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(Acts whose publication is obligatory)

COUNCIL REGULATION (EC) No 1698/2005
of 20 September 2005
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 Articles 36, 37 and 299(2) thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament ⁽¹⁾,

Whereas:

- (1) A rural development policy should accompany and complement the market and income support policies of the common agricultural policy and thus contribute to the achievement of that policy's objectives as laid down in the Treaty. Rural development policy should also take into account the general objectives for economic and social cohesion policy set out in 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 competitiveness and sustainable development.
- (2) According to 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 common agricultural policy 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 the various 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) Since the objective of this Regulation, namely rural development, cannot be achieved sufficiently by the Member States given the links between it and the other instruments of the common agricultural policy, the extent of the disparities between the various rural areas and the limits on the financial resources of the Member States in an enlarged Union, and can therefore be better achieved at Community level through the multiannual guarantee of Community finance and by concentrating it on its priorities, the Community may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty. In accordance with the principle of proportionality as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve that objective.
- (6) The activities of the European Agricultural Fund for Rural Development (hereinafter the EAFRD) and the operations to which it contributes must be consistent and compatible with the other Community policies and comply with all Community legislation.

⁽¹⁾ Opinion of 7.6.2005 (not yet published in the Official Journal).

- (7) In its action in favour of rural development, the Community takes care to eliminate inequalities and to promote equality between men and women and non-discrimination, in accordance with 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, each Member State should prepare its rural development national strategy plan constituting the reference framework for the preparation of the rural development programmes. 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 objectives at Community level relating to agricultural and forestry competitiveness, land management and environment, quality of life and diversification of activities in those areas, taking into account the diversity of situations, ranging from remote rural areas suffering from depopulation and decline to peri-urban rural areas under increasing pressure from urban centres.
- (12) There is a need to establish general rules for programming and revising rural development programming, while ensuring an appropriate balance between the axes of the rural development programmes corresponding to those core objectives. The duration of the programmes 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 potential and the quality of agricultural production.
- (14) With regard to human potential, a set of measures on training, information and diffusion of knowledge, setting up of young farmers, early retirement of farmers and farm workers, use by farmers and forest holders of advisory services and on the setting up of farm management, farm relief and farm advisory services as well as forestry advisory services should be made available.
- (15) As regards training, information and diffusion of knowledge, the evolution and specialisation of agriculture and forestry require an appropriate level of technical and economic training, including expertise in 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, information and diffusion of knowledge activities to all adult persons dealing with agricultural, food and forestry matters. These 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 made conditional on the establishment of a business plan as an instrument to ensure over time the development of the activities of the new agricultural holding.
- (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. At least, 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 ⁽¹⁾, should help farmers to assess the performance of their agricultural holding and identify necessary improvements with regard
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- ⁽¹⁾ OJ L 270, 21.10.2003, p. 1. Regulation as last amended by Commission Regulation (EC) No 118/2005 (OJ L 24, 27.1.2005, p. 15).

to the statutory management requirements set out in that Regulation and to Community standards relating to occupational safety.

- (19) The setting up of farm management, farm relief and farm advisory services for farmers and of forestry advisory services for 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 agricultural and forestry sectors.
- (20) With regard to physical potential, a set of measures on the modernisation of agricultural holdings, improvement of the economic value of forests, adding value to agricultural and forestry products, promoting the development of new products, processes and technologies in the agriculture and food sector and in the forestry sector, 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 including the introduction of new technologies and innovation, targeting quality, organic products 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 agricultural holdings, 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) ⁽¹⁾.
- (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, in sectors such as that for renewable energy, while maintaining the sustainable management and the multifunctional role of forests.
- (23) Improvements in the processing and marketing of primary agricultural and forestry products 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 and innovation, opening new market opportunities for agricultural and forestry products, putting emphasis on quality, improving environmental protection, occupational safety, hygiene and animal welfare, as appropriate, by targeting, as a general rule, micro, small and medium-sized enterprises and other enterprises under a certain size, which are better placed to add value to local products, while simplifying the conditions for investment aid as compared with those laid down in Regulation (EC) No 1257/1999.
- (24) In a context of increased competition it is important to ensure that the agriculture and food sector and the forestry sector can take advantage of market opportunities through widespread innovative approaches in developing new products, processes and technologies. For this purpose cooperation between farmers, the food and the raw materials processing industry and other parties should be encouraged.
- (25) Agricultural infrastructure and restorative and preventive measures against natural disasters should contribute to the agricultural and forestry competitiveness axis.
- (26) 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.
- (27) 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 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.
- (28) The aim of the measure providing support for farmers participating in Community or national food quality schemes is to provide consumers with assurances 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

⁽¹⁾ OJ L 160, 26.6.1999, p. 80. Regulation as last amended by Regulation (EC) No 2223/2004 (OJ L 379, 24.12.2004, p. 1).

- 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.
- (29) 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.
- (30) There is a need to ensure the smooth transition of a set of individual measures introduced through the 2003 Act of Accession, namely the measure on semi-subsistence farming and the measure on producer groups.
- (31) 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.
- (32) Forestry is an integral part of rural development and support for sustainable land use should encompass the sustainable management of forests and their multi-functional 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.
- (33) 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, as well as to maintaining and promoting 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. Certain provisions of Regulation (EC) No 1257/1999 concerning support for less favoured areas should remain in force for a period of time.
- (34) 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 birds ⁽¹⁾ and Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora ⁽²⁾ in order to contribute to the effective management of Natura 2000 sites, while support should also be made available to farmers to help address disadvantages in river basin areas resulting from the implementation of Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework for the Community action in the field of the water policy ⁽³⁾.
- (35) 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 and other land managers 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 this context the conservation of genetic resources in agriculture should be given specific attention. In accordance with the polluter-pays principle these payments should cover only those commitments going beyond the relevant mandatory standards.
- (36) 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.
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- ⁽¹⁾ OJ L 103, 25.4.1979, p. 1. Directive as last amended by Regulation (EC) No 807/2003 (OJ L 122, 16.5.2003, p. 36).
- ⁽²⁾ 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).
- ⁽³⁾ OJ L 327, 22.12.2000, p. 1. Directive as amended by Decision No 2455/2001/EC (OJ L 331, 15.12.2001, p. 1).

- (37) Support should be granted for non-remunerative investments where they are necessary to achieve the commitments undertaken under agri-environmental schemes or other agri-environmental objectives, or where they enhance on-farm the public amenity value of Natura 2000 areas and other areas of high natural value.
- (38) 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.
- (39) 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.
- (40) 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.
- (41) 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.
- (42) Support should be granted for restoring forestry 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.
- (43) Support should be granted to forest holders for non-remunerative investments where they are necessary to achieve the forest-environment commitments or other environmental objectives, or in forests to enhance the public amenity value of the areas concerned.
- (44) 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 axis. 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 structures ⁽¹⁾ should be repealed with effect at a later date. 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.
- (45) A penalty system should be set up where beneficiaries receiving payments under certain land management measures do not meet the mandatory requirements provided for in Regulation (EC) No 1782/2003 on all of their holding, taking into account the severity, extent, permanence and repetition of non-compliance.
- (46) 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, including local access to Information and Communication Technologies (ICTs) 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.
- (47) 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.
- (48) The implementation of local development strategies can reinforce territorial coherence and synergies between measures intended for the broader rural economy and population. Therefore, measures relating to the broader rural economy should be preferably implemented through local development strategies.

(1) OJ L 142, 2.6.1997, p. 1. Regulation repealed by Regulation (EC) No 1257/1999.

