for persons engaged in the agricultural and forestry sectors,
 - (ii) setting up of young farmers,
 - (iii) early retirement of farmers and farm workers,
 - (iv) use by farmers and forest holders of advisory services.
 - (v) setting up of farm management, farm relief and farm advisory services, as well as of forestry advisory services;
- (b) measures aimed at restructuring physical potential through:
 - (i) farm modernisation,
 - (ii) improving the economic value of forests,
 - (iii) adding value to primary agricultural and forestry production,
 - (iv) improving and developing infrastructure related to the development and adaptation of agriculture and forestry,
 - (v) restoring agricultural production potential damaged by natural disasters and introducing appropriate prevention actions;
- (c) measures aimed at improving the quality of agricultural production and products by:
 - (i) helping farmers to adapt to demanding standards based on Community legislation,
 - (ii) supporting farmers who participate in food quality schemes,
 - (iii) supporting producer groups for information and promotion activities for products under food quality schemes;
- (d) transitional measures for the new Member States concerning:
 - (i) supporting semi-subsistence farms undergoing restructuring,

- (ii) supporting setting up of producer groups.

SUB-SECTION 1

CONDITIONS FOR MEASURES AIMED AT IMPROVING HUMAN POTENTIAL

Article 20

Vocational training and information actions

Support provided for in Article 19 (a)(i) shall not include courses of instruction or training which form part of normal programmes or systems of agricultural and forestry education at secondary or higher levels.

Article 21

Setting up of young farmers

1. Support provided for in Article 19 (a)(ii), shall be granted to persons who:
 - (a) are less than 40 years of age and are setting up for the first time on an agricultural holding as head of the holding;
 - (b) possess adequate occupational skills and competence;
 - (c) submit a business plan for the development of their farming activities.
2. The support shall be granted in the form of a single premium up to the maximum amount laid down in Annex I.

Article 22

Early retirement

1. Support provided for in Article 19, point (a)(iii), shall be granted:
 - (a) to farmers who decide to stop their agricultural activity for the purpose of transferring the holdings to other farmers;
 - (b) to farm workers who decide to stop all farm work definitively.
2. The transferor shall:
 - (a) be not less than 55 years old but not yet of normal retirement age at the time of transfer or not less than 10 years younger than the normal retirement age in the Member State concerned at the time of the transfer;
 - (b) stop all commercial farming activity definitively;
 - (c) have practised farming for the 10 years preceding transfer.

The transferee shall:

- (a) succeed the transferor by setting up as provided for in Article 21, or

- (b) be a farmer of less than 50 years old and take over the farm released by the transferor to increase the size of his holding.

The farm worker shall:

- (a) be not less than 55 years old but not yet of normal retirement age or not less than 10 years younger than the normal retirement age in the Member State concerned;
 - (b) have devoted at least half of his working time during the preceding five years as a family helper or farm worker to farm work;
 - (c) have worked on the transferor's agricultural holding for at least the equivalent of two years full-time during the four-year period preceding the early retirement of the transferor;
 - (d) belong to a social security scheme.
3. The total duration of early retirement support shall not exceed a period of 10 years for the transferor and for the farm worker. It shall not go beyond the 70th birthday of the transferor and the normal retirement age of the farm worker.

Where in the case of a transferor a normal retirement pension is paid by the Member State, early retirement support shall be granted as a supplement taking into account the amount of the national retirement pension.

4. This support shall be granted in the form of an annual payment up to the maxima set out in Annex I.

Article 23 ***Use of advisory services***

1. Support provided for in Article 19 (a)(iv), shall be granted in order:
- (a) to help farmers and forest holders to meet costs arising from the use of advisory services for the improvement of the overall performance of their holding;
 - (b) to help farmers to meet costs arising from the use of advisory services as regards compliance with Community statutory standards in the fields of environmental protection, public health, animal and plant health, animal welfare and occupational safety standards.
2. Support for the use of advisory services shall be limited to the maxima laid down in Annex I.

Article 24 ***Setting up of management, relief and advisory services***

Support provided for in Article 19 (a)(v) shall be granted in order to cover costs arising from the setting up of management, relief and advisory services and shall be degressive over a maximum period of 5 years from setting up.

SUB-SECTION 2
CONDITIONS FOR MEASURES AIMED AT RESTRUCTURING PHYSICAL POTENTIAL

Article 25
Modernisation of farms

1. Support provided for in Article 19 (b)(i), shall be granted to farmers for investments which:
 - (a) improve the overall performance of the farm, and
 - (b) respect the Community standards applicable to the investment concerned.

Where investments are made in order to comply with Community standards, support may be granted only to those which are made in order to comply with newly introduced Community standards. In that case a period of grace, not exceeding 36 months from the date on which the standard becomes mandatory for the farmer, may be provided to farmers to meet that standard.

2. Support shall be limited to the maxima laid down in Annex I.

Article 26
Improvement of the economic value of forests

1. Investment support provided for in Article 19 (b)(ii) shall be granted for forests owned by private owners or their associations or by municipalities or their associations. This limitation does not apply to the subtropical forests and to the wooded areas of the territories of Açores, Madeira and French Oversea Departments.
2. Investments shall be based on forest management plans.
3. Support shall be limited to the maxima laid down in Annex I.

Article 27
Adding value to primary agricultural and forestry production

1. Support provided for in Article 19 (b)(iii), shall be granted for investments which:
 - (a) improve the overall performance of the enterprise;
 - (b) concern the processing and marketing of products covered by Annex I to the Treaty except fishery products, as well as forestry products, and
 - (c) respect the Community standards applicable to the investment concerned.

Where investments are made in order to comply with Community standards, support may be granted only to those which are made by microenterprises, as referred in paragraph 2, in order to comply with a newly introduced Community standard. In that case a period of grace, not exceeding 36 months from the date on which the standard becomes mandatory for the enterprise, may be provided to meet the standard.

2. Support under paragraph 1 shall be limited to micro and small enterprises within the meaning of Commission recommendation 2003/361/EC¹¹. In the case of forestry production, support shall be limited to micro-enterprises.

Support shall not be granted to enterprises in difficulty within the meaning of the Community Guidelines in State aid for rescuing and restructuring firms in difficulty¹².

3. Support shall be limited to the maxima laid down in Annex I.

Article 28

Infrastructure related to the development and adaptation of agriculture and forestry

Support provided for in Article 19 (b)(iv), may cover notably operations related to access to farm and forest land, energy supply and water management.

SUB-SECTION 3

CONDITIONS FOR MEASURES AIMING TO IMPROVE THE QUALITY OF AGRICULTURAL PRODUCTION AND PRODUCTS

Article 29

Meeting standards based on Community legislation

1. Support provided for in Article 19 (c)(i) shall contribute partly to costs incurred and income foregone caused to farmers who have to apply standards in the fields of the environmental protection, public health, animal and plant health, animal welfare and occupational safety.

These standards must be newly introduced in national legislation and impose new obligations or restrictions to farming practice which have a significant impact on typical farm operating costs and concern a significant number of farmers.

2. The support shall be granted as a flat-rate, temporary and degressive aid on an annual basis, for a maximum duration of 5 years from the date the standard becomes mandatory in accordance with Community legislation.

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

Article 30

Participation of farmers in food quality schemes

1. Support provided for in Article 19 (c)(ii) shall:
 - (a) cover agricultural products only intended for human consumption;
 - (b) be for Community food quality schemes, or for those recognised by the Member States which comply with precise criteria to be defined in accordance

¹¹ OJ L 124, 20.5.2003, p. 36.

¹² OJ C 288, 9.10.1999, p. 2.

with the procedure referred to in Article 95(2); schemes whose sole purpose is to provide a higher level of control of respect of obligatory standards under Community or national law shall not be eligible for support,

- (c) be granted as an annual incentive payment whose level shall be determined according to the level of the fixed costs arising from participation in supported schemes, for a maximum duration of 5 years.

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

Article 31

Information and promotion activities

Support provided for in Article 19 (c)(iii) shall concern products covered by the support of the quality schemes referred to in Article 30.

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

SUB-SECTION 4

CONDITIONS FOR TRANSITIONAL MEASURES

Article 32

Semi-subsistence farming

1. Support provided for in Article 19 (d)(i) to farms which produce primarily for their own consumption and also market a proportion of their output ("semi-subsistence farms") shall be granted to farmers who present a business plan.
2. Progress in respect of the business plan referred to in paragraph 1 shall be assessed after three years.
3. Support shall be paid in the form of a flat rate aid up to the maximum amount specified in Annex I and for a period not exceeding 5 years.
4. The support referred to in paragraph 3 shall be granted in respect of applications approved by 31 December 2008 at the latest.

