

COMMISSION REGULATION (EC) No 1974/2006**of 15 December 2006****laying down detailed rules for the application of Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD)**

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to Council Regulation (EC) No 1698/2005 of 20 September 2005 on support for rural development by the European Agricultural Fund For Rural Development (EAFRD) ⁽¹⁾ and in particular Article 5(6), the second sentence of Article 19(2), Article 32(1)(b), the third subparagraph of Article 66(3), Article 70(1), and Article 91 thereof,

Whereas:

- (1) Regulation (EC) No 1698/2005 established a single legal framework for the EAFRD support for rural development throughout the Community. The legal framework should be complemented by detailed implementing rules.
- (2) As regards consistency with measures financed by other instruments of the Common Agricultural Policy, detailed provisions for the exceptions for rural development support should be defined, notably those concerning the exceptions referred to in Article 5(6) of Regulation (EC) No 1698/2005. Rural development investment support should take account of any sectoral limitations or restrictions and avoid creating overcapacities in the sectors concerned.
- (3) There is a need to provide rules for updates of national strategy plans in terms of content, procedures and timing.
- (4) In order to allow the Member States and the Commission to put in place the new programming framework quickly and efficiently, the deadlines between the submission of rural development programmes and their approval by the Commission should be specified.
- (5) Detailed rules should be laid down for the presentation of rural development programmes and their revision. In order to facilitate the establishment of rural development programmes and their examination and approval by the Commission, common rules should be laid down for the structure and content of those programmes, based in particular on the requirements set out in Article 16 of Regulation (EC) No 1698/2005. Moreover, specific provisions should be established for national frameworks referred to in Article 15(3) of Regulation (EC) No 1698/2005.
- (6) Only amendments involving significant changes in programmes, shifts of EAFRD funding among axes within a programme and changes to the EAFRD co-financing rates should be adopted by a Commission Decision. Other amendments should be decided by the Member States and notified to the Commission. A procedure should be established for agreement on such notifications.
- (7) To ensure effective and regular monitoring, the Member States should make available to the Commission a consolidated and updated electronic version of their programming documents.
- (8) Regulation (EC) No 1698/2005 lays down conditions for support to young farmers. The time by which those conditions must be fulfilled should be specified, including the duration of the period that Member States may grant to certain beneficiaries in which to comply with the occupational skills and competence condition. Since support to young farmers is subject to the condition that a business plan is submitted by the young farmer, detailed rules should be laid down as regards the business plan and the respect for its provisions by the young farmer.
- (9) As regards the conditions for early retirement support, specific problems arising where a holding is transferred by several transferors or by a tenant farmer should be solved. The non-commercial farming activity of the transferor should not be eligible for support under the Common Agricultural Policy.
- (10) The skills and resources required from the authorities and bodies selected for providing the farm advisory services eligible for support should be specified.
- (11) As regards support for the setting up of management, relief and advisory services, the methodology for the degressivity of support should be established.

⁽¹⁾ OJ L 277, 21.10.2005, p. 1. Regulation as amended by Regulation (EC) No 1463/2006 (OJ L 277, 9.10.2006, p. 1).