- (49) There is a need to clearly define the principles of coherence and complementarity of the axis for the improvement of the quality of life in rural areas and the diversification of the rural economy with other Community financial instruments, and particularly with those of cohesion policy.
- (50) 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 axis in them, and provide a definition of the local action groups and measures to be supported, including partnership capacity, implementation of local strategies, cooperation, networking and acquisition of skills.
- (51) Given the importance of the Leader approach, a substantial share of the contribution of the EAFRD should be earmarked for this axis.
- (52) The EAFRD is to support through technical assistance actions relating to the implementation of the programmes. As part of the technical assistance referred to in Article 5 of Council Regulation (EC) No 1290/2005 of 21 June 2005 on the financing of the common agricultural policy ⁽¹⁾, a network for rural development should be set up at Community level.
- (53) Provisions on the allocation of the available resources should be introduced. These resources should be consistent with the financial perspective for the period 2007 to 2013. The overall amount for rural development should be allocated annually. Significant concentration on the regions eligible under the Convergence Objective should be allowed.
- (54) Provision should be made for the Council to determine the amount for Community support to rural development under this Regulation for the period from 1 January 2007 to 31 December 2013, its annual breakdown and the minimum amount to be concentrated in regions eligible under the Convergence Objective in accordance with the financial perspective for the period 2007 to 2013 and the Interinstitutional Agreement on budgetary discipline and improvement of the budgetary procedure for the same period.
- (55) 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 (hereinafter the CF) and the Financial Instrument for Fisheries Guidance ⁽²⁾ (hereinafter the FIFG) should be limited to a ceiling fixed with regard to its capacity for absorption.
- (56) For the indicative breakdown of commitment appropriations available to the Member States criteria should be established according to an objective and transparent method.
- (57) Over and above these amounts the Member States should take account of the amounts pursuant to Article 12(2) of Regulation (EC) No 1290/2005.
- (58) The appropriations available under the Funds should be indexed on a flat-rate basis for programming.
- (59) The rate of the EAFRD 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 given to land management and environment, the situation in the regions eligible under the Convergence Objective and the priority given to the Leader approach.
- (60) In order to mitigate the specific constraints and structural problems in farming and forestry activities and in adding value to agricultural and forestry products as a result of remoteness, insularity or distant location and of the dependency of the rural economy on a limited number of agricultural products, and to promote a robust rural development policy, specific provisions for certain rural development measures, as well as appropriate co-financing rates from the EAFRD should apply in the outermost regions referred to in 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 products ⁽³⁾.
- (61) In accordance with the principle of subsidiarity and subject to exceptions, there should be national rules on the eligibility of expenditure.

⁽¹⁾ OJ L 209, 11.8.2005, p. 1.

⁽²⁾ Council Regulation (EC) No 1263/1999 of 21 June 1999 on the Financial Instrument for Fisheries Guidance (OJ L 161, 26.6.1999, p. 54).

⁽³⁾ OJ L 184, 27.7.1993, p. 1. Regulation as last amended by Regulation (EC) No 1782/2003.

- (62) To ensure the effectiveness, fairness and sustainable impact of the assistance from the EAFRD, there should be provisions guaranteeing that investment-related operations are durable and avoiding this fund being used to introduce unfair competition.
- (63) Decentralised implementation of the actions under the EAFRD should be accompanied by guarantees relating in particular to the quality of implementation, the results, sound financial management and control.
- (64) Member States should take measures to guarantee sound functioning of management and control systems. To this end, it is necessary to establish the general principles and the basic functions which any management and control system should ensure. It is therefore necessary to maintain the designation of a single Managing Authority and to specify its responsibilities.
- (65) Each rural development programme should be subject to appropriate monitoring, by a Monitoring Committee, 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.
- (66) The effectiveness and the impact of actions under the EAFRD 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.
- (67) 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.
- (68) Rural development 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 to 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 for which Community support is granted, under a notification procedure in accordance with the provisions of this Regulation as part of programming.
- (69) There is a need to adopt 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 from 1 January 2007 with the exception of certain provisions concerning less favoured areas which should be repealed at a later date.
- (71) The measures necessary for the implementation of this Regulation should be adopted 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 Commission ⁽¹⁾.
- (72) The European Economic and Social Committee has delivered an opinion ⁽²⁾.
- (73) The Committee of the Regions has delivered an opinion ⁽³⁾,
- HAS ADOPTED THIS REGULATION:

TITLE I

OBJECTIVES AND GENERAL RULES ON ASSISTANCE

CHAPTER I

SCOPE AND DEFINITIONS

Article 1

Scope

This Regulation:

- 1) lays down the general rules governing Community support for rural development, financed by the EAFRD, established by Regulation (EC) No 1290/2005;
- 2) defines the Objectives to which rural development policy is to contribute;
- 3) defines the strategic context for rural development policy, including the method for fixing the Community

⁽¹⁾ OJ L 184, 17.7.1999, p. 23.

⁽²⁾ Opinion of 9 March 2005 (not yet published in the Official Journal).

⁽³⁾ Opinion of 23 February 2005 (OJ C 164, 5.7.2005, p. 18).

strategic guidelines for rural development policy (hereinafter the Community strategic guidelines) and the national strategy plans;

- 4) defines the priorities and measures for rural development;
- 5) 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 definitions shall apply:

- (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 EAFRD;
- (b) 'region': territorial unit corresponding to level 1 or 2 of the Nomenclature of territorial units for statistics (NUTS level 1 and 2) within the meaning of Regulation (EC) No 1059/2003 of the European Parliament and of the Council of 26 May 2003 on the establishment of a common classification of territorial units for statistics (NUTS) ⁽¹⁾;
- (c) 'axis': a coherent group of measures with specific goals resulting directly from their implementation and contributing to one or more of the objectives set out in Article 4;
- (d) 'measure': a set of operations contributing to the implementation of an axis as referred to in Article 4(2);
- (e) 'operation': a project, contract or arrangement, or other action selected according to criteria laid down for the rural development programme concerned and implemented by one or more beneficiaries allowing achievement of the objectives set out in Article 4;
- (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, outputs, results and impacts 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 support;
- (i) 'public expenditure': any public contribution to the financing of operations whose origin is the budget of the State, of regional and local authorities, of the European Communities and any similar expenditure. Any contribution to the financing of operations whose origin is the budget of public law bodies or associations of one or more regional or local authorities or public law bodies within the meaning of Directive 2004/18/EC of the European Parliament and of the Council of 31 March 2004 on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts ⁽²⁾ shall be regarded as public contribution;
- (j) 'Convergence Objective': the objective of the action for the least developed Member States and regions according to the Community legislation governing the European Regional Development Fund (hereinafter the ERDF), the European Social Fund (hereinafter the ESF) and the CF for the period from 1 January 2007 to 31 December 2013.

CHAPTER II

MISSIONS AND OBJECTIVES

Article 3

Missions

The EAFRD shall contribute 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.

⁽¹⁾ OJ L 154, 21.6.2003, p. 1.

⁽²⁾ OJ L 134, 30.4.2004, p. 114.

*Article 4***Objectives**

1. Support for rural development shall contribute to achieving the following objectives:
 - (a) improving the competitiveness of agriculture and forestry by supporting restructuring, development and innovation;
 - (b) improving the environment and the countryside by supporting land management;
 - (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 axes defined in Title IV.

CHAPTER III

PRINCIPLES OF ASSISTANCE*Article 5***Complementarity, consistency and conformity**

1. The EAFRD shall complement national, regional and local actions contributing to the Community's priorities.
2. The Commission and the Member States shall ensure that the assistance from the EAFRD and the Member States is consistent with the activities, policies and priorities of the Community. The assistance of the EAFRD shall be consistent with the objectives of Economic and Social Cohesion and those of the Community support instrument for fisheries in particular.
3. This consistency shall be provided by the Community strategic guidelines referred to in Article 9, the national strategy plan referred to in Article 11, the rural development programmes referred to in Article 15 and the Commission report referred to in Article 14.
4. In accordance with their respective responsibilities, the Commission and the Member States shall ensure the coordination between the assistance from the different Funds, the ERDF, the ESF, the CF, the Community support instrument for fisheries, and the interventions of the European Investment Bank (hereinafter the EIB), and of other Community financial instruments.

5. There shall also be consistency with the measures financed by the European Agricultural Guarantee Fund.

6. No support under this Regulation shall be granted to schemes eligible for support under common market organisations, subject to any exceptions yet to be defined, in accordance with the procedure referred to in Article 90(2).