Article 33

Producer groups

1. Support provided for in Article 19 (d)(ii) shall be granted in order to facilitate the setting up and administrative operation of producer groups for the purposes of:
 - (a) adapting the production and output of producers who are members of such groups to market requirements;
 - (b) jointly placing goods on the market, including preparation for sale, centralisation of sales and supply to bulk buyers;
 - (c) establishing common rules on production information, with particular regard to harvesting and availability.

2. The support shall be granted as a flat-rate aid in annual instalments for the first 5 years following the date on which the producer group was recognised. It shall be calculated on the basis of the group's annual marketed production, up to the ceilings set in Annex I.
3. The support shall be granted to producer groups which are formally recognised by the Member State's competent authority by 31 December 2008 at the latest.

SECTION 2

PRIORITY AXIS 2: LAND MANAGEMENT

Article 34 Measures

Support under this section concerns the following measures:

- (a) measures targeting the sustainable use of agricultural land through:
 - (i) natural handicap payments to farmers in mountain areas,
 - (ii) payments to farmers in areas with handicaps, other than mountain areas,
 - (iii) NATURA 2000 payments,
 - (iv) agri-environment and animal welfare payments,
 - (v) support for non-productive investments;
- (b) measures targeting the sustainable use of forestry land through:
 - (i) first afforestation of agricultural land,
 - (ii) first establishment of agroforestry systems on agricultural land,
 - (iii) first afforestation of non agricultural land,
 - (iv) NATURA 2000 payments,
 - (v) forest-environment payments,
 - (vi) restoring forestry production potential and introducing prevention actions,
 - (vii) support for non-productive investments.

SUB-SECTION 1

CONDITIONS FOR MEASURES TARGETING THE SUSTAINABLE USE OF AGRICULTURAL LAND

Article 35

Natural handicap payments in mountain areas and payments in other areas with handicaps

1. Payments provided for in Article 34 (a)(i) and (ii) shall be granted annually per hectare of Utilised Agricultural Area.

They should compensate for farmers' additional costs and income forgone related to the handicap for agricultural production in the area concerned.

2. Payments shall be granted to farmers who undertake to pursue their farming activity in areas designated pursuant to Article 47 paragraphs 2 and 3 for at least five years from the first payment.

3. Payments shall be fixed between the minima and maxima laid down in the Annex I.

Payments higher than the maximum amount may be granted in duly justified cases provided that the average amount of all these payments granted at the Member State level concerned does not exceed this maximum amount.

4. Payments shall be degressive above a threshold level of area per holding to be defined in the programme.

Article 36 ***NATURA 2000 payments***

Support provided for in Article 34 (a)(iii), shall be granted annually and per hectare of Utilised Agricultural Area to farmers in order to compensate for costs incurred and income foregone resulting from disadvantages in the areas concerned related to the implementation of Directives 79/409/EEC and 92/43/EEC.

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

Article 37 ***Agri-environment and animal welfare payments***

1. Member States shall make available support provided for in Article 34 (a)(iv) throughout their territories, in accordance with their specific needs.

2. Agri-environment and animal welfare payments shall be granted to farmers who make on a voluntary basis agri-environmental or animal welfare commitments. Where duly justified to achieve environmental objectives, agri-environment payments may be granted to other land managers.

3. Agri-environment and welfare payments cover only those commitments going beyond the relevant mandatory standards established pursuant to Articles 4 and 5 and Annexes III and IV of Council Regulation (EC) No 1782/2003 and other relevant mandatory requirements established by national legislation and identified in the programme. Additionally, farmers and other land managers undertaking agri-environment commitments shall respect minimum requirements for fertiliser and plant protection product use to be identified in the programme.

These commitments shall be undertaken for five years. Where necessary and justified, a longer period shall be determined according to the procedure referred to in Article 95(2) for particular types of commitments.

4. The payments shall be granted annually and shall cover additional costs and income foregone resulting from the commitment given; where necessary, they may cover also transaction cost.

Where appropriate, the beneficiaries are selected on the basis of calls for tender, applying criteria of economic, environmental and animal welfare efficiency.

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

Article 38

Non-productive investments

Support provided in Article 34 (a)(v) shall be granted for:

- (a) investments linked to the achievement of commitments undertaken pursuant to the measure provided for in Article 34 (a)(iv);e
- (b) on-farm investments which enhance the public amenity value of the NATURA 2000 area concerned.

SUB-SECTION 2

CONDITIONS FOR MEASURES TARGETING THE SUSTAINABLE USE OF FORESTRY LAND

Article 39

General conditions

1. Support under this sub-section shall be granted only for forests and wooded areas owned by private owners or by their associations or by municipalities or their associations.

This restriction shall not apply to the support provided for in Article 34 (b)(i), (vi) and (vii).

2. Measures proposed under this sub-section in areas classified as high or medium forest fire risk within the framework of the Community action on protection of forests against fires must conform to the forest protection plans established by the Member States for those areas.

Article 40

First afforestation of agricultural land

1. Support provided for in Article 34 (b)(i), may include:
 - (a) establishment costs;
 - (b) an annual premium per hectare afforested to contribute to covering maintenance costs for a period of up to five years,

- (c) an annual premium per hectare to contribute to covering loss of income resulting from afforestation for a maximum period of 10 years for farmers or associations thereof who worked the land before its afforestation or for any other natural person or private-law corporation.
- 2. Support for the afforestation of agricultural land owned by public authorities shall cover only the cost of establishment. If the agricultural land to be afforested is rented by a natural person or private-law corporation, the annual premia referred to in paragraph 1 may be granted.
- 3. Support for the afforestation of agricultural land shall not be granted:
 - (a) for farmers benefiting from early retirement support;
 - (b) in respect of the planting of Christmas trees.

In the case of fast-growing species for short term cultivation, support for afforestation shall be granted for establishment costs only.

- 4. Support to farmers or other natural persons and private-law corporations shall be limited to the maxima laid down in Annex I.

Article 41

First establishment of agroforestry systems on agricultural land

- 1. Support provided for in Article 34(b) (ii), shall be granted to farmers to create agroforestry systems combining extensive agriculture and forestry systems.

It shall cover the establishment costs.

- 2. Agroforestry systems refer to land use systems in which trees are grown in combination with agriculture on the same land.
- 3. Christmas trees and fast-growing species for short term cultivation shall be excluded from support.
- 4. Support shall be limited to the maxima laid down in Annex I.

Article 42

First afforestation of non-agricultural land

- 1. Support provided for in Article 34 (b)(iii) shall cover the establishment cost of afforestation of land not eligible under Article 34, point (b)(i).
- 2. Support shall not be granted in respect of Christmas trees.
- 3. Support to natural persons or private-law corporations shall be limited to the maxima laid down in Annex I.

Article 43
NATURA 2000 payments

Support provided for in Article 31 (b)(iv), shall be granted annually and per hectare of forest to private forest owners or associations thereof in order to compensate for costs incurred resulting from the restrictions on the use of forests and other wooded land related to the implementation of Directives 79/409/EEC and 92/43/EEC in the area concerned.

Support shall be fixed between the minimum and maximum amounts laid down in Annex I.

Article 44
Forest-environment payments

1. Forest-environment payments provided for in Article 34 (b)(v), shall be granted per hectare of forest to beneficiaries who make forest-environmental commitments on a voluntary basis. These payments shall cover only those commitments going beyond the relevant mandatory requirements.

These commitments shall be undertaken for five years. Where necessary and justified, another period shall be determined for particular types of commitments.

2. The payments shall cover additional costs resulting from the commitment given. They shall be calculated on the basis of real costs.

Support shall be fixed between the minimum and maximum amounts laid down in Annex I.

Article 45
Restoring forestry production potential and introducing prevention actions

1. Support provided for in Article 34 (b)(vi), shall be granted for restoring forestry production potential in forests damaged by natural disasters and fire and introducing appropriate prevention actions.
2. Preventive actions against fires shall concern forests classified by the Member States as high or medium forest fire risk according to their forest protection plans.

Article 46
Non productive investments

Support provided in Article 34 (b)(vii), shall be granted for investments in forests:

- (a) linked to the achievement of commitments undertaken pursuant to the measure provided for in Article 34 (b)(v), or
- (b) which enhance the public amenity value of the area concerned.