- (12) As regards investments for the modernisation of agricultural holdings in order to comply with newly introduced Community standards, and in cases where young farmers are to comply with existing standards, a date should be fixed for compliance with the relevant standards.
- (13) As regards investments for the improvement of the economic value of forests, forest management plans should be defined and the types of eligible investments should be set out. Those plans should be prepared in accordance with the Pan-European Operational Level Guidelines for Sustainable Forest Management established in Annex 2 of Resolution L2 (Pan-European Criteria, Indicators and Operational Level Guidelines for Sustainable Forest Management) of the Third Ministerial Conference on the Protection of Forests in Europe held in Lisbon (2, 3 and 4 June 1998) ⁽²⁾.
- (14) As regards investments for adding value to agricultural and forestry products in order to comply with newly introduced Community standards in micro-enterprises, a date should be fixed for compliance with the relevant standards. A demarcation line should be set for wood-related investments benefiting from the rates of support established by Regulation (EC) No 1698/2005 from other investments in the wood sector.
- (15) As regards cooperation for the development of new products, processes and technologies in the agriculture and food sector and in the forestry sector, indicative eligible costs should be defined.
- (16) As regards meeting standards, the level of support to farmers should be modulated by the Member State per standard with regard to the level of obligations resulting from the application of the standard, while investment costs should not be eligible for support.
- (17) As regards support for farmers participating in a food quality scheme, the Community schemes and the criteria for the national schemes, the products concerned by this support and the types of fixed costs which may be taken into account for calculating the amount of assistance, should be specified.
- (18) In order to ensure complementarity between the promotion measures referred to in Article 33 of Regulation (EC) No 1698/2005 and the rules concerning information and promotion actions established by Council Regulation (EC) No 2826/2000 of 19 December 2000 on information and promotion actions for agricultural products on the internal market ⁽³⁾,
- detailed requirements for support for the promotion of quality products should be laid down, in particular as regards beneficiaries and eligible activities. In addition, in order to avoid the risk of double financing, information and promotion measures supported under Regulation (EC) No 2826/2000 should not be eligible for rural development support.
- (19) As regards support for semi-subsistence farming, the content of the business plans and the conditions for their implementation should be specified.
- (20) As regards support to producer groups in Malta, specific rules should be laid down to take into account the specific characteristics of the Maltese agricultural sector.
- (21) As regards support to less-favoured areas, in accordance with Article 93 of Regulation (EC) No 1698/2005, the support system put in place by Council Regulation (EC) No 1257/1999 of 17 May 1999 on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF) and amending and repealing certain Regulations ⁽⁴⁾ is to remain in force until 31 December 2009, subject to an act of the Council adopted in accordance with the procedure laid down in Article 37 of the Treaty. Therefore, Article 11 of Commission Regulation (EC) No 817/2004 of 29 April 2004 laying down detailed rules for the application of Council Regulation (EC) No 1257/1999 on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF) ⁽⁵⁾ should remain applicable until such act is adopted by the Council.
- (22) Provision should be made to avoid overlapping between the meeting standards support to farmers on the one hand, and the Natura 2000 payments on the other.
- (23) As regards support for agri-environment and animal welfare, the minimum requirements to be met by beneficiaries in connection with the various agri-environment and animal welfare commitments should ensure a balanced application of support that takes account of the objectives and should thus contribute to sustainable rural development. In this respect, establishing a methodology for the calculation of the additional costs, income foregone and likely transaction costs stemming from the commitment given should be of high importance. Where commitments are based on input limitations, support should be granted only if such limitations can be assessed in a way providing reasonable assurance about the respect of the commitment.

⁽²⁾ http://www.mcpfe.org/mcpfe/resolutions/lisbon/resolution_12a2.pdf

⁽³⁾ OJ L 328, 23.12.2000, p. 2. Regulation as amended by Regulation (EC) No 2060/2004 (OJ L 357, 2.12.2004, p. 3).

⁽⁴⁾ OJ L 160, 26.6.1999, p. 80. Regulation as last amended by Regulation (EC) No 1698/2005.

⁽⁵⁾ OJ L 153, 30.4.2004, p. 30; corrected version (OJ L 231, 30.6.2004, p. 24). Regulation as amended by Regulation (EC) No 1360/2005 (OJ L 214, 19.8.2005, p. 55).