7. The Member States shall ensure that the operations financed by the EAFRD are in conformity with the Treaty and any acts adopted under it.

*Article 6***Partnership**

1. EAFRD 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, including:

- (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 organisations, including 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 as defined under paragraph 1.

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. 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**

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

*Article 8***Equality between men and women and non-discrimination**

Member States and the Commission shall promote equality between men and women and shall ensure that any discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation is prevented during the various stages of programme implementation.

This includes the stages of design, 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 shall adopt Community strategic guidelines for rural development policy for the programming period from 1 January 2007 to 31 December 2013 in the light of the policy priorities set at Community level.

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

2. By 20 February 2006, a decision on the Community strategic guidelines shall be adopted according to the procedure laid down in Article 37 of the Treaty. The decision shall be published in the *Official Journal of the European Union*.

*Article 10***Review**

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

CHAPTER II

NATIONAL STRATEGY PLANS*Article 11***Content**

1. Each Member State shall submit a national strategy plan indicating the priorities of the action of the EAFRD and of the Member State concerned taking into account the Community strategic guidelines, their specific objectives, the contribution from the EAFRD 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 EAFRD 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 the 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 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 EAFRD allocation for each programme, including the amounts provided for in Article 12(2) of Regulation (EC) No 1290/2005;
- (e) the means to ensure coordination with the other common agricultural policy instruments, the ERDF, the ESF, the CF, the Community support instrument for fisheries and the EIB;
- (f) if appropriate, the budget for achieving the Convergence Objective;
- (g) a description of the arrangements and the indication of the amount earmarked for establishing the national rural network referred to in Articles 66(3) and 68.

Article 12

Preparation

1. Each Member State shall prepare a national strategy plan 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 strategy plan before submitting its rural development programmes.

CHAPTER III

STRATEGIC MONITORING

Article 13

Summary reports by Member States

1. For the first time in 2010 and no later than 1 October each second year, each Member State shall submit to the

Commission a summary report setting out the progress made in implementing its national strategy plan and objectives and its contribution to the achievement of the Community strategic guidelines. The last summary report shall be submitted no later than 1 October 2014.

2. The report shall summarise the previous years' annual progress reports referred to in Article 82 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 ongoing evaluation activities for each programme.

3. By way of derogation from paragraph 1, for single programmes as referred to in Article 15(2) Member States may include in the annual progress reports referred to in Article 82 the elements provided for in paragraph 2 of this Article within the time limit set in Article 82.

Article 14

Commission report

1. For the first time in 2011 and at the start of each second year, the Commission shall present a report summarising the main developments, trends and challenges relating to the implementation of the national strategy plans and the Community strategic guidelines. The last Commission report shall be presented at the start of 2015.

This report shall be based on the Commission's analysis and appraisal of the Member States' summary reports referred to in Article 13 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 Commission report shall be sent to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions.

TITLE III

PROGRAMMING

CHAPTER I

PROGRAMMING CONTENT*Article 15***Rural development programmes**

1. The EAFRD 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 axes defined in Title IV, for the achievement of which aid from the EAFRD 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 set of regional programmes.

3. Member States with regional programmes may also submit for approval a national framework containing common elements for these programmes.

*Article 16***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 85;

(b) a justification of the priorities chosen having regard to the Community strategic guidelines and the national strategy plan, as well as the expected impact according to the *ex ante* evaluation;

(c) information on the axes and measures proposed for each axis and their description, including the specific verifiable objectives and indicators referred to in Article 81 that allow the programme's progress, efficiency and effectiveness to be measured;

(d) a financing plan, comprising two tables:

— a table setting out, in accordance with Article 69(4) and (5), the total EAFRD contribution planned for each year. When applicable, this financing plan shall indicate separately within the total EAFRD contribution the appropriations provided for the regions eligible under the Convergence Objective. The planned annual EAFRD contribution shall be compatible with the Financial Perspectives;

— a table setting out for the entire programming period the total Community contribution planned and the matching national public funding for each axis, the EAFRD contribution rate for each axis and the amount earmarked for technical assistance. When applicable, this table shall also indicate separately the planned EAFRD 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) where applicable, a table on additional national financing per axis in accordance with Article 89;

(g) the elements needed for the appraisal under competition rules and, when applicable, the list of aid schemes authorised under Articles 87, 88 and 89 of the Treaty to be used for the implementation of the programmes;

(h) information on the complementarity with the measures financed by the other common agricultural policy instruments, through cohesion policy as well as by the Community support instrument for fisheries;

(i) programme implementing arrangements, including:

CHAPTER II

PREPARATION, APPROVAL AND REVIEW

(i) the designation by the Member State of all the authorities provided for in Article 74(2) and for information a summary description of the management and control structure;

Article 18

Preparation and approval

(ii) a description of the monitoring and evaluation systems, as well as the composition of the Monitoring Committee;

1. Rural development programmes shall be established by a Member State following close cooperation with the partners referred to in Article 6.

(iii) the provisions to ensure that the programme is publicised;

2. Member States shall submit to the Commission a proposal for each rural development programme, containing the information mentioned in Article 16.

(j) the designation of the partners referred to in Article 6 and the results of the consultations of the partners.

3. The Commission shall assess the proposed programmes on the basis of their consistency with the Community strategic guidelines, the national strategy plan and this Regulation.

Article 17

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.

Balance between objectives

1. The Community financial contribution to each of the three objectives referred to in Article 4 shall cover at least 10 % of the EAFRD total contribution to the programme for axis 1 and 3 referred to in Sections 1 and 3 respectively of Chapter I of Title IV and at least 25 % of the EAFRD total contribution to the programme for axis 2 referred to in Section 2 of Chapter I of Title IV. For the programmes of the French overseas departments, the minimum Community financial contribution for axis 2 shall be 10 %.

Article 19

Review

2. 5 % at least of the EAFRD total contribution to the programme shall be reserved for axis 4 referred to in Section 4 of Chapter 1 of Title IV. This amount contributes to the percentages laid down in paragraph 1. For the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia, the minimum Community financial contribution for axis 4 of 5 % may be phased in over the programming period in such a way that on average at least 2,5 % of the EAFRD total contribution is reserved for axis 4.

1. The rural development programmes shall be re-examined and, if appropriate, adapted for the remainder of the period by the Member State following Monitoring Committee approval. The revisions shall take into account the outcome of evaluations and the Commission's reports, particularly with a view to strengthening or adapting the way in which the Community priorities are taken into account.

2. The Commission shall adopt a decision on requests to revise rural development programmes after the submission of such a request by a Member State in accordance with the procedure referred to in Article 90(2). Changes requiring approval by Commission decision shall be defined in accordance with the procedure referred to in Article 90(2).

TITLE IV

RURAL DEVELOPMENT SUPPORT

CHAPTER I

(ii) improving the economic value of forests;

AXES

(iii) adding value to agricultural and forestry products;

SECTION 1

Axis 1

(iv) cooperation for development of new products, processes and technologies in the agriculture and food sector and in the forestry sector;

Improving the competitiveness of the agricultural and forestry sector

(v) improving and developing infrastructure related to the development and adaptation of agriculture and forestry;

*Article 20***Measures**

(vi) restoring agricultural production potential damaged by natural disasters and introducing appropriate prevention actions;

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

- (a) measures aimed at promoting knowledge and improving human potential through:
- (i) vocational training and information actions, including diffusion of scientific knowledge and innovative practises, for persons engaged in the agricultural, food and forestry sectors;
 - (ii) setting up of young farmers;
 - (iii) early retirement of farmers and farm workers;
 - (iv) use of advisory services by farmers and forest holders;
 - (v) setting up of farm management, farm relief and farm advisory services, as well as of forestry advisory services;
- (b) measures aimed at restructuring and developing physical potential and promoting innovation through:
- (i) modernisation of agricultural holdings;
 - (ii) supporting setting up of producer groups.
- (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 Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia concerning:
 - (i) supporting semi-subsistence agricultural holdings undergoing restructuring;
 - (ii) supporting setting up of producer groups.