SUB-SECTION 3
DESIGNATION OF AREAS

Article 47

Eligible areas for payments

1. Member States shall designate the areas eligible for payments provided for in Article 34 (a)(i), (ii) and (iii) as well as (b)(i), (iii), (iv) and (vi) of that Article, taking into account the provisions of paragraphs 2, 3, 4 and 5 of this Article.
2. In order to be eligible for payments provided for in Article 34 (a)(i) mountain areas must be characterised by a considerable limitation of the possibilities for using the land and an appreciable increase in the cost of working it due:
 - (a) to the existence, because of altitude, of very difficult climatic conditions, the effect of which is substantially to shorten the growing season;
 - (b) at a lower altitude, to the presence over the greater part of the area in question of slopes too steep for the use of machinery or requiring the use of very expensive special equipment, or to a combination of these two factors, where the handicap resulting from each taken separately is less acute but the combination of the two gives rise to an equivalent handicap.

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

In the programmes, the Member States shall either confirm the existing delimitation of their mountain areas or amend it according to specific provisions to be defined in accordance with the procedure referred to in Article 95(2).

3. In order to be eligible for payments provided for in Article 34 (a)(ii), areas other than mountain areas referred to in paragraph 2 of this Article must be:
 - (a) affected by significant natural handicaps, notably a low soil productivity or poor climate conditions and where maintaining extensive farming activity is important for the management of the land, or
 - (b) affected by specific handicaps, and where land management should be continued in order to conserve or improve the environment, maintain the countryside and preserve the tourist potential of the area or in order to protect the coastline.

Those areas shall comprise farming areas which are homogeneous from the point of view of natural production conditions.

As concerns areas affected by specific handicaps referred to in point (b) of the first subparagraph, their total extent shall not exceed 10% of the area of the Member State concerned.

The Member States shall delimitate those areas in the programmes according to specific provisions to be defined in accordance with the procedure referred to in Article 95(2).

4. NATURA 2000 agricultural areas designated pursuant to Directives 79/409/EEC and 92/43/EEC shall be eligible for payments provided for in Article 34 (a)(iii).
5. Areas apt for afforestation for environmental reasons such as protection against erosion or extension of forest resources contributing to climate change mitigation, shall be eligible for payments provided for in Article 34 (b) (i) and (iii).

NATURA 2000 forest areas designated pursuant to Directives 79/409/EEC and 92/43/EEC, shall be eligible for payments provided for in Article 34 (b) (iv).

Forest areas with a medium to high forest fire risk shall be eligible for payments provided for in Article 34 (b) (vi) relating to prevention actions against fires.

SUB-SECTION 4 RESPECT OF STANDARDS

Article 48 Reduction or exclusion from payments

Where beneficiaries receiving payments under Article 34 (a)(i) to (iv) and (b)(i), (iv) and (v) do not respect on the whole holding, as a result of an action or omission directly attributable to them, the mandatory requirements provided for in Articles 4 and 5 and Annexes III and IV of Council Regulation (EC) No 1782/2003, the total amount of their payments to be granted in the calendar year in which the non-compliance occurs shall be reduced or cancelled.

Detailed rules for the reductions and exclusions shall be laid down in accordance with the procedure referred to in Article 95(2). In this context account shall be taken of the severity, extent, performance and repetition of non-compliance.

SECTION 3 PRIORITY AXIS 3: DIVERSIFICATION OF THE RURAL ECONOMY AND THE QUALITY OF LIFE IN RURAL AREAS

Article 49 Measures

Support under this section involves:

- (a) Measures to diversify the rural economy, comprising:
 - (i) diversification into non-agricultural activities,
 - (ii) support for the creation and development of micro-enterprises with a view to promoting entrepreneurship and developing the economic fabric,
 - (iii) encouragement of tourism activities,
 - (iv) the protection, upgrading and management of the natural heritage, so contributing to sustainable economic development.

- (b) Measures to improve the quality of rural life in the rural areas, comprising:
 - (i) essential services for the economy and rural population,
 - (ii) village renovation and development; conservation and upgrading of the rural heritage.
- (c) A vocational training measure for economic actors operating in the fields covered by priority axis 3.
- (d) A skills-acquisition and animation measure with a view to preparing and implementing a local development strategy.

SUB-SECTION 1

CONDITIONS GOVERNING THE MEASURES TO DIVERSIFY THE RURAL ECONOMY

Article 50

Diversification into non-agricultural activities

The aid beneficiary referred to in Article 49(a) (i) may be either the farmer, his or her spouse, or one of their children.

Article 51

Support for business creation and development

The support provided for in Article 49(a) (ii) relates only to micro-entreprises as defined in the Commission Recommendation 2003/361/EC of 6 May 2003.

Article 52

Encouragement of tourism activities

The support referred to in Article 49(a)(iii) covers the following:

- (a) small-scale infrastructure such as information centres and the signposting of tourist sites;
- (b) recreational infrastructure offering access to natural areas, and small-capacity accommodation;
- (c) the development and placing on the market of tourism products relating to rural tourism.

Article 53

Protection, upgrading and management of the natural heritage

The support referred to in Article 49(a)(iv) covers environmental awareness actions, tourism improvements and the drawing-up of protection and management plans relating to NATURA 2000 sites and other places of high natural value.

SUB-SECTION 2
CONDITIONS GOVERNING THE MEASURES TO IMPROVE
THE QUALITY OF LIFE IN RURAL AREAS

Article 54

Basic services for the economy and rural population

The support referred to in Article 49(b)(i) covers the setting up of basic services concerning a village or group of villages, and related small scale infrastructure.

Article 55

Village renewal and development, conservation and upgrading of the rural heritage

The support referred to in Article 49(b)(ii) concerns studies and investment associated with:

- (a) a village improvement or development programme;
- (b) the maintenance, restoration and upgrading of the rural heritage at village level or as regards part of a village such as its centre and historical sites or monuments.

SUB-SECTION 3
VOCATIONAL TRAINING, SKILLS ACQUISITION AND ANIMATION

Article 56

Vocational training

Support under Article 49(c), shall not include courses of instruction or training which form part of normal education programmes or systems at secondary or higher levels.

Article 57

Skills acquisition and animation

The support referred to in Article 49(d) covers:

- (a) studies of the area concerned;
- (b) measures to provide information about the area and the local development strategy;
- (c) the training of staff involved in the preparation and implementation of a rural development strategy,
- (d) promotional events and the training of leaders.

SUB-SECTION 4 IMPLEMENTATION OF THE PRIORITY AXIS

Article 58 **Local development strategies**

The measures listed in Article 49 shall be implemented preferably through local development strategies.

Article 59 **Demarcation**

Where a measure falling within this section targets operations eligible also under another Community support instrument, including the Structural Funds and the European Fisheries Fund, the Member State shall set in each programme the demarcation criteria for the operations supported by the Fund and those supported by the other Community support instrument.

CHAPTER II LEADER

SECTION I THE LEADER APPROACH

Article 60 **Definition**

The LEADER approach is a local development strategy which comprises at least the following elements:

- (a) area-based programmes intended for well-identified sub-regional rural territories;
- (b) bottom-up approach with a decision-making power for local action groups concerning the elaboration and implementation of a local development strategy;
- (c) local public-private partnerships (hereinafter called "Local Action Groups");
- (d) multi-sectoral global approach based on the interaction between actors and projects of different sectors of the local economy;
- (e) implementation of innovative approaches;
- (f) implementation of cooperation projects;
- (g) networking of local partnerships.

Article 61
Local action groups

1. A partnered local development approach shall be implemented by the Local action groups satisfying the following conditions:
 - (a) they must propose an integrated local development strategy and be responsible for its implementation;
 - (b) they must consist of either a group already qualified for the LEADER II¹³ or LEADER+¹⁴ Initiatives, or according to the LEADER approach, or be a new group representing partners from the various locally based socio-economic sectors in the territory concerned. At the decision-making level the economic and social partners, to include agricultural associations, rural woman, young people and associations, must make up at least 50% of the local partnership;
 - (c) they must show an ability to define and implement a development strategy for the area;
 - (d) they must either select an administrative and financial lead actor able to administer public funds and ensure the satisfactory operation of the partnership, or come together in a legally constituted common structure the constitution of which guarantees the satisfactory operation of the partnership and the ability to administer public funds.
2. The area covered by the strategy shall be coherent and offer sufficient critical mass in terms of human, financial and economic resources to support a viable development strategy.
3. The Local action groups shall choose the projects to be financed under the strategy. They may also select cooperation projects.