- (24) Concerning support for the conservation of genetic resources in agriculture, details of the eligible operations and a description of the beneficiaries should be provided. Provision should be made to avoid overlapping with agri-environment and to exclude from support activities which are eligible under the framework programme for research, technological development and demonstration activities.
- (25) Non-productive investments targeting the sustainable use of agricultural land should be defined.
- (26) In order to ensure a homogenous approach for forestry measures it is necessary to use a common definition of forests and wooded areas as appropriate. This definition should be in line with the definition used by the Food and Agriculture Organisation of the United Nations (FAO) and by Eurostat, as applied for the Global Forest Resources Assessment Update in 2005. The forests and wooded areas not eligible for support under Article 42(1) of Regulation (EC) No 1698/2005 should be defined in more detail.
- (27) Detailed conditions should be laid down for support for the first afforestation of agricultural land, in particular in relation to the definition of land to be afforested, of the establishment costs, of the farmer and of the fast-growing species.
- (28) As regards support to agricultural land subject to the first establishment of agroforestry systems, the Member States should define maximum densities of plantation of forest trees taking into account certain parameters.
- (29) As regards support for restoring forestry potential and preventive actions in forests classified as at high or medium risk of forest fires, it should be conditional on conformity with forest fire protection plans established by the Member States. A common approach should be ensured for the definition of preventive actions against forest fires.
- (30) As regards the areas designated in Article 50(5) and (6) of Regulation (EC) No 1698/2005, the conditions for their designation should be specified. Care should be taken to avoid afforestation harmful to the biodiversity or causing other environmental damage.
- (31) In order to allow an appropriate uptake of the measure for diversification into non-agricultural activities referred to in Article 52(a)(i) of Regulation (EC) No 1698/2005 a comprehensive definition of the member of the farm household referred to in Article 53 of that Regulation should be provided.
- (32) The support for public-private partnerships, as provided for in Article 59(e) of Regulation (EC) No 1698/2005, should comply with certain detailed conditions.
- (33) As regards the Leader Axis, the selection procedures of local action groups should be transparent and competitive to ensure that pertinent and high quality development strategies at local level are selected for support. Depending on the local conditions, minimum and maximum thresholds should be set as a general rule for the population of the areas covered by the local action groups.
- (34) To allow the largest possible implementation of the local development strategies, support for the running costs of the local action groups should be limited.
- (35) Cooperation projects implemented by local action groups should comply with certain conditions. A coordinated procedure should be established between the Commission and the Member States to facilitate the selection of transnational cooperation projects.
- (36) As regards technical assistance, co-financing arrangements for rural development programmes covering regions eligible under the Convergence Objective and other regions, as well as detailed options and a deadline for the establishment of the national rural network should be provided.
- (37) Rules common to several measures should be laid down, in particular regarding the implementation of integrated operations, investments measures, the transfer of a holding during the period for which a commitment is given as a condition for the grant of assistance, the increase of the area of the holding and the definition of different categories of *force majeure* or exceptional circumstances.
- (38) Member States should take all the necessary steps and put in place adequate provisions to ensure that all rural development measures are verifiable and controllable. Member States should ensure that their control arrangements give reasonable assurance that eligibility criteria and other commitments are respected. In particular, for payment calculations for certain measures, Member States should substantiate the adequacy and accuracy of the calculations through appropriate expertise.

- (39) Detailed rules should be laid down on interest rate subsidies for loans and certain forms of financial engineering, where applicable. The conditions which managing authorities may apply to standard costs and consider contributions in kind as eligible expenditure should also be laid down in order to ensure efficient and homogenous management. In order to ensure a better targeting of investment operations, a set of common rules for the definition of eligible expenditure should be made available. Common rules should also be necessary in cases where the competent authorities of the Member State decide to pay advances to beneficiaries of investment support.
- (40) In order to ensure compliance with State aid rules and procedures, specific provisions should be laid down for certain co-financed measures by the EAFRD and for additional national financing.
- (41) To ensure information and publicity on the rural development activities benefiting from support by the EARDF, rural development programmes should include a communication plan, the content of which should be specified. The obligations of managing authorities and beneficiaries should be defined in this respect in order to ensure the most coherent approach.
- (42) In order to enhance transparency regarding the use of the EAFRD assistance, the list of beneficiaries, the names of the operations and the amount of public funding allocated to operations should be published annually by Member States electronically or by other means. Making such information accessible to the public aims to improve the transparency of the Community's action in the area of rural development, to enhance the sound financial management of the public funds involved and in particular to reinforce control of the public money used, and finally to avoid distortion of competition between beneficiaries of rural development measures. Given the overriding weight of the objectives pursued it is justified, with regard to the principle of proportionality and the requirement of the protection of personal data, to provide for the general publication of the relevant information as it does not go beyond what is necessary in a democratic society for the prevention of irregularities.
- (43) As regards monitoring, details of the annual progress report provided for in Article 82 of Regulation (EC) No 1698/2005, as well as of the common indicators making part of the Common Monitoring and Evaluation Framework referred to in Article 80 of that Regulation, should be defined.
- (44) In order to ensure a secure electronic exchange of data between the Commission and the Member States, an information system should be established. The contents and functioning of that system and the access rights to the system should be defined.

- (45) The new implementing rules should replace those laid down for the application of Regulation (EC) No 1257/1999. Therefore, Regulation (EC) No 817/2004 should be repealed from 1 January 2007.
- (46) The measures provided for in this Regulation are in accordance with the opinion of the Rural Development Committee,

HAS ADOPTED THIS REGULATION:

CHAPTER I

Scope

Article 1

This Regulation lays down detailed rules for the application of Regulation (EC) No 1698/2005 as regards principles and general rules for rural development support, specific and common provisions for rural development measures, and eligibility and administrative provisions, except provisions on controls.