SUBSECTION 1

Conditions for measures aimed at promoting knowledge and improving human potential*Article 21***Vocational training and information actions**

Support provided for in Article 20(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 22***Setting up of young farmers**

1. Support provided for in Article 20(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 up to the maximum amount laid down in the Annex

*Article 23***Early retirement**

1. Support provided for in Article 20(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 upon the transfer of the holding.

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 more 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.

3. The transferee shall:

- (a) succeed the transferor by setting up as provided for in Article 22; or

- (b) be a farmer of less than 50 years old or a private law body and take over the agricultural holding released by the transferor to increase the size of the agricultural holding.

4. The farm worker shall:

- (a) be not less than 55 years old but not yet of normal retirement age or not more than 10 years younger than the normal retirement age in the Member State concerned;

- (b) have devoted at least half of his working time to farm work, during the preceding five years, as a family helper or farm worker;

- (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.

5. The total duration of early retirement support shall not exceed 15 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 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.

6. The maximum eligible amount of support is laid down in the Annex.

*Article 24***Use of advisory services**

1. Support provided for in Article 20(a)(iv) shall be granted in order 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.

As a minimum the advisory service to farmers shall cover:

- (a) the statutory management requirements and the good agricultural and environmental conditions provided for in Articles 4 and 5 of and in Annexes III and IV to Regulation (EC) No 1782/2003;
- (b) occupational safety standards based on Community legislation.

2. Support for the use of advisory services shall be limited to the maxima laid down in the Annex.

*Article 25***Setting up of management, relief and advisory services**

Support provided for in Article 20(a)(v) shall be granted in order to cover costs arising from the setting up of farm management, farm relief and farm advisory services as well as forestry advisory services and shall be degressive over a maximum period of five years from setting up.

SUBSECTION 2

Conditions for measures aimed at restructuring and developing physical potential and promoting innovation*Article 26***Modernisation of agricultural holdings**

1. Support provided for in Article 20(b)(i), shall be granted for tangible and/or intangible investments which:

- (a) improve the overall performance of the agricultural holding; 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 agricultural holding, may be provided to meet that standard.

In the case of young farmers receiving support provided for in Article 20(a)(ii), support may be granted for investments to comply with existing Community standards, when identified in the business plan referred to in Article 22(1)(c). The period of grace within which the standard needs to be met, may not exceed 36 months from the date of setting up.

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

*Article 27***Improvement of the economic value of forests**

1. Investment support provided for in Article 20(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 tropical or subtropical forests and to the wooded areas of the territories of the Azores, Madeira, the Canary Islands, the smaller Aegean Islands within the meaning of Regulation (EEC) No 2019/93 and the French overseas departments.

2. Investments shall be based on forest management plans for forest holdings above a certain size to be defined by the Member States in their programmes.

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

*Article 28***Adding value to agricultural and forestry products**

1. Support provided for in Article 20(b)(iii), shall be granted for tangible and/or intangible investments which:

- (a) improve the overall performance of the enterprise;
- (b) concern:
 - the processing and/or marketing of products covered by Annex I to the Treaty, except fishery products, and of forestry products; and/or

- the development of new products, processes and technologies linked to products covered by Annex I to the Treaty, except fishery products, and to 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 micro-enterprises, 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 shall be limited to the maximum rate laid down in the Annex.

3. Support under paragraph 1 at its maximum rate shall be limited to micro, small and medium- sized enterprises within the meaning of Commission Recommendation 2003/361/EC ⁽¹⁾. For the territories of the Azores, Madeira, the Canary Islands, the smaller Aegean Islands within the meaning of Regulation (EEC) No 2019/93 and the French overseas departments, no size limits apply for the maximum rate. For enterprises that are not covered by Article 2(1) of that recommendation with less than 750 employees or with a turn over of less than EUR 200 million the maximum aid intensity is halved. In the case of forestry, support shall be limited to micro-enterprises.

Support shall not be granted to enterprises in difficulty within the meaning of the Community guidelines on State aid for rescuing and restructuring firms in difficulty ⁽²⁾.

Article 29

Cooperation for development of new products, processes and technologies in the agriculture and food sector and in the forestry sector

1. Support provided for in Article 20(b)(iv) shall be granted to promote the cooperation between primary producers in agriculture and forestry, the processing industry and/or third parties.

2. Support shall contribute to cover costs incurred for the cooperation.

⁽¹⁾ OJ L 124, 20.5.2003, p. 36.

⁽²⁾ OJ C 244, 1.10.2004, p. 2.

Article 30

Infrastructure related to the development and adaptation of agriculture and forestry

Support provided for in Article 20(b)(v), may cover notably operations related to access to farm and forest land, land consolidation and improvement, energy supply and water management.

SUBSECTION 3

Conditions for measures aiming to improve the quality of agricultural production and products

Article 31

Meeting standards based on Community legislation

1. Support provided for in Article 20(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 implementing Community law 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 five years from the date the standard becomes mandatory in accordance with Community legislation. Support shall be limited to the maximum amount laid down in the Annex.

Article 32

Participation of farmers in food quality schemes

1. Support provided for in Article 20(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 with the procedure referred to in Article 90(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;

Article 35

Producer groups

(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 five years.

1. Support provided for in Article 20(d)(ii) shall be granted in order to facilitate the setting up and administrative operation of producer groups for the purposes of:

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

(a) adapting the production and output of producers who are members of such groups to market requirements;

Article 33

Information and promotion activities

Support provided for in Article 20(c)(iii) shall concern products covered by the support of the quality schemes referred to in Article 32. Support shall be limited to the maximum rate laid down in the Annex.

(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.

Subsection 4

2. The support shall be granted as a flat-rate aid in annual instalments for the first five 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 the Annex.

Conditions for transitional measures

3. The support shall be granted to producer groups which are officially recognised by the Member State's competent authority by 31 December 2013.

Article 34

SECTION 2

Semi-subsistence farming

Axis 2

1. Support provided for in Article 20(d)(i) to agricultural holdings which produce primarily for their own consumption and also market a proportion of their output (semi-subsistence agricultural holdings) shall be granted to farmers who submit a business plan.

Improving the environment and the countryside

Article 36

2. Progress in respect of the business plan referred to in paragraph 1 shall be assessed after three years.

Measures

Support under this section shall concern:

3. The support shall be paid in the form of a flat-rate aid up to the maximum amount specified in the Annex and for a maximum of five years.

(a) measures targeting the sustainable use of agricultural land through:

4. The support shall be granted in respect of applications approved by 31 December 2013.

(i) natural handicap payments to farmers in mountain areas;

- (ii) payments to farmers in areas with handicaps, other than mountain areas;

Subsection 1

Conditions for measures targeting the sustainable use of agricultural land

- (iii) Natura 2000 payments and payments linked to Directive 2000/60/EC;

Article 37

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

- (iv) agri-environment payments;

- (v) animal welfare payments;

- (vi) support for non-productive investments;

1. Payments provided for in Article 36(a)(i) and (ii) shall be granted annually per hectare of utilised agricultural area (hereinafter UAA) within the meaning of Commission Decision 2000/115/EC of 24 November 1999 relating to the definitions of the characteristics, the list of agricultural products, the exceptions to the definitions and the regions and districts regarding the surveys on the structure of agricultural holdings ⁽¹⁾.

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

- (b) measures targeting the sustainable use of forestry land through:

- (i) first afforestation of agricultural land;

2. Payments shall be granted to farmers who undertake to pursue their farming activity in areas designated pursuant to Article 50(2) and (3) for at least five years from the first payment.

- (ii) first establishment of agroforestry systems on agricultural land;

3. Payments shall be fixed between the minimum and maximum amount laid down in the Annex.

- (iii) first afforestation of non-agricultural land;

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.

- (iv) Natura 2000 payments;

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

Article 38

- (v) forest-environment payments;

Natura 2000 payments and payments linked to Directive 2000/60/EC

- (vi) restoring forestry potential and introducing prevention actions;

1. Support provided for in Article 36(a)(iii), shall be granted annually and per hectare of UAA to farmers in order to compensate for costs incurred and income foregone resulting

- (vii) support for non-productive investments.