SECTION 2
AREAS OF ASSISTANCE

Article 62
Measures

The support granted under the LEADER priority axis is for:

- (a) implementing local rural development strategies, through a LEADER approach, with a view to achieving the objectives of one or more of the three priority axes defined in Chapter I of this Title;
- (b) implementing cooperation projects involving the objectives selected under point (a) above;
- (c) running the local action group, acquiring skills and animating the territory.

¹³ Communication from the Commission of 19.3.1991 (OJ C 73, 19.3.1991, p. 33).

¹⁴ Communication from the Commission of 14.4.2000 (OJ C 139, 18.5.2000, p. 5).

SUB-SECTION 1

CONDITIONS

Article 63

Implementing local strategies

1. In the case of the support referred to in Article 62(a), operations under the strategy must meet the goals laid down in this Regulation for each of the priority axes.
2. If the planned measures correspond to the measures defined in this Regulation for each priority axis, the relevant conditions shall apply in accordance with Chapter I of this Title.

Article 64

Cooperation

1. The support referred to in Article 62(b) shall be granted to inter-territorial or transnational cooperation projects.

"Inter-territorial cooperation" means cooperation within a Member State.
"Transnational cooperation" means cooperation between territories in several Member States and with territories in non-member countries.
2. Only expenditure relating to the territories within the European Union shall be eligible for support.
3. Article 63 shall also apply to cooperation projects.

Article 65

Skills acquisition

The support for skills acquisition referred to in Article 62(c) shall be granted as a priority to the new regions where the LEADER approach has not been applied.

SUB-SECTION 2

IMPLEMENTING THE PRIORITY AXIS

Article 66

Funding the priority axis

An amount of 7% at least of the total Fund contribution to the programme must be reserved for implementing the LEADER priority axis.

CHAPTER III TECHNICAL ASSISTANCE

Article 67

Funding technical assistance

1. In accordance with Article 5 of Regulation .../... [CAP financing], the Fund may use up to 0.30% of its annual allocation to finance the preparatory, monitoring, administrative support, evaluation and control measures, at the Commission's initiative and/or on its behalf. These actions are executed in accordance with Article 53(2) of Regulation (EC, Euratom) No 1605/2002 and any other provisions of that Regulation and of its implementing modalities applicable to this form of execution of the budget.
2. At the initiative of the Member States, for each rural development programme, the Fund may finance preparation, management, monitoring, evaluation, information and control activities of programme assistance.

Up to 4% of the total amount for each programme may be devoted to these measures.

Within the limit set in the above subparagraph, each programme shall reserve an amount for establishing and operating the national rural network referred to in Article 69.

Article 68

European Network for Rural Development

A European Network for Rural Development for the networking of national networks, organisations and administrations active in the field of rural development at Community level shall be put in place in accordance with Article 67(1).

The aims of the European Network shall be to:

- (a) collect, analyse and disseminate information on Community rural development measures,
- (b) collect, disseminate and consolidate at Community level good rural development practice,
- (c) provide information on developments in the Community's rural areas and in non-member countries,
- (d) organise meetings and seminars at Community level for those actively involved in rural development,
- (e) set up and run expert networks with a view to facilitating an exchange of expertise and supporting implementation and evaluation of the rural development policy,
- (f) support the national networks and trans-national cooperation initiatives.

Article 69
National rural network

1. Each Member State shall establish a national rural network, which gathers together all the organisations and administrations involved in rural development.
2. The support referred to in Article 67(2) third subparagraph shall be granted:
 - (a) for the structures needed to run the network;
 - (b) for an action plan containing at least the identification and analysis of good transferable practices and the provision of information about them, network management, the organisation of exchanges of experience and know-how, the preparation of training programmes for local action groups in the process of formation and technical assistance for inter-territorial and trans-national cooperation.

TITLE V
FUND CONTRIBUTION

Article 70
Resources and their distribution

1. The resources available for commitment from the Fund for the period 2007 to 2013 shall be EUR 88.75 billion at 2004 prices. The annual breakdown is shown in Annex II. Of these resources, at least EUR 31.3 billion at 2004 prices shall be concentrated in regions eligible for the Convergence Objective.
2. 3% of the resources referred to in paragraph 1, for an amount of EUR 2.66 billion at 2004 prices, shall be allocated to the reserve provided for in Article 92.
3. 0.30% of the resources referred to in paragraph 1, for an amount of EUR 0.27 billion at 2004 prices, shall be devoted to technical assistance for the Commission as referred to in Article 67(1).
4. For the purpose of their programming and subsequent inclusion in the general budget of the European Communities, the sums referred to in paragraph 1 shall be indexed at 2% per year.
5. The Commission shall make an initial annual indicative breakdown by Member State of the amounts indicated in paragraph 1, after deduction of the amounts referred to in paragraphs 2 and 3, based on objective criteria and taking into account:
 - (a) the amounts reserved for regions eligible to the Convergence Objective;
 - (b) past performance, and
 - (c) particular situations and needs.

The Commission shall review in 2011 the annual allocations for the years 2012 and 2013 in order to distribute the amount referred to in paragraph 2.

6. In addition to the amounts indicated in paragraph 5, the Member States shall take into account for the purpose of programming the amounts resulting from modulation as provided for in Article 12(2) of Regulation (EC) No.../...[financing of the CAP].
7. The Commission ensures that total annual allocations from the Fund originating from the EAGGF Guidance section for any Member State pursuant to this Regulation, and from the ERDF and the ESF pursuant to Regulation (EC) No.../...[including the contribution of the ERDF to the financing of the cross-border strand of the European Neighbourhood Instrument pursuant to Regulation (EC) No.../...and of the Instrument for Pre-Accession pursuant to Regulation (EC) No.../...], and from the part of the FIG contributing to the Convergence objective, shall not exceed 4% of that Member State's GDP as estimated at the time of the adoption of the interinstitutional agreement

Article 71

Fund contribution

1. The Decision adopting a rural development programme shall fix the maximum contribution from the Fund for each priority heading. The decision shall clearly identify, where necessary, the appropriations allocated to the regions eligible for the Convergence Objective.
2. The Fund contribution shall be calculated on the basis of the entire amount of eligible public expenditure.
3. The Fund contribution rate shall be established for each priority axis. In the case of priority axis 1 (competitiveness) and axis 3 (diversification and quality of life) the following ceilings shall apply respectively:
 - (a) 75% of the eligible public expenditure in the regions referred to in Article 5(1) and (2) of Regulation (EC) No.../...[cohesion];
 - (b) 50% of the eligible public expenditure in the other regions.

In the case of priority axis 2 (land management) and Leader the following ceilings shall apply respectively:

 - (a) 80% of the eligible public expenditure in the regions referred to in Article 5(1) and (2) of Regulation (EC) No.../... [cohesion];
 - (b) 55% of the eligible public expenditure in the other regions.

The minimum Fund contribution rate at priority axis level shall be 20%.
4. Notwithstanding the ceilings set out in paragraph 3, the Fund contribution may be increased by five percentage points for the programmes of the outermost regions and the smaller islands of Aegean Sea.
5. Technical assistance measures taken at the initiative of the Commission or on its behalf may be funded at 100%.

6. An operation financed by the Fund shall not simultaneously benefit during its term of eligibility from a contribution from the Structural Funds, the Cohesion Fund or any other Community financial instrument. An expenditure co-financed by the Fund shall not be co-financed by way of another Community financial instrument.

An operation may qualify for a Fund contribution only under one rural development programme at a time. It may be financed under only one priority axis of the rural development programme.

7. Public expenditure on aid to enterprises shall comply with the aid limits laid down in respect of State aid, unless this Regulation provides otherwise.

Article 72

Eligibility of expenditure

1. Without prejudice to Article 39(1) of Regulation (EC) No.../... [CAP financing], expenditure shall be eligible for a Fund contribution if the relevant aid is actually paid by the paying agency at some time between 1 January 2007 and 31 December 2015. Co-financed operations may not be completed before the eligibility starting date.

A new expenditure added at the moment of the modification of a programme referred to in Article 18, shall be eligible from the date of the reception by the Commission of the request for modification of the programme.

2. Expenditure shall be eligible for a Fund contribution only where incurred for operations decided on by the Managing Authority of the programme in question or under its responsibility, in accordance with the criteria fixed by the Monitoring Committee.
3. The rules on eligibility of expenditure shall be set at national level, subject to the special conditions laid down by this Regulation for certain rural development measures.

The following costs are not eligible for a Fund contribution, however:

- (a) VAT,
 - (b) interest on debt,
 - (c) the purchase of land costing more than 10% of all the eligible expenditure on the operation concerned.
4. Provisions under paragraphs 1 to 3 shall not apply to the provisions laid down in Article 67(1).
 5. The contribution from the Fund may be under a form other than grants. If appropriate, detailed rules may be defined in accordance with the procedure laid down in Article 95(2).