CHAPTER II

General rules

Section 1

Complementarity, consistency and conformity

Article 2

1. Consistency as referred to in Article 5 of Regulation (EC) No 1698/2005 shall be ensured:
 - (a) between rural development support measures on the one hand, and measures implemented under other Community support instruments and in particular measures implemented under direct and other support schemes of the Common Agricultural Policy and animal and plant health measures, on the other hand;
 - (b) between the different rural development support measures.
2. Where support under Regulation (EC) No 1698/2005 may exceptionally be granted in accordance with Article 5(6) of that Regulation, for measures falling within the scope of the support schemes listed in Annex I to this Regulation, Member States shall ensure that a beneficiary may receive support for a given operation only under one scheme.

To that end, Member States, when including measures containing such exceptions in their rural development programmes, shall describe in those programmes the criteria and administrative rules they will apply for the support schemes concerned.

3. Where a common market organisation, including direct support schemes financed by the European Agricultural Guarantee Fund (EAGF) places restrictions on production or limitations on Community support at the level of individual farmers, holdings or processing plants, no investment shall be supported under Regulation (EC) No 1698/2005 which would increase production beyond those restrictions or limitations.

Section 2

Strategy and programming

Article 3

1. National strategy plans may be updated in the programming period. For such updates one or both of the following elements shall be taken into account:

- (a) the update affects one or more of the elements listed in Article 11(3) of Regulation (EC) No 1698/2005 and/or one or more of the Community strategic guidelines referred to in Article 9 of that Regulation;
- (b) the update involves changes of one or more rural development programmes as referred to in Article 6(1) of this Regulation.

2. Article 12(1) of Regulation (EC) No 1698/2005 shall apply *mutatis mutandis* to updates of national strategy plans.

3. In order to allow sufficient time for rural development programme adaptations, the last update of a national strategy plan shall be forwarded to the Commission by 30 June 2013 at the latest.

4. The national strategy plans shall be confirmed or updated after approval of the rural development programmes notably in light of the quantification of the objectives and targets stemming from the ex-ante evaluation of those programmes.

Article 4

1. The Commission shall approve the rural development programmes submitted by the Member States within a maximum of six months from the date of receipt of the programmes by the Commission. In the case of rural development programmes submitted before the date of entry into force of this Regulation, the six month period shall start from that date.

In cases of application of the second subparagraph of Article 18(3) of Regulation (EC) No 1698/2005, the six-month period provided for in the first subparagraph of this paragraph shall start from the date the revised proposed programme is compliant with the first subparagraph of Article 18(3) of Regulation (EC) No 1698/2005.

2. The dates for determining the time periods provided for in paragraph 1 of this Article shall be fixed in accordance with Article 63(6) and (8), where applicable.

Article 5

1. The content of rural development programmes as referred to in Article 16 of Regulation (EC) No 1698/2005 shall be established in accordance with Annex II to this Regulation.

The ex-ante evaluation referred to in Article 85 of Regulation (EC) No 1698/2005 shall be annexed to each rural development programme.

2. National frameworks referred to in Article 15(3) of Regulation (EC) No 1698/2005 shall contain information common to several measures. For those measures, regional rural development programmes may only contain additional information, provided that information contained jointly under national frameworks and regional programmes complies with the requirements of Annex II to this Regulation.

3. Member States shall make available to the Commission an electronic version of their rural development programmes and national frameworks where applicable, updated following each change, including the standard tables set out in Annex II to this Regulation corresponding to information required in accordance with Article 16(d), (e) and (f) of Regulation (EC) No 1698/2005. Member States shall forward to the Commission requests for programme changes and national framework changes, where applicable, by electronic means, in accordance with Article 63 of this Regulation.

Section 3

Changes in rural development programmes

Article 6

1. Changes in rural development programmes shall fall under the following categories:

- (a) revisions as referred to in Article 19(1) of Regulation (EC) No 1698/2005;
- (b) revisions stemming from coordination procedures for the uptake of the financial resources as referred to in Article 77(3) of Regulation (EC) No 1698/2005;
- (c) other changes not covered by points (a) and (b) of this paragraph.

2. Programme changes as referred to in points (a) and (b) of paragraph 1 may only be proposed from the second year of implementation of the programme.

3. Proposals for changes in rural development programmes shall be duly substantiated, in particular giving the following information:

- (a) the reasons and any implementation problems justifying the change;
- (b) the expected effects of the change;
- (c) the relationship between the change and the national strategy plan.