⁽¹⁾ OJ L 38, 12.2.2000, p. 1. Decision as last amended by Regulation (EC) No 2139/2004 (OJ L 369, 16.12.2004, p. 26).

from disadvantages in the areas concerned related to the implementation of Directives 79/409/EEC, 92/43/EEC and 2000/60/EC.

2. Support shall be limited to the maximum amount laid down in the Annex. For payments linked to Directive 2000/60/EC, detailed rules, including the maximum amount of support, shall be fixed in accordance with the procedure referred to in Article 90(2).

Article 39

Agri-environment payments

1. Member States shall make available support provided for in Article 36(a)(iv) throughout their territories, in accordance with their specific needs.

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

3. Agri-environment payments cover only those commitments going beyond the relevant mandatory standards established pursuant to Articles 4 and 5 of and Annexes III and IV to Regulation (EC) No 1782/2003 as well as minimum requirements for fertiliser and plant protection product use and other relevant mandatory requirements established by national legislation and identified in the programme.

These commitments shall be undertaken as a general rule for a period between five and seven years. Where necessary and justified, a longer period shall be determined according to the procedure referred to in Article 90(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 made. Where necessary, they may cover also transaction cost.

Where appropriate, the beneficiaries may be selected on the basis of calls for tender, applying criteria of economic and environmental efficiency.

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

5. Support may be provided for the conservation of genetic resources in agriculture for operations not covered by the provisions under paragraphs 1 to 4.

Article 40

Animal welfare payments

1. Animal welfare payments provided for in Article 36(a)(v) shall be granted to farmers who make on a voluntary basis animal welfare commitments.

2. Animal welfare payments cover only those commitments going beyond the relevant mandatory standards established pursuant to Article 4 of and Annex III to Regulation (EC) No 1782/2003 and other relevant mandatory requirements established by national legislation and identified in the programme.

These commitments shall be undertaken as a general rule for a period between five and seven years. Where necessary and justified, a longer period shall be determined according to the procedure referred to in Article 90(2) for particular types of commitments.

3. The payments shall be granted annually and shall cover additional costs and income foregone resulting from the commitment made. Where necessary, they may cover also transaction cost.

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

Article 41

Non-productive investments

Support provided in Article 36(a)(vi) shall be granted for:

- (a) investments linked to the achievement of commitments undertaken pursuant to the measure provided for in Article 36(a)(iv) or other agri-environmental objectives;
- (b) on-farm investments which enhance the public amenity value of a Natura 2000 area or other high nature value areas to be defined in the programme.

Subsection 2

Conditions for measures targeting the sustainable use of forestry land*Article 42***General conditions**

1. Support under this subsection shall be granted only for forests and wooded areas owned by private owners or by their associations or by municipalities or their associations. This limitation does not apply to the tropical or subtropical forests and to the wooded areas of the territories of the Azores, Madeira, the Canary Islands, the smaller Aegean Islands within the meaning of Regulation (EEC) No 2019/93 and the French overseas departments.

This restriction shall not apply to the support provided for in Article 36(b)(i), (iii), (vi) and (vii).

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

*Article 43***First afforestation of agricultural land**

1. Support provided for in Article 36(b)(i), shall cover only one or more of the following:

- (a) establishment costs;
 - (b) an annual premium per hectare afforested to contribute to covering maintenance costs for a maximum of five years,
 - (c) an annual premium per hectare to contribute to covering loss of income resulting from afforestation for a maximum of 15 years for farmers or associations thereof who worked the land before its afforestation or for any other natural person or private law body.
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 body, the annual premiums 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) for 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 bodies shall be limited to the maxima laid down in the Annex.

*Article 44***First establishment of agroforestry systems on agricultural land**

1. Support provided for in Article 36(b)(ii), shall be granted to farmers to create agroforestry systems combining extensive agriculture and forestry systems. Support 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 maximum rate laid down in the Annex.

*Article 45***First afforestation of non-agricultural land**

1. Support provided for in Article 36(b)(iii) for afforestation of land not eligible under Article 36(b)(i) shall cover the establishment costs. In the case of abandoned farmland, support shall also cover the annual premium as referred to in Article 43(1)(b).

2. Support shall not be granted for the planting of Christmas trees.

3. When support covering establishment costs is granted to natural persons or private law bodies, it shall be limited to the maximum rate laid down in the Annex.

Article 46

Natura 2000 payments

Support provided for in Article 36(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 and income foregone resulting from the restrictions on the use of forests and other wooded land due 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 the Annex.

Article 47

Forest-environment payments

1. Forest-environment payments provided for in Article 36 (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 as a general rule for a period between five and seven years. Where necessary and justified, a longer period shall be determined in accordance with the procedure referred to in Article 90(2) for particular types of commitments.

2. The payments shall cover additional costs and income foregone resulting from the commitment made. Support shall be fixed between the minimum and maximum amounts laid down in the Annex.

Article 48

Restoring forestry potential and introducing prevention actions

1. Support provided for in Article 36(b)(vi), shall be granted for restoring forestry potential in forests damaged by natural disasters and fire and for 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 49

Non-productive investments

Support provided in Article 36(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 36(b)(v), or other environmental objectives;
- (b) which enhance the public amenity value of forest and wooded land of the area concerned.

Subsection 3

Designation of areas

Article 50

Eligible areas

1. Member States shall designate the areas eligible for payments provided for in Article 36(a)(i), (ii) and (iii) as well as in Article 36(b)(i), (iii), (iv) and (vi), taking into account paragraphs 2 to 5 of this Article.

2. In order to be eligible for payments provided for in Article 36(a)(i) mountain areas shall be characterised by a considerable limitation of the possibilities for using the land and an appreciable increase in the cost of working it due to:

- (a) the existence, because of altitude, of very difficult climatic conditions, the effect of which is substantially to shorten the growing season;
- (b) at a lower altitude, the presence over the greater part of the area in question of slopes too steep for the use of machinery or requiring the use of very expensive special equipment, or a combination of these two factors, where the 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.

3. In order to be eligible for payments provided for in Article 36(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.

As concerns areas affected by specific handicaps referred to in point (b), they shall comprise farming areas which are homogeneous from the point of view of natural production conditions and their total extent shall not exceed 10 % of the area of the Member State concerned.

4. In the programmes, the Member States, according to specific provisions to be defined in accordance with the procedure referred to in Article 90(2), shall:

- confirm the existing delimitation pursuant to paragraphs 2 and 3(b) or amend it, or
- delimitate the areas referred to in paragraph 3(a).

5. Natura 2000 agricultural areas designated pursuant to Directives 79/409/EEC and 92/43/EEC and agricultural areas included in river basin management plans according to Directive 2000/60/EC shall be eligible for payments provided for in Article 36(a)(iii).

6. 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 36(b)(i) and (iii).

7. Natura 2000 forest areas designated pursuant to Directives 79/409/EEC and 92/43/EEC, shall be eligible for payments provided for in Article 36(b)(iv).

8. Forest areas with a medium to high forest fire risk shall be eligible for payments provided for in Article 36(b)(vi) relating to prevention actions against fires.

Subsection 4

Respect of standards

Article 51

Reduction or exclusion from payments

1. Where beneficiaries receiving payments under Article 36(a)(i) to (v) and Article 36(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 of and in Annexes III and IV to 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.

The reduction or cancellation referred to in the first subparagraph shall also apply in cases where the beneficiaries receiving payments under Article 36(a)(iv) do not respect on the whole holding, as a result of an action or omission directly attributable to them, the minimum requirements for fertiliser and plant protection product use referred to in Article 39(3).

2. The reduction or cancellation of payments referred to in paragraph 1 shall not apply for standards for which a period of grace has been granted in accordance with Article 26(1)(b) during the period of grace.