Article 73
Durability of investment-related operations

1. Without prejudice to the rules relating to free provision of services and the freedom of establishment within the meaning of Articles 43 and 49 of the Treaty, the Member State or Managing Authority shall ensure that an investment operation retains the Fund contribution if that operation does not, within seven years of the Managing Authority's funding decision, undergo a substantial modification that:
 - (a) affects its nature or implementation conditions or gives undue advantage to a firm or public body;
 - (b) results either from a change in the nature of ownership of an item of infrastructure, or the cessation or relocation of a productive activity.
2. Amounts unduly paid out shall be recovered in accordance with Article 33 of Regulation (EC) No .../...[CAP financing].

TITLE VI
MANAGEMENT, CONTROL AND INFORMATION

CHAPTER I
MANAGEMENT AND CONTROL

Article 74
Responsibilities of the Commission

To ensure, in the context of shared management, sound financial management in accordance with Article 274 of the EC Treaty, the Commission shall carry out the measures and controls laid down in Article 9 of Regulation (EC) No.../...[CAP financing].

Article 75
Responsibilities of the Member States

1. In order to ensure that the Community's financial interests are effectively protected, the Member States shall adopt all the legislative, statutory and administrative provisions laid down in Article 9 of Regulation No.../...[CAP financing].
2. Prior to the adoption of the programme, the Member State shall ensure that the relevant management and control systems have been set up in accordance with the following requirements:
 - (a) a clear definition of the functions of the bodies concerned in the management and control and a clear allocation of functions within each body;
 - (b) an adequate separation of functions between the bodies concerned in the management and control, and within each such body;
 - (c) adequate resources for each body to carry out the functions which have been allocated to it;

- (d) effective internal control arrangements including those on compliance with Community rules concerning combinations of State aids;
- (e) an effective system of reporting and monitoring, where the performance of tasks is delegated;
- (f) the existence of manuals of procedures in relation to the functions to be performed;
- (g) arrangements for the audit of the effective functioning of the system;
- (h) reliable accounting, monitoring and financial reporting systems in computerised form;
- (i) systems and procedures to ensure a sufficient audit trail.

Member States shall be responsible for ensuring that the systems function effectively throughout the programme period.

3. Member States shall undertake controls in accordance with detailed implementing rules to be adopted in accordance with the procedure referred to in Article 95(2), notably regarding the type and intensity of controls, adapted to the nature of the different rural development measures.

Article 76
Designation of authorities

For each rural development programme the Member State shall designate:

- (a) the managing authority, being a public or private national, regional or local body designated by the Member State, or the Member State itself when it carries out that task, to manage a programme;
- (b) the paying agency provided for in Article 6 of Regulation (EC) No.../...[CAP financing];
- (c) the certifying body provided for in Article 7 of Regulation (EC) No.../... [CAP financing];

Article 77
Managing Authority

1. The Managing Authority shall be responsible for managing and implementing the programme in an efficient, effective and correct way and in particular for:
 - (a) ensuring that operations are selected for funding in accordance with the criteria applicable to the rural development programme and that they comply, for the whole period of their execution, with applicable Community and national rules and Community policies;

- (b) ensuring that there is a system to record and maintain statistical information on implementation in computerised form adequate for the purposes of monitoring and evaluation;
- (c) ensuring that beneficiaries and other bodies involved in the implementation of operations:
 - (i) are informed of their obligations resulting from the aid granted, and maintain either a separate accounting system or an adequate accounting code for all transactions relating to the operation, and
 - (ii) are aware of the requirements concerning the provision of data to the managing authority and the recording of outputs and results;
- (d) ensuring that programme evaluations are conducted within the time limits laid down in this Regulation and conform to the common monitoring and evaluation framework and for submitting evaluations undertaken to the relevant national authorities and the Commission;
- (e) coordinating the Monitoring Committee and sending it the documents needed to monitor implementation of the programme in the light of its specific objectives;
- (f) ensuring compliance with the obligations concerning publicity referred to in Article 80;
- (g) drawing up the annual progress report and, after approval by the Monitoring Committee, submitting it to the Commission;
- (h) ensuring that the paying agency receives all necessary information on the procedures operated and the controls carried out in relation to operations selected for funding, before payments are authorised.

When a part of its tasks is delegated to another body, the managing authority shall retain full responsibility for the efficiency and correctness of management and implementation of those tasks.

Article 78
Paying Agency

The paying agency shall be responsible for authorisation, execution and accounting for payment of aids to beneficiaries, and reception of the Community contribution, in accordance with Regulation (EC) No.../...[CAP financing].

Article 79
Certifying Body

The certifying body shall verify the effective functioning of the management and control system for rural development programmes, in accordance with Regulation (EC) No [CAP financing].

CHAPTER II INFORMATION AND PUBLICITY

Article 80 **Information and publicity**

1. The Member States shall provide information on and publicise part-financed operations.

This information shall be aimed at European citizens. It shall spotlight the role of the Community and ensure the transparency of Fund assistance.

2. The Managing Authority for the programme shall be responsible for its publicity:
 - (a) it shall inform potential beneficiaries, professional organisations, the economic and social partners, bodies involved in promoting gender equality and the non-governmental organisations concerned of the possibilities offered by the programme and the rules for gaining access to programme funding;
 - (b) it shall inform the beneficiaries of the amount of the Community contribution;
 - (c) it shall inform European citizens about the role played by the Community in the programmes and the results thereof.

TITLE VII MONITORING, EVALUATION AND RESERVE

CHAPTER I MONITORING

Article 81 **Monitoring Committee**

1. A Monitoring Committee shall be set up for each rural development programme by the Member State, in agreement with the Managing Authority and after consulting the partners.

Each Monitoring Committee shall be set up within a maximum of three months following the decision approving the programme.

Each Committee shall draw up its rules of procedure within the institutional, legal and financial framework of the Member State concerned and adopt them in agreement with the Managing Authority in order to perform its duties in accordance with this Regulation

2. Each Monitoring Committee shall be chaired by a representative of the Member State or of the Managing Authority.

Its composition shall be decided by the Member State and shall include the partners referred to in Article 6 (1).

At its own initiative, a Commission representative may participate in the work of the Monitoring Committee in an advisory capacity.

Article 82

Responsibilities of the Monitoring Committee

The Monitoring Committee shall satisfy itself as to the effectiveness of the implementation of the rural development programme. To that end, the Monitoring Committee:

- (a) shall consider and approve, in the four months following approval of the programme, the selection criteria for financed operations. The selection criteria shall be revised according to programming needs;
- (b) shall periodically review progress made towards achieving the specific targets of the programme, on the basis of the documents submitted by the Managing Authority;
- (c) shall examine the results of implementation, particularly achievement of the targets set for each priority axis and ongoing evaluations;
- (d) shall consider and approve the annual progress report and the last progress report before they are sent to the Commission;
- (e) may propose to the Managing Authority any adjustment or review of the programme aimed at achieving the Objectives of the Fund defined in Article 4 or improving its management, including its financial management;
- (f) shall consider and approve any proposal to amend the content of the Commission decision on the contribution from the Fund.

Article 83

Monitoring procedures

1. The Managing Authority and the Monitoring Committee shall monitor the quality of programme implementation.
2. The Managing Authority and the Monitoring Committee shall carry out monitoring of each rural development programme by means of financial, implementation and result indicators.

Article 84

Common monitoring and evaluation framework

The common monitoring and evaluation framework shall be drawn up in cooperation between the Commission and the Member States and adopted in accordance with the procedure laid down in Article 95(2). The framework shall specify a limited number of common indicators applicable to each programme.

Article 85
Indicators

1. The progress, efficiency and effectiveness of rural development programmes in relation to their objectives shall be measured by means of indicators relating to the baseline situation as well as to the financial execution, implementation, results and impact of the programmes.
2. Each rural development programme shall specify a limited number of additional indicators specific to that programme.
3. Where the nature of the assistance so permits, the data relating to the indicators shall be broken down by sex and age of the beneficiaries.