Article 7

1. For programme revisions referred to in Article 6(1)(a) of this Regulation, a decision shall be adopted pursuant to the first sentence of Article 19(2) of Regulation (EC) No 1698/2005, on a request submitted by a Member State, where:

- (a) the revision goes above the flexibility ceiling between axes referred to in Article 9(2) of this Regulation;
- (b) the revision alters the Community co-financing rates referred to in Article 70 of Regulation (EC) No 1698/2005 as provided for in the approved rural development programme;
- (c) the revision changes the total Community contribution for the entire programming period and/or its annual breakdown, without changing contributions for past years;
- (d) the revision introduces changes relating to the exceptions referred to in Article 5(6) of Regulation (EC) No 1698/2005.

The decision shall be taken within six months from the date of receipt by the Commission of the Member State's request.

2. Except in cases of emergency measures due to natural disasters, requests for programme revisions referred to in Article 6(1)(a) shall not be submitted more than once per calendar year and per programme.

For revisions as referred to in paragraph 1(c), Member States shall forward requests by 30 September of each year at the latest.

For the revisions referred to in paragraph 1, Member States shall forward their last requests for revisions to the Commission by 30 June 2013 at the latest.

Article 8

1. Member States with regionalised programming may submit programme revisions referred to in Article 6(1)(b) to

transfer the contribution of the European Agricultural Fund for Rural Development (EAFRD) between regional programmes for particular years, where:

- (a) the total EAFRD contribution per programme for the entire programming period is not altered;
- (b) the total EAFRD allocation to the Member State concerned is not altered;
- (c) the annual breakdowns of the programme for the years preceding the year of the revision are not altered;
- (d) the annual EAFRD allocation to the Member State concerned is respected;
- (e) if appropriate, the budget for achieving the Convergence Objective mentioned in the national strategy plan in accordance with Article 11(3)(f) of Regulation (EC) No 1698/2005 is not reduced.

2. The financial tables of the programmes concerned shall be adapted to reflect the transfers referred to in paragraph 1.

The revised financial tables shall be forwarded to the Commission by 30 September at the latest of the calendar year in which a transfer takes place. The last year in which such revisions can be forwarded shall be 2012.

The Commission shall adopt a Decision approving the new financial tables within three months after receipt of the Member State's request. The procedure referred to in Article 90(2) of Regulation (EC) No 1698/2005 shall not apply.

3. Requests for programme revisions referred to in Article 6(1)(b) shall not be submitted more than once per calendar year.

Article 9

1. Changes in programmes by Member States as referred to in Article 6(1)(c) may involve changes of financial breakdowns by measure within an axis as well as non-financial changes concerning the introduction of new measures, the withdrawal of existing measures, or information on and description of existing measures in the programme.

2. Member States shall also be authorised to make changes as referred to in Article 6(1)(c) by transferring within a calendar year from and to any axis up to 1 % of the total EAFRD contribution to the programme for the entire programming period.

3. Programme changes referred to in paragraphs 1 and 2 may be made before 31 December 2015 at the latest, provided that Member States notify such changes by 31 August 2015 at the latest.

4. Except in cases of emergency measures due to natural disasters, changes referred to in paragraphs 1 and 2 shall be notified no more than three times per calendar year and per programme provided that the 1% ceiling referred to in paragraph 2 is respected within the calendar year in which the three notifications are made.

5. Changes referred to in paragraphs 1 and 2 of this Article shall be compatible with the rates set in Article 17 of Regulation (EC) No 1698/2005.

6. Changes referred to in paragraphs 1 and 2 shall be notified to the Commission. The Commission shall assess their:

(a) compliance with Regulation (EC) No 1698/2005;

(b) coherence with the relevant national strategy plan;

(c) compliance with this Regulation.

The Commission shall inform the Member State of the results of that assessment within four months from the date of receipt by the Commission of the request of the programme change. If the changes fail to comply with one or more of the assessment parameters referred to in the first subparagraph, the four-month period shall be suspended until the Commission receives compliant programme changes.

If the Commission does not inform the Member State within the four-month period referred to in the second subparagraph the changes shall be deemed to be accepted and shall enter into force once the four-month period has expired.