3. By way of derogation from paragraph 1, for beneficiaries in Member States applying the single area payment scheme as provided for in Article 143b of Regulation (EC) No 1782/2003, the mandatory requirements to be respected are those provided for in Article 5 of and Annex IV to that Regulation.

4. Detailed rules for the reductions and exclusions shall be laid down in accordance with the procedure referred to in Article 90(2). In this context account shall be taken of the severity, extent, permanence and repetition of non-compliance.

5. Paragraphs 1 to 4 shall not apply to Article 39(5).

SECTION 3

Subsection 1

Axis 3

Conditions governing the measures to diversify the rural economy**The quality of life in rural areas and diversification of the rural economy***Article 53***Diversification into non-agricultural activities***Article 52*

The aid beneficiary referred to in Article 52(a)(i) shall be a member of the farm household.

Measures*Article 54*

Support under this section shall involve:

Support for business creation and development

The support provided for in Article 52(a)(ii) shall relate only to micro-enterprises as defined in the Commission Recommendation 2003/361/EC.

(a) measures to diversify the rural economy, comprising:

Article 55

- (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,

Encouragement of tourism activities

The support referred to in Article 52(a)(iii) shall cover the following:

- (iii) encouragement of tourism activities;
- (b) measures to improve the quality of life in the rural areas, comprising:
 - (i) basic services for the economy and rural population,

- (a) small-scale infrastructure such as information centres and the signposting of tourist sites;
- (b) recreational infrastructure such as that offering access to natural areas, and small-capacity accommodation;
- (c) the development and/or marketing of tourism services relating to rural tourism.

(ii) village renewal and development,

Subsection 2

(iii) conservation and upgrading of the rural heritage;

Conditions governing the measures to improve the quality of life in rural areas*Article 56*

(c) a training and information measure for economic actors operating in the fields covered by axis 3;

Basic services for the economy and rural population

(d) a skills-acquisition and animation measure with a view to preparing and implementing a local development strategy.

The support referred to in Article 52(b)(i) shall cover the setting up of basic services, including cultural and leisure activities, concerning a village or group of villages, and related small-scale infrastructure.

Article 57

Subsection 4

Conservation and upgrading of the rural heritage**Implementation of the axis**

The support referred to in Article 52(b)(iii) shall cover:

Article 60

- (a) the drawing-up of protection and management plans relating to Natura 2000 sites and other places of high natural value, environmental awareness actions and investments associated with maintenance, restoration and upgrading of the natural heritage and with the development of high natural value sites;
- (b) studies and investments associated with maintenance, restoration and upgrading of the cultural heritage such as the cultural features of villages and the rural landscape.

Demarcation

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

Subsection 3

SECTION 4

Training, skills acquisition and animation

Axis 4

*Article 58***Leader****Training and information**

Article 61

Support under Article 52(c), shall not include courses of instruction or training which form part of normal education programmes or systems at secondary or higher levels.

Definition of the Leader approach

The Leader approach shall comprise at least the following elements:

*Article 59***Skills acquisition, animation and implementation**

The support referred to in Article 52(d) shall cover:

- (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 local development strategy;
 - (d) promotional events and the training of leaders;
 - (e) implementation by public-private partnerships other than those defined by Article 62(1)(b) of the local development strategy encompassing one or more of the measures under Article 52(a), (b) and (c).
- (a) area-based local development strategies intended for well-identified subregional rural territories;
 - (b) local public-private partnerships (hereinafter local action groups);
 - (c) bottom-up approach with a decision-making power for local action groups concerning the elaboration and implementation of local development strategies;
 - (d) multi-sectoral design and implementation of the strategy 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 62***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 based at least on the elements set out in Article 61(a) to (d) and (g) and be responsible for its implementation;
- (b) they must consist of either a group already qualified for the Leader II ⁽¹⁾ or Leader+ ⁽²⁾ initiatives, or according to the Leader approach, or be a new group representing partners from the various locally based socioeconomic sectors in the territory concerned. At the decision-making level the economic and social partners, as well as other representatives of the civil society, such as farmers, rural women, young people and their 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.

2. The Managing Authority shall ensure that the local action groups 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.

3. 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.

4. The local action groups shall choose the projects to be financed under the strategy. They may also select cooperation projects.

(1) Commission notice to the Member States laying down guidelines for global grants or integrated operational programmes for which Member States are invited to submit applications for assistance in the framework of a Community initiative for rural development (Leader II) (OJ C 180, 1.7.1994, p. 48).

(2) Commission notice to the Member States of 14 April 2000 laying down guidelines for the Community initiative for rural development (Leader+) (OJ C 139, 18.5.2000, p. 5). Notice as last amended by Commission communication amending the notice to the Member States of 14 April 2000 laying down guidelines for the Community Initiative for rural development (Leader+) (OJ C 294, 4.12.2003, p. 11).

*Article 63***Measures**

The support granted under the Leader axis shall be for:

- (a) implementing local development strategies as referred to in Article 62(1)(a), with a view to achieving the objectives of one or more of the three other axes defined in Sections 1, 2 and 3;
- (b) implementing cooperation projects involving the objectives selected under point (a);
- (c) running the local action group, acquiring skills and animating the territory as referred to in Article 59.

*Article 64***Implementing local strategies**

If the operations under the local strategy correspond to the measures defined in this Regulation for the other axes, the relevant conditions shall apply in accordance with Sections 1, 2 and 3.

*Article 65***Cooperation**

1. The support referred to in Article 63(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 third countries.

2. Only expenditure relating to the territories within the Community shall be eligible for support.

3. Article 64 shall also apply to cooperation projects.

CHAPTER II

TECHNICAL ASSISTANCE

Article 66

Funding technical assistance

1. In accordance with Article 5 of Regulation (EC) No 1290/2005, the EAFRD may use up to 0,25 % 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 shall be carried out in accordance with Article 53(2) of Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities ⁽¹⁾ and any other provisions of that Regulation and of its implementing provisions applicable to this form of execution of the budget.

2. At the initiative of the Member States, for each rural development programme, the EAFRD 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 activities.

3. Within the limit set out in paragraph 2, an amount shall be reserved for establishing and operating the national rural network referred to in Article 68.

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

Details concerning the establishment and the operation of the national rural network shall be fixed in accordance with the procedure referred to in Article 90(2).

Article 67

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 66(1).

The aims of the 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 third 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 transnational cooperation initiatives.

Article 68

National rural network

1. Each Member State shall establish a national rural network, which groups the organisations and administrations involved in rural development.

2. The amount referred to in Article 66(3) first subparagraph shall be used:

- (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 transnational cooperation.

⁽¹⁾ OJ L 248, 16.9.2002, p. 1.

TITLE V

EAFRD CONTRIBUTION

Article 69

Resources and their distribution

1. The amount for Community support to rural development under this Regulation for the period from 1 January 2007 to 31 December 2013, its annual breakdown and the minimum amount to be concentrated in regions eligible under the Convergence Objective shall be fixed by the Council, acting by a qualified majority on a proposal from the Commission, in accordance with the financial perspective for the period 2007 to 2013 and the Interinstitutional Agreement on budgetary discipline and improvement of the budgetary procedure for the same period.

2. 0,25 % of the resources referred to in paragraph 1 shall be devoted to technical assistance for the Commission as referred to in Article 66(1).

3. For the purpose of their programming and subsequent inclusion in the general budget of the European Communities, the amounts referred to in paragraph 1 shall be indexed at 2 % per year.

4. The Commission shall make an annual breakdown by Member State of the amounts referred to in paragraph 1, after deduction of the amount referred to in paragraph 2, and taking into account:

- (a) the amounts reserved for regions eligible under the Convergence Objective;
- (b) past performance; and
- (c) particular situations and needs based on objective criteria.

5. In addition to the amounts referred to in paragraph 4, 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 1290/2005.

6. The Commission shall ensure that total annual allocations from the EAFRD originating from the EAGGF Guidance Section for any Member State pursuant to this Regulation, and from the ERDF, the ESF and the CF, according to the Community legislation laying down general provisions governing these Funds for the period from 1 January 2007 to 31 December 2013, including the contribution of ERDF

according to the Community legislation governing the European Neighbourhood Instrument, from the Instrument for Pre-Accession, according to the Community legislation governing that instrument, and from the part of the FIGG 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 on budgetary discipline and improvement of the budgetary procedure.