Article 86
Annual progress report

1. For the first time in 2008 and by 30 June each year, the Managing Authority shall send the Commission an annual progress report on the implementation of the programme. The Managing Authority shall send a last progress report on the implementation of the programme to the Commission at the latest by 30 June 2016.
2. Each annual progress report shall contain the following elements:
 - (a) any change to the general conditions having a direct impact on the conditions for implementing the programme as well as any change to Community and national policies affecting consistency between the Fund and other financial instruments;
 - (b) the progress of the programme in relation to the objectives set, on the basis of output and result indicators;
 - (c) the financial implementation of the programme giving, for each measure, a statement of the expenditure paid to beneficiaries; if the programme covers regions eligible under the Convergence Objective, expenditure shall be identified separately.
 - (d) the steps taken by the Managing Authority and the Monitoring Committee to ensure the quality and effectiveness of programme implementation, in particular:
 - (i) monitoring and evaluation measures;
 - (ii) a summary of the major problems encountered in managing the programme and any measures taken, including in response to comments made under Article 87;
 - (iii) use of technical assistance;
 - (iv) steps taken to ensure that the programme is publicised in accordance with Article 80;

- (e) a declaration on compliance with Community policies in the context of the support, including identification of the problems encountered and the measures adopted to deal with them;
 - (f) a separate chapter on the progress and financing of measures under the LEADER approach;
 - (g) where applicable, re-utilisation of aid recovered under Article 33 of Regulation (EC) No .../....[financing the CAP].
3. The report shall be judged admissible with a view to applying Article 26 of Regulation (EC) No .../...[financing the CAP] if it contains all the elements listed in paragraph 2 and enables programme implementation to be appraised.

The Commission shall have two months to comment on the annual progress report after it has been sent by the Managing Authority. That time limit shall be increased to five months for the last report of the programme. If the Commission does not respond within the time limit set, the report shall be deemed accepted.

Article 87
Annual examination of programmes

1. Each year, on presentation of the annual progress report, the Commission and the Managing Authority shall examine the main results of the previous year, in accordance with procedures to be determined in agreement with the Member State and Managing Authority concerned.
2. Following that examination the Commission may make comments to the Member State and to the Managing Authority, which will inform the Monitoring Committee thereof. The Member State shall inform the Commission of action taken in response to those comments.

CHAPTER II
EVALUATION

Article 88
General provisions

1. Rural development policy and programmes shall be subject to ex-ante, ongoing and ex-post evaluations in accordance with Articles 89 to 91.
2. The evaluations shall aim to improve the quality, efficiency and effectiveness of the implementation of rural development programmes. They shall assess the impact of the programmes as regards the strategic guidelines of the Community provided for in Article 9 and the rural development problems specific to the Member States and regions concerned, taking into account sustainable development requirements and environmental impact, meeting the requirements of relevant Community legislation.
3. The evaluation work shall be organised, as appropriate, under the responsibility of either Member States or the Commission.

4. The evaluations shall be carried out by independent evaluators. The results shall be published in accordance with the provisions of Regulation (EC) No 1049/2001 of the European Parliament and of the Council of 30 May 2001 regarding public access to European Parliament, Council and Commission documents¹⁵.
5. Member States shall provide the human and financial resources necessary for carrying out the evaluations, shall organise the production and gathering of the requisite data, and shall use the various pieces of information provided by the monitoring system.
6. The Member States and the Commission shall agree evaluation methods and standards to be applied at the initiative of the Commission within the framework of Article 84.

Article 89

Ex-ante evaluation

1. *Ex-ante* evaluation shall form part of drawing up each rural development programme and aim to optimise the allocation of budgetary resources and improve programming quality. It shall identify and appraise medium and long-term needs, the goals to be achieved, the results expected, the quantified targets particularly in terms of impact in relation to the baseline situation, the Community value-added, the extent to which the Community's priorities have been taken into account, the lessons drawn from previous programming and the quality of the procedures for implementation, monitoring, evaluation and financial management
2. *Ex-ante* evaluation shall be carried out under the responsibility of the Member State.

Article 90

Ongoing evaluation

1. The Member States shall establish a system of ongoing annual evaluation for each rural development programme.
2. The Managing Authority for the programme and the Monitoring Committee shall use ongoing annual evaluation to:
 - (a) examine the progress of the programme in relation to its goals by means of result and, where appropriate, impact indicators;
 - (b) improve the quality of programmes and their implementation;
 - (c) examine proposals for substantive changes to programmes;
 - (d) prepare for mid-term and ex-post evaluation.
3. From 2008, the Managing Authority shall each year submit a report to the Monitoring Committee containing the results of ongoing evaluation. After discussion, the report

¹⁵ OJ L 145, 31.5.2001, p. 43.

shall be sent to the Commission together with the annual progress report provided for in Article 86.

4. In 2010, ongoing annual evaluation shall take the form of a mid-term evaluation. That mid-term evaluation shall propose measures to improve the quality of programmes and their implementation.

A summary of the mid-term evaluation reports shall be undertaken on the initiative of the Commission.

5. In 2015, ongoing annual evaluation shall take the form of an ex-post evaluation.
6. The mid-term and ex-post evaluations shall examine the degree of utilisation of resources, the effectiveness and efficiency of the programming of the Fund, its socio-economic impact and its impact on the Community priorities. They shall cover the goals of the programme and aim to draw lessons concerning rural development policy. They shall identify the factors which contributed to the success or failure of the programmes' implementation, including as regards sustainability, and identify best practice.
7. Ongoing annual evaluation shall be organised on the initiative of the Managing Authorities in cooperation with the Commission. It shall be organised on a multi-annual basis and cover the period 2007–2015.
8. The Commission shall organise measures on its initiative to provide training, exchanges of best practice and information for ongoing evaluators, experts in the Member States and Monitoring Committee members, as well as thematic and summary evaluations.

Article 91

Summary of ex-post evaluations

1. A summary of *ex-post* evaluations shall be made, under the responsibility of the Commission, in cooperation with the Member State and the Managing Authority, which shall gather the data required for its completion. The summary shall cover all the rural development programmes.
2. The summary of *ex-post* evaluations shall be finalised at the latest by 31 December 2016.

CHAPTER III RESERVE

Article 92

Community reserve for the LEADER priority axis

1. The amount allocated to the reserve referred to in Article 70(2) shall be used to support implementation of the LEADER approach in programmes.
2. Implementation of the LEADER approach shall be evaluated on the basis of objective criteria including:

- (a) the priority given to the LEADER approach,
- (b) the territorial coverage of the LEADER approach,
- (c) the stage reached in implementing the LEADER priority axis,
- (d) the leverage effect on private capital,
- (e) the results of mid-term evaluations.

TITLE VIII STATE AID

Article 93

Application of the rules to State aid

1. Save as otherwise provided in this Title, Articles 87 to 89 of the Treaty shall apply to aid granted by Member States for measures to support rural development.

However, Articles 87, 88 and 89 of the Treaty shall not apply to financial contributions provided by Member States for measures subject to Community support in accordance with the provisions of this Regulation.

2. Aid for modernisation of farms which exceeds the percentages set in Annex I, as regards Article 25(2), shall be prohibited.

This prohibition shall not apply to aid for investments relating to:

- (a) investments undertaken predominantly in the public interest and related to the conservation of traditional landscapes shaped by agricultural and forestry activities or to the relocation of farm buildings;
- (b) the protection and improvement of the environment;
- (c) improvement of the hygiene conditions of livestock undertakings and animal welfare.

3. State aid granted to farmers to compensate for natural handicaps in mountain areas and in other areas with handicaps shall be prohibited if it does not satisfy the conditions laid down in Article 35. However, additional aid exceeding amounts fixed according to Article 35(3) may be granted in duly justified cases.

4. State aid to support farmers who enter into agri-environmental or animal welfare commitments which fail to satisfy the conditions laid down in Article 37 shall be prohibited. However, additional aid exceeding maximum amounts set in Annex I, as regards Article 37(4), may be granted if duly justified. In exceptional cases, duly justified derogation may be permitted in respect of the minimum duration of those commitments as laid down in Article 37(3).

5. State aid to support farmers who adapt to demanding standards based on Community legislation in the fields of the environmental protection, public health, animal and plant health, animal welfare and occupational safety shall be prohibited if it does not satisfy the conditions laid down in Article 29. However, additional aid exceeding the

maximum amounts fixed in accordance with that Article may be granted to help farmers to comply with national legislation which exceeds Community standards.

In the absence of Community legislation, State aid to support farmers who adapt to demanding standards based on national legislation in the fields of the environment, public health, animal and plant health, animal welfare and occupational safety shall be prohibited if it does not satisfy the conditions laid down in Article 29. Additional aid exceeding the maximum amounts set in Annex I, as regards Article 29(2), may be granted if justified under Article 29.