Article 10

1. For the purpose of the second subparagraph of Article 71(1) of Regulation (EC) No 1698/2005, Member States shall bear the responsibility for expenditure between the date on which their request for programme revisions or changes as referred to in Article 6(1) of this Regulation is received by the Commission and the date of the Commission Decision pursuant to Articles 7 and 8 of this Regulation or that of the completion of the compliance assessment of the changes pursuant to Article 9 of this Regulation.

2. In cases of emergency measures due to natural disasters, eligibility of expenditure relating to programme changes as referred to in Article 6(1) may start from a date earlier than the date referred to in the second subparagraph of Article 71(1) of Regulation (EC) No 1698/2005.

Article 11

Changes of national frameworks referred to in Article 15(3) of Regulation (EC) No 1698/2005 shall fall within the scope of Article 6(1)(c) of this Regulation. Article 9(3) and (6) of this Regulation shall apply *mutatis mutandis* to such changes.

Article 12

Where Community legislation is adopted or amended, rural development programmes shall be changed in line with the new or amended legislation as necessary, in accordance with Article 6(1). Such changes shall not be taken into account for the yearly number of changes referred to in Article 7(2), Article 8(3) and Article 9(4). Article 6(2) shall not apply to such changes.

CHAPTER III

Rural development measures

Section 1

Rural development measures per axis

Sub-section 1

Axis 1

Article 13

1. The conditions for support for the setting up of young farmers provided for in Article 22(1) of Regulation (EC) No 1698/2005 shall be met at the time when the application for support is lodged.

However, a period not exceeding 36 months may be allowed from the date the individual decision to grant support is taken in order to meet the conditions relating to occupational skills and competence referred to in Article 22(1)(b) of Regulation (EC) No 1698/2005, if the young farmer needs a period of adaptation in which to set up or to restructure the holding, provided that the business plan referred to in point (c) of that paragraph provides for such a need.

2. The business plan referred to in Article 22(1)(c) of Regulation (EC) No 1698/2005 shall describe at least:

- (a) the initial situation of the agricultural holding and specific milestones and targets for the development of the activities of the new holding;
- (b) details of investments, training, advice or any other action required for the development of the activities of the agricultural holding.

3. Compliance with the business plan shall be assessed by the competent authority no later than five years from the date of the individual decision granting support. Member States shall, taking account of the circumstances in which the business plan is implemented, define the conditions for recovery of support already received if the young farmer fails to comply with the provisions of the business plan at the time of the assessment.

4. The individual decision to grant support for the setting up of young farmers shall be taken no later than 18 months after setting up as defined by the provisions in force in the Member States. In the case of support in the form of a single premium as set out in the Annex to Regulation (EC) No 1698/2005 and for the purpose of paragraph 3 of this Article, a Member State may divide its payment into up to five instalments.

5. Member States may decide that where the business plan makes reference to the use of other rural development measures provided for in Regulation (EC) No 1698/2005, the approval of the young farmer's application by the competent authority also gives access to those other measures. In such case, the information to be supplied by the applicant must be sufficiently detailed to support an application for support under those other measures.

6. Specific conditions may be applied in a situation where a young farmer is not established as sole head of the agricultural holding. Those conditions must be equivalent to those required for a young farmer setting up as sole head of a holding.

Article 14

1. When a farm is transferred by several transferors, overall support for early retirement pursuant to Article 23 of Regulation (EC) No 1698/2005 shall be limited to the amount provided for one transferor.

2. Non-commercial farming activity continued by the transferor shall not be eligible for support under the Common Agricultural Policy.

3. A tenant farmer may transfer the released land to the owner provided that the lease is terminated and the requirements relating to the transferee laid down in Article 23(3) of Regulation (EC) No 1698/2005 are complied with.

4. Member States may make provision for released land to be taken in charge by a body which undertakes to reassign it at a later date to transferees who satisfy the conditions laid down in Article 23(3) of Regulation (EC) No 1698/2005.

Article 15

1. The advisory services to farmers for which support may be granted under Article 24 of Regulation (EC) No 1698/2005

shall be in accordance with Chapter 3 of Title II of Council Regulation (EC) No 1782/2003⁽⁹⁾ and implementing provisions thereof.

2. The authorities and bodies selected to provide advisory services to farmers shall have appropriate resources in the form of qualified staff, administrative and technical facilities and advisory experience and reliability with respect to the requirements, conditions and standards referred to in points (a) and (b) of the second subparagraph of Article 24(1) of Regulation (EC) No 1698/2005.