Article 70

Fund contribution

1. The Decision adopting a rural development programme shall set the maximum contribution from the EAFRD for each axis within a flexibility threshold to be defined in accordance with the procedure referred to in Article 90(2). The decision shall clearly identify, where necessary, the appropriations allocated to the regions eligible under the Convergence Objective.

2. The EAFRD contribution shall be calculated on the basis of the amount of eligible public expenditure.

3. The EAFRD contribution rate shall be established for each axis.

(a) In the case of axis 1 (competitiveness) and axis 3 (diversification and quality of life) as well as for the technical assistance according to Article 66(2) the following ceilings shall apply respectively:

- (i) 75 % of the eligible public expenditure in the regions eligible under the Convergence Objective;
- (ii) 50 % of the eligible public expenditure in the other regions.

(b) In the case of axis 2 (improving the environment and the countryside) and axis 4 (Leader) the following ceilings shall apply respectively:

- (i) 80 % of the eligible public expenditure in the regions eligible under the Convergence Objective;
- (ii) 55 % of the eligible public expenditure in the other regions.

The minimum EAFRD contribution rate at axis level shall be 20 %.

4. Notwithstanding the ceilings set out in paragraph 3, the EAFRD contribution may be increased to 85 % for the programmes of the outermost regions and the smaller Aegean Islands within the meaning of Regulation (EEC) No 2019/93.

5. For Member States opting for a specific programme pursuant to Article 66(3), second subparagraph, the ceiling of the EAFRD contribution shall be 50 % of the eligible public expenditure.

6. Technical assistance measures taken at the initiative of the Commission or on its behalf may be funded at 100 %.

7. An expenditure co-financed by the EAFRD shall not be co-financed by way of a contribution from the Structural Funds, the CF or any other Community financial instrument.

It may be co-financed under only one axis of the rural development programme. Where an operation falls under measures from more than one axis, the expenditure shall be attributed to the dominant axis.

8. 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 71

Eligibility of expenditure

1. Without prejudice to Article 39(1) of Regulation (EC) No 1290/2005, expenditure shall be eligible for a EAFRD contribution if the relevant aid is actually paid by the paying agency between 1 January 2007 and 31 December 2015. Co-financed operations should 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 19, 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 EAFRD 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 selection criteria fixed by the competent body.

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 EAFRD contribution:

- (a) VAT, except non-recoverable VAT when it is genuinely and definitively borne by beneficiaries other than non taxable persons referred to in Article 4(5), first subparagraph of the Sixth Council Directive 77/388/EEC of 17 May 1977 on the harmonisation of the laws of the Member States relating to turnover taxes — Common system of value added tax: uniform basis of assessment ⁽¹⁾;
- (b) interest on debt, without prejudice to paragraph 5;
- (c) the purchase of land costing more than 10 % of all the eligible expenditure on the operation concerned. In exceptional and duly justified cases, a higher percentage can be fixed for operations concerning environmental conservation.

4. Paragraphs 1 to 3 shall not apply to Article 66(1).

5. Notwithstanding paragraph 3(b) the contribution from the EAFRD may be made in a form other than a non-repayable direct assistance. Detailed rules shall be defined in accordance with the procedure referred to in Article 90(2).

Article 72

Durability of investment-related operations

1. Without prejudice to the rules relating to the freedom of establishment and the free provision of services within the meaning of Articles 43 and 49 of the Treaty, the Member State shall ensure that an investment operation retains the EAFRD contribution if that operation does not, within five 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 1290/2005.

⁽¹⁾ OJ L 145, 13.6.1977, p. 1. Directive as last amended by Directive 2004/66/EC (OJ L 168, 1.5.2004, p. 35).

TITLE VI

MANAGEMENT, CONTROL AND INFORMATION

CHAPTER I

MANAGEMENT AND CONTROL*Article 73***Responsibilities of the Commission**

To ensure, in the context of shared management, sound financial management in accordance with Article 274 of the Treaty, the Commission shall carry out the measures and controls laid down in Article 9(2) of Regulation (EC) No 1290/2005.

*Article 74***Responsibilities of the Member States**

1. Member States shall adopt all the legislative, statutory and administrative provisions in accordance with Article 9(1) of Regulation (EC) No 1290/2005 in order to ensure that the Community's financial interests are effectively protected.

2. Member States shall designate, for each rural development programme, the following authorities:

- (a) the Managing Authority, which may be either a public or private body acting at national or regional level, or the Member State itself when it carries out that task, to be in charge of the management of the programme concerned;
- (b) the accredited paying agency within the meaning of Article 6 of Regulation (EC) No 1290/2005;
- (c) the certifying body within the meaning of Article 7 of Regulation (EC) No 1290/2005.

3. Member States shall ensure for each rural development programme that the relevant management and control system has been set up ensuring a clear allocation and separation of functions between the Managing Authority and other bodies. Member States shall be responsible for ensuring that the systems function effectively throughout the programme period.

4. Member States shall undertake controls in accordance with detailed implementing rules fixed in accordance with the procedure referred to in Article 90(2), notably regarding the type and intensity of controls, adapted to the nature of the different rural development measures.

*Article 75***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;
- (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,
 - (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) leading 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 76;
 - (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, in particular on the procedures operated and any controls carried out in relation to operations selected for funding, before payments are authorised.
2. 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.

CHAPTER II

INFORMATION AND PUBLICITY

Article 76

Information and publicity

1. Member States shall provide information on and publicise national strategy plans, rural development programmes and the Community contribution.

This information shall be aimed at the general public. It shall spotlight the role of the Community and ensure the transparency of EAFRD assistance.

2. The Managing Authority for the programme shall be responsible for its publicity as follows:

- (a) it shall inform potential beneficiaries, professional organisations, the economic and social partners, bodies involved in promoting equality between men and women and the non-governmental organisations concerned, including environmental organisations, of the possibilities offered by the programme and the rules for gaining access to programme funding;
- (b) it shall inform the beneficiaries of the Community contribution;
- (c) it shall inform the general public about the role played by the Community in the programmes and the results thereof.

TITLE VII

MONITORING AND EVALUATION

CHAPTER I

MONITORING

Article 77

Monitoring Committee

1. For each rural development programme a Monitoring Committee shall be set up within a maximum of three months following the decision approving the programme.

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 their own initiative, Commission representatives may participate in the work of the Monitoring Committee in an advisory capacity.

Each Monitoring 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.

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

*Article 78***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 be consulted, within four months of the decision approving the programme, on the selection criteria for financed operations. The selection criteria shall be revised according to programming needs;
- (b) shall 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 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 EAFRD 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 EAFRD.

*Article 79***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, output and result indicators.

*Article 80***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 referred to in Article 90(2). The framework shall specify a

limited number of common indicators applicable to each programme.

*Article 81***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, outputs, 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 82***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 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 EAFRD 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) a summary of the ongoing evaluation activities in accordance with Article 86(3);

(e) 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 83;

(iii) use of technical assistance;

(iv) steps taken to ensure that the programme is publicised in accordance with Article 76;

(f) 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;

(g) where applicable, re-utilisation of aid recovered under Article 33 of Regulation (EC) No 1290/2005.

3. The report shall be judged admissible with a view to applying Article 26 of Regulation (EC) No 1290/2005 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.

4. Details concerning annual progress reports for specific programmes pursuant to Article 66(3) shall be fixed in accordance with the procedure referred to in Article 90(2).

Article 83

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 84

General provisions

1. Rural development programmes shall be subject to *ex ante*, mid-term and *ex post* evaluations in accordance with Articles 85, 86 and 87.

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 shall be organised, as appropriate, under the responsibility of either Member States or the Commission.

4. The evaluations referred to in paragraph 1 shall be carried out by independent evaluators. The results shall be made available subject to 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 documents ⁽¹⁾.