Article 94
Additional national financing

State aid intended to provide additional financing for rural development measures for which Community support is granted, shall be notified by Member States and approved by the Commission in accordance with the provisions of this Regulation as part of the programming referred to in Article 15. The first sentence of Article 88(3) of the Treaty shall not apply to aid thus notified.

TITLE IX
TRANSITIONAL AND FINAL PROVISIONS

Article 95
Committee

1. The Commission shall be assisted by a Rural Development Committee (hereinafter: the 'Committee').
2. Where reference is made to this paragraph, Articles 4 and 7 of Decision 1999/468/EC shall apply.

The period provided for in Article 4(3) of Decision 1999/468/EC shall be one month.

3. The Committee shall adopt its rules of procedure.

Article 96
Implementing rules

Over and above the measures foreseen in particular provisions of this Regulation,, detailed rules shall be adopted for the implementation of this Regulation in accordance with the procedure referred to in Article 95(2). They shall cover in particular:

- (a) the presentation of proposed rural development programmes;
- (b) the conditions governing rural development measures.

Article 97
Transitional provisions

Should specific measures be necessary to facilitate the transition from the system in force to that established by this Regulation, such measures shall be adopted in accordance with the procedure referred to in Article 95(2).

Such measures shall in particular be adopted to integrate existing Community support approved by the Commission for a period ending after 1 January 2007 into the rural development support provided for by this Regulation.

Article 98
Repeal

1. Regulation (EC) No 1257/1999 is repealed with effect from 1 January 2007.
References to the repealed Regulation shall be understood as being to this Regulation.
The repealed Regulation shall continue to apply to actions approved by the Commission under that Regulation before 1 January 2007.
2. Council Directives and Decisions laying down and amending the lists of less-favoured areas referred to in Article 21(2) of Regulation (EC) No 950/97 are repealed.

Article 99
Entry into force

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

It shall apply in relation to Community support as from 1 January 2007.

However, Article 10 shall apply from the entry into force of this Regulation.

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

Done at Brussels,

For the Council
The President

ANNEX I

AMOUNTS AND RATES OF SUPPORT

Article	Subject	Amount in euros or rate	
21(2)	Setting up premium	40 000	
22(3)	Early retirement	18 000	Per transferor per year
		180 000	Total amount per transferor
		4 000	Per worker per year
		40 000	Total amount per worker
23(2)	Advisory services	80%	Of the eligible cost per advisory service
		1 500	Maximum eligible amount
25(2)	Intensity of aid for the modernisation of farms	60%	Of the amount of eligible investment by young farmers in the areas referred to in Article 34(a)(i), (ii) and (iii)
		50%	Of the amount of eligible investment by other farmers in the areas referred to in Article 34(a)(i), (ii) and (iii)
		50%	Of the amount of eligible investment by young farmers in other areas
		40%	Of the amount of eligible investment by other farmers in other areas
		75%	Of the amount of eligible investment in the outermost regions and the Aegean Islands
26(3)	Intensity of aid for the improvement of the economic value of forests	50%	Of the amount of eligible investment in the areas referred to in Article 34(a)(i), (ii) and (iii)
		40%	Of the amount of eligible investment in other areas
		75%	Of the amount of eligible investment in the outermost regions

27(3)	Intensity of aid for adding value to agricultural and forestry production	50%	Of the amount of eligible investment in regions covered by the Convergence Objective
		40%	Of the amount of eligible investment in other regions
		65%	Of the amount of eligible investment in the outermost regions and the Aegean Islands
29(2)	Maximum amount of support for meeting standards	10 000	Per holding
30(2)	Maximum amount of support for participation in food quality schemes	3 000	Per holding
31	Intensity of aid for information and promotion activities	70%	Of the eligible cost of the action
32(3)	Maximum amount for semi-subsistence farms	1 500	Per farm per year
33(2)	Producer groups: ceiling, as a percentage of marketed production during the first five years following recognition But not exceeding in respect of each of the first five years the amount of	5%, 5%, 4%, 3%, and 2% (*)	For the 1st, 2nd, 3rd, 4th and 5th year respectively for marketed production up to €1 000 000
		2.5%, 2.5%, 2.0%, 1.5% and 1.5%	For the 1st, 2nd, 3rd, 4th and 5th year respectively for marketed production exceeding €1 000 000
		100 000	For the 1st year
		100 000	For the 2nd year
		80 000	For the 3rd year
		60 000	For the 4th year
50 000	For the 5th year		
35(3)	Minimum handicap payment	25	Per hectare of UAA
	Maximum natural handicap payment	250	Per hectare of UAA
	Maximum payment for areas with other handicaps	150	Per hectare of UAA
36	Initial maximum Natura 2000 payment for a period not exceeding five years	500 (**)	Per hectare of UAA
	Normal maximum Natura 2000 payment	200 (**)	Per hectare of UAA

37(4)	Annual crops	600 (**)	Per hectare
	Specialised perennial crops	900 (**)	Per hectare
	Other land uses	450 (**)	Per hectare
	Local breeds in danger of being lost to farming	200 (**)	Per livestock unit
	Animal welfare	500	Per livestock unit
40(1), 2 nd indent	Maximum annual premium to cover loss of income from afforestation		
	– for farmers or associations thereof	500	Per hectare
	– for any other private-law person	150	Per hectare
40(4), 41(4) and 42(3)	– Intensity of aid for establishment costs	50%	Of eligible costs in the areas referred to in Article 34(a)(i), (ii) and (iii)
	–	40%	Of eligible costs in other areas
	–	75%	Of eligible costs in the outermost regions
43 and 44(2)	– Natura 2000 and forest-environment annual payment		
	– minimum payment	40	Per hectare
	– maximum payment	200	Per hectare

(*) In the case of Malta, the Commission may set a minimum amount of aid for sectors of production in which total output is extremely small.

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

ANNEX II

Annual breakdown of commitment appropriations for 2007–2013

(referred to in Article 70(1))

EUR million – 2004 prices)

Year	2007	2008	2009	2010	2011	2012	2013
	11 759	12 235	12 700	12 825	12 952	13 077	13 205

FICHE FINANCIÈRE LÉGISLATIVE

Domaines politiques: Agriculture et développement rural

Activité: Développement rural

DENOMINATION DE L'ACTION: REGLEMENT DU CONSEIL CONCERNANT LE SOUTIEN AU DEVELOPPEMENT RURAL PAR LE FONDS EUROPEEN AGRICOLE POUR LE DEVELOPPEMENT RURAL (FEADER)

1. LIGNE(S) BUDGÉTAIRE(S) + INTITULÉ(S)

2. DONNÉES CHIFFRÉES GLOBALES

2.1 Enveloppe totale de l'action (partie B): 88 753,- millions d'euros en CE (prix constant 2004)

2.2 Période d'application: du 1 janvier 2007 au 31 décembre 2013

2.3 Estimation globale pluriannuelle des dépenses:

a) Échéancier crédits d'engagement/crédits de paiement (intervention financière)
(cf. point 6.1.1)

millions d'euros (à la 3^e décimale)

	Année 2007	Année 2008	Année 2009	Année 2010	Année 2011	Année 2012	Année 2013 et exercices suivants
Crédits d'engagement	11 724	12 198	12 662	12 787	12 913	13 038	13 165
Crédits de paiement	3 426	7 317	7 696	9 091	10 738	12 133	38 086

b) Assistance technique et administrative (ATA) et dépenses d'appui (DDA)
(cf. point 6.1.2)

CE	35	37	38	38	39	39	40
CP	35	37	38	38	39	39	40

Sous-total a+b							
CE	11 759	12 235	12 700	12 825	12 952	13 077	13 205
CP	3 461	7 354	7 734	9 129	10 777	12 172	38 086

c) Incidence financière globale des ressources humaines et autres dépenses de fonctionnement (cf. points 7.2 et 7.3)

CE/CP							
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TOTAL a+b+c							
CE							
CP							

2.4 Compatibilité avec la programmation financière et les perspectives financières

Proposition compatible avec la programmation financière 2007–2013.

Cette proposition nécessite une reprogrammation de la rubrique concernée des perspectives financières,

y compris, le cas échéant, un recours aux dispositions de l'accord interinstitutionnel.

2.5 Incidence financière sur les recettes

Aucune implication financière.

millions d'euros (à la première décimale)

Ligne budgétaire	Recettes	Avant l'action (année n-1)	Situation après l'action							
			Année n ³	n+1	n+2	n+3	n+4	n+5		
	a) <i>Recettes en termes absolus¹</i>									
	b) <i>Modification des recettes²</i>	Δ								

3. CARACTÉRISTIQUES BUDGÉTAIRES

Nature de la dépense		Nouvelle	Participation AELE	Participation pays candidats	Rubrique PF
DNO	CD	NON	NON		N° 2

4. BASE JURIDIQUE

Article 36 et 37 du traité.

5. DESCRIPTION ET JUSTIFICATION

5.1 Nécessité d'une intervention communautaire

5.1.1 Objectifs poursuivis

La politique de développement rural accompagne la politique commune relative aux marchés agricoles et elle contribue aux objectifs énoncés à l'article 33 du traité. La présente proposition établit le cadre de soutien du développement rural par l'Union européenne.

Le soutien de la Communauté en faveur d'un développement rural, financé par le Fonds agricole pour le développement rural (FEADER), contribuera à la réalisation des objectifs suivants :

- l'amélioration de la compétitivité de l'agriculture et de la sylviculture par un soutien à la restructuration ;
- l'amélioration de l'environnement et l'espace rural par le soutien à la gestion du territoire ;
- l'amélioration de la qualité de la vie dans les zones rurales et l'encouragement de la diversification des activités économiques.

5.1.2 Dispositions prises relevant de l'évaluation ex ante

(Il s'agit ici:

- a) *d'expliquer comment et quand l'évaluation ex ante a été effectuée (auteur, calendrier et si le(s) rapport(s) est/sont disponible(s) ou comment l'information correspondante a été collectée.*

Une étude d'impact a été élaborée et accompagne la proposition.

- b) *de décrire brièvement les constatations et enseignements tirés de l'évaluation ex ante)*

Les conclusions figurent à la partie 5 de l'étude d'impact.

5.1.3 Dispositions prises à la suite de l'évaluation ex post

(Dans le cas du renouvellement d'un programme, il s'agit aussi de décrire brièvement les enseignements à tirer d'une évaluation intérimaire ou ex post.)

Voir partie 5 de l'étude d'impact.

5.2 Actions envisagées et modalités de l'intervention budgétaire

La politique de développement rural sera implémentée par des programmes pluriannuels couvrant la période 2007 – 2013. Ils seront articulés autour de 3 axes prioritaires et de l'axe LEADER conformément aux dispositions des titres III et IV de la proposition.

5.3 Modalités de mise en œuvre

Les programmes de développement rural sont établis et présentés à la Commission par les Etats membres à l'issue d'une concertation avec les partenaires régionaux, locaux, économiques et sociaux. L'Etat membre peut présenter soit un seul programme couvrant tout son territoire soit un programme par région.

La Commission approuve les programmes en fonction de leur cohérence avec les orientations stratégiques de l'Union sur le développement rural, le plan stratégique national présenté par l'Etat membre, ainsi qu'avec le présent règlement. La mise en œuvre des programmes et leur contrôle relève de la gestion partagée (art. 53 du Règlement 1605/2002).

L'assistance technique à l'initiative de la Commission est implémentée en gestion directe.

6. INCIDENCE FINANCIÈRE

6.1 Incidence financière totale sur la partie B (pour toute la période de programmation)

(Le mode de calcul des montants totaux présentés dans le tableau ci-après doit être expliqué par la ventilation dans le tableau 6.2.)

6.1.1 Intervention financière

Crédits d'engagement en millions d'euros (à la 3^e décimale)

Ventilation	Année 2007	2008	2009	2010	2011	2012	2013
Action 1							
Action 2							
etc.							
TOTAL	11 724	12 198	12 662	12 787	12 913	13 038	13 165

6.1.2 Assistance technique et administrative (ATA), dépenses d'appui (DDA) et dépenses TI (crédits d'engagement)

	Année 2007	2008	2009	2010	2011	2012	2013
1) Assistance technique et administrative (ATA):							
a) Bureaux d'assistance technique (BAT)							
b) Autre assistance technique et administrative: – intra-muros: – extra-muros: <i>dont pour la construction et la maintenance de systèmes de gestion informatisés:</i>							
Sous-total 1							
2) Dépenses d'appui (DDA):							
a) Études							
b) Réunion d'experts							
c) Information et publications							
Sous-total 2							
TOTAL	35	37	38	38	39	39	40

6.2. Calcul des coûts par mesure envisagée en partie B (pour toute la période de programmation)

(Dans le cas où il y a plusieurs actions, il y a lieu de donner, sur les mesures concrètes à prendre pour chaque action, les précisions nécessaires à l'estimation du volume et du coût des réalisations.)

Crédits d'engagement en millions d'euros (à la 3^e décimale)

Ventilation	Type de réalisations /outputs (projets, dossiers ...)	Nombre de réalisations/ outputs (total pour années 1...n)	Coût unitaire moyen	Coût total (total pour années 1...n)
	1	2	3	4=(2X3)
<u>Action 1</u> – Mesure 1 – Mesure 2				
<u>Action 2</u> – Mesure 1 – Mesure 2 – Mesure 3 etc.				
COÛT TOTAL				

(Si nécessaire, expliquer le mode de calcul.)

7. INCIDENCE SUR LES EFFECTIFS ET LES DÉPENSES ADMINISTRATIVES

7.1. Incidence sur les ressources humaines

Types d'emplois		Effectifs à affecter à la gestion de l'action par utilisation des ressources existantes et/ou supplémentaires		Total	Description des tâches découlant de l'action
		Nombre d'emplois permanents	Nombre d'emplois temporaires		
Fonctionnaires ou agents temporaires	A B C				<i>(Si nécessaire, une description plus complète des tâches peut être annexée.)</i>
Autres ressources humaines					
Total					

7.2 Incidence financière globale des ressources humaines

Type de ressources humaines	Montants en euros	Mode de calcul *
Fonctionnaires Agents temporaires		
Autres ressources humaines (indiquer la ligne budgétaire)		
Total		

Les montants correspondent aux dépenses totales pour 12 mois.

7.3 Autres dépenses de fonctionnement découlant de l'action

Ligne budgétaire (n° et intitulé)	Montants en euros	Mode de calcul
Enveloppe globale (Titre A7) A0701 – Missions A07030 – Réunions A07031 – Comités obligatoires ⁽¹⁾ A07032 – Comités non obligatoires ⁽¹⁾ A07040 – Conférences A0705 – Études et consultations Autres dépenses (indiquer lesquelles)		
Systèmes d'information (A-5001/A-4300)		
Autres dépenses – partie A (indiquer lesquelles)		
Total		

Les montants correspondent aux dépenses totales de l'action pour 12 mois.

⁽¹⁾ Préciser le type de comité ainsi que le groupe auquel il appartient.

I.	Total annuel (7.2 + 7.3)	euros
II.	Durée de l'action	années
III.	Coût total de l'action (I x II)	euros

(Dans l'estimation des ressources humaines et administratives nécessaires pour l'action, les DG/services devront tenir compte des décisions arrêtées par la Commission lors du débat

d'orientation et de l'approbation de l'avant-projet de budget (APB). Ceci signifie que les DG devront indiquer que les ressources humaines peuvent être couvertes à l'intérieur de la préallocation indicative prévue lors de l'adoption de l'APB.

Dans des cas exceptionnels où les actions visées n'étaient pas prévisibles lors de la préparation de l'APB, la Commission devra être saisie afin de décider si la mise en œuvre de l'action proposée peut être acceptée et selon quelles modalités (à travers une modification de la préallocation indicative, une opération ad hoc de redéploiement, un budget rectificatif et supplémentaire ou une lettre rectificative au projet de budget.)

Les besoins en ressources humaines et administratives seront couverts à l'intérieur de la dotation allouée à la DG gestionnaire dans le cadre de la procédure d'allocation annuelle.

8. SUIVI ET ÉVALUATION

8.1 Système de suivi

Il est défini aux articles 81 à 87.

8.2 Modalités et périodicité de l'évaluation prévue

Les programmes de développement rural font l'objet d'évaluations conformément aux dispositions des articles 88 à 91.

9. MESURES ANTIFRAUDE

Les Etats membres assument en premier ressort la responsabilité du contrôle financier des interventions. A cette fin, les Etats membres prennent toutes les dispositions et mesures nécessaires pour s'assurer de la réalité et régularité des opérations financées par le FEADER, prévenir et détecter les irrégularités, poursuivre et récupérer les fonds perdus en cas d'irrégularité. La Commission, pour sa part, s'assure de l'existence et du bon fonctionnement des systèmes de gestion et de contrôle dans les Etats membres et elle applique les corrections financières en cas de défaillance de ces systèmes. Il convient de noter que la procédure d'apurement des comptes s'applique.