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.

⁽¹⁾ OJ L 145, 31.5.2001, p. 43.

6. Member States and the Commission shall agree evaluation methods and standards to be applied at the initiative of the Commission within the framework provided for in Article 80.

Article 85

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 86

Mid-term and ex post evaluation

1. Member States shall establish a system of ongoing evaluation for each rural development programme.

2. The Managing Authority for the programme and the Monitoring Committee shall use ongoing 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 report each year on the ongoing evaluation activities to the Monitoring

Committee. A summary of the activities shall be included in the annual progress report provided for in Article 82.

4. In 2010, ongoing evaluation shall take the form of a separate mid-term evaluation report. 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 evaluation shall take the form of a separate ex post evaluation report.

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 EAFRD, 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 evaluation shall be organised on the initiative of the Managing Authorities in cooperation with the Commission. It shall be organised on a multiannual 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 87

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.

2. The summary of ex post evaluations shall be completed at the latest by 31 December 2016.

TITLE VIII
STATE AID

Article 88

Application of the rules to State aid

1. Save as otherwise provided in this Title, Articles 87, 88 and 89 of the Treaty shall apply to support for rural development by Member States.

However, Articles 87, 88 and 89 of the Treaty shall not apply to financial contributions provided by Member States as counterpart of Community support for rural development within the scope of Article 36 of the Treaty in accordance with this Regulation.

2. Aid for modernisation of agricultural holdings which exceeds the percentages set in the Annex, as regards Article 26 (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 and those with regard to occupational safety at the workplace.

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 37. However, additional aid exceeding amounts fixed according to Article 37(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 Articles 39 and 40 respectively shall be prohibited. However, additional aid exceeding maximum amounts set in the Annex, as regards Articles 39(4) and 40(3), 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 Articles 39(3) and 40(2).

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 31. 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.

6. 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 31. Additional aid exceeding the maximum amounts set in the Annex, as regards Article 31 (2), may be granted if justified under Article 31.

Article 89

Additional national financing

State aid intended to provide additional financing for rural development for which Community support is granted, shall be notified by Member States and approved by the Commission in accordance with this Regulation as part of the programming referred to in Article 16. The first sentence of Article 88(3) of the Treaty shall not apply to aid thus notified.

TITLE IX

TRANSITIONAL AND FINAL PROVISIONS*Article 90***Committee**

1. The Commission shall be assisted by the 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 laid down in Article 4(3) of Decision 1999/468/EC shall be set at one month.

3. The Committee shall adopt its Rules of Procedure.

*Article 91***Implementing rules**

Over and above the measures set out 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 90(2). They shall cover in particular:

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

*Article 92***Transitional provisions**

1. 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 90(2).

2. Such measures shall in particular be adopted to integrate existing Community support approved by the Commission from either the EAGGF Guidance or Guarantee section for a period ending after 1 January 2007 into the rural development support provided for by this Regulation and to cover *ex post* evaluations of the programmes of the period 2000-2006.

*Article 93***Repeal**

1. Regulation (EC) No 1257/1999 shall be repealed with effect from 1 January 2007 with the exception of Articles 13 (a), 14(1) and the first two indents of Article 14(2), 15, 17 to 20, 51(3) and 55(4) and the part of Annex I which specifies the amounts under Article 15(3). These provisions shall be repealed with effect from 1 January 2010, subject to an act of the Council adopted in accordance with the procedure laid down in Article 37 of the Treaty.

References made to the repealed Regulation shall be construed as being made to this Regulation.

Regulation (EC) No 1257/1999 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 adopted pursuant to Article 21(2) of Regulation (EC) No 950/97 are hereby repealed with effect from 1 January 2010, subject to an act of the Council adopted in accordance with the procedure laid down in Article 37 of the Treaty.

*Article 94***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 to Community support concerning the programming period starting on 1 January 2007. However, this Regulation shall not apply before the entry into force of the Community legislation laying down general provisions governing the ERDF, the ESF and the CF, for the period from 1 January 2007 to 31 December 2013, with the exception of Articles 9, 90, 91 and 92, which shall apply from the entry into force of this Regulation.

Notwithstanding the second subparagraph, Articles 37, 50(2) to (4) and 88(3) shall apply from 1 January 2010, subject to an act of the Council adopted in accordance with the procedure laid down in Article 37 of the Treaty.

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

Done at Brussels, 20 September 2005.

For the Council

The President

M. BECKETT

ANNEX

AMOUNTS AND RATES OF SUPPORT

Article	Subject	Amount in EUR or rate	
22(2)	Setting up support (*)	55 000	
23(6)	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
24(2)	Advisory services	80 %	Of the eligible cost per advisory service
		1 500	Maximum eligible amount
26(2)	Intensity of aid for the modernisation of agricultural holdings	60 %	Of the amount of eligible investment by young farmers in the areas referred to in Article 36(a)(i), (ii) and (iii)
		50 %	Of the amount of eligible investment by other farmers in the areas referred to in Article 36(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 smaller Aegean Islands within the meaning of Regulation (EEC) No 2019/93
		75 %	Of the amount of eligible investment in the Member States which acceded to the Community on 1 May 2004, for the implementation of Council Directive 91/676/EEC ⁽¹⁾ within a maximum period of four years from the date of Accession pursuant to Articles 3(2) and 5(1) of that Directive
27(3)	Intensity of aid for the improvement of the economic value of forests	60 % (**)	Of the amount of eligible investment in the areas referred to in Article 36 (a)(i), (ii) and (iii)
		50 %	Of the amount of eligible investment in other areas
		85 % (**)	Of the amount of eligible investment in the outermost regions

Article	Subject	Amount in EUR or rate	
28(2)	Intensity of aid for adding value to agricultural and forestry products	50 %	Of the amount of eligible investment in regions eligible under the Convergence Objective
		40 %	Of the amount of eligible investment in other regions
		75 %	Of the amount of eligible investment in the outermost regions
		65 %	Of the amount of eligible investment in the smaller Aegean Islands within the meaning of Regulation (EEC) No 2019/93
31(2)	Maximum amount of support for meeting standards	10 000	Per holding
32(2)	Maximum amount of support for participation in food quality schemes	3 000	Per holding
33	Intensity of aid for information and promotion activities	70 %	Of the eligible cost of the action
34(3)	Maximum amount for semi-subsistence agricultural holdings	1 500	Per agricultural holding per year
35(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 EUR 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 EUR 1 000 000
		100 000	For the 1st year
		100 000	For the 2nd year
		80 000 60 000 50 000	For the 3rd year For the 4th year For the 5th year
37(3)	Minimum handicap payment	25	Per hectare of UAA
	Maximum handicap payment for mountain areas	250	Per hectare of UAA
	Maximum payment for areas with other handicaps	150	Per hectare of UAA
38(2)	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
39(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
40(3)	Animal welfare	500	Per livestock unit

Article	Subject	Amount in EUR or rate	
43(4)	Maximum annual premium to cover loss of income from afforestation		
	— for farmers or associations thereof	700	Per hectare
	— for any other natural persons or private-law bodies	150	Per hectare
43(4), 44(4) and 45 (3)	— Intensity of aid for establishment costs	80 % (**)	Of eligible costs in the areas referred to in Article 36(a)(i), (ii) and (iii)
		70 %	Of eligible costs in other areas
		85 % (**)	Of eligible costs in the outermost regions
46 and 47(2)	Natura 2000 and forest-environment annual payment		
	— minimum payment	40	Per hectare
	— maximum payment	200 (****)	Per hectare

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

(*) The setting up support may be given in the form of a single premium up to a maximum of EUR 40 000, or in the form of an interest rate subsidy, the capitalised value of which may not exceed EUR 40 000. For both forms of support combined, the maximum may not exceed EUR 55 000.

(**) Not applicable in the case of State owned tropical or subtropical forests and wooded areas of the territories of the Azores, Madeira, the Canary Islands, the smaller Aegean Islands within the meaning of Regulation (EEC) No 2019/93 and the French overseas departments.

(***) 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.