Article 16

A degressive rate of support for setting-up of management, relief and advisory services as referred to in Article 25 of Regulation (EC) No 1698/2005 shall be established in the rural development programmes, providing for a reduction of support in equal amounts from the first year of support, in such a way that support is completely phased out in the sixth year at the latest from the setting up of those services.

Article 17

1. In the case of support for investments for the modernisation of agricultural holdings in order to comply with newly introduced Community standards as provided for in the second subparagraph of Article 26(1) of Regulation (EC) No 1698/2005, the relevant standards shall be met by the end of the period of grace provided for in that subparagraph.

2. Where investments are undertaken by young farmers receiving support as referred to in Article 22 of Regulation (EC) No 1698/2005 in order to comply with existing Community standards, the relevant standards shall be met by the end of the period of grace provided for in the third subparagraph of Article 26(1) of that Regulation.

Article 18

1. For the purpose of Article 27(2) of Regulation (EC) No 1698/2005 forest management plans appropriate to the size and use of the forest area shall be based on relevant national legislation as well as existing land use plans and they shall adequately cover the forest resources.

2. Operations for the improvement of the economic value of forests as referred to in Article 27 of Regulation (EC) No 1698/2005 shall concern investments at the level of the forestry holding, and may include investments for harvesting equipment.

Activities related to regeneration after final felling shall be excluded from support.

⁽⁹⁾ OJ L 270, 21.10.2003, p. 1.

3. Forests referred to in Article 30(4) of this Regulation shall be excluded from the scope of the first sentence of Article 27(1) of Regulation (EC) No 1698/2005.

Article 19

1. In the case of support for investments for adding value to agricultural and forestry products in order to comply with newly introduced Community standards as provided for in the second subparagraph of Article 28(1)(c) of Regulation (EC) No 1698/2005, the relevant standards shall be met by the end of the period of grace provided for in that subparagraph.

2. In the case of support for investments for adding value to forestry products, investments related to the use of wood as a raw material shall be limited to all working operations prior to industrial processing.

Article 20

Costs for cooperation for the development of new products, processes and technologies in the agricultural and food sector and in the forestry sector, as referred to in Article 29(2) of Regulation (EC) No 1698/2005, shall concern preparatory operations, such as design, product, process or technology development and tests and tangible and/or intangible investments related to the cooperation, before the use of the newly developed products, processes and technologies for commercial purposes.

Article 21

1. The level of support for meeting standards based on Community legislation referred to in Article 31 of Regulation (EC) No 1698/2005 shall be modulated by the Member States per standard with regard to the level of obligations resulting from the application of the standard. Payment shall be phased out over the maximum period of five years referred to in paragraph 2 of that Article.

2. Costs related to investments shall not be taken into account when determining the level of annual support for meeting standards based on Community legislation referred to in Article 31 of Regulation (EC) No 1698/2005.

Article 22

1. Community quality schemes referred to in Article 32(1)(b) of Regulation (EC) No 1698/2005 shall be those established under the following Regulations and provisions:

(a) Council Regulation (EEC) No 2092/91 ⁽⁷⁾;

(b) Council Regulation (EC) No 509/2006 ⁽⁸⁾;

(c) Council Regulation (EC) No 510/2006 ⁽⁹⁾;

(d) Title VI of Council Regulation (EC) No 1493/1999 ⁽¹⁰⁾.

2. To be eligible for support, food quality schemes recognised by the Member States, as referred to in Article 32(1)(b) of Regulation (EC) No 1698/2005, shall comply with the following criteria:

(a) the specificity of the final product under such schemes shall be derived from detailed obligations on farming methods that guarantee:

— specific characteristics including the production process, or

— a quality of the final product that goes significantly beyond the commercial commodity standards as regards public, animal or plant health, animal welfare or environmental protection;

(b) the schemes involve binding product specifications and compliance with those specifications shall be verified by an independent inspection body;

(c) the schemes shall be open to all producers;

(d) the schemes shall be transparent and assure complete traceability of the products;

(e) the schemes shall respond to current and foreseeable market opportunities.

3. Support may be granted to farmers participating in a food quality scheme only if the quality product or foodstuff has been officially recognised under the Regulations and provisions listed in paragraph 1, or in a food quality scheme recognised by a Member State as referred to in paragraph 2.

As regards the food quality schemes referred to in paragraph 1(b) and (c), support may only be granted in respect of products registered in a Community register.

4. Where a support for participation in a food quality scheme under Regulation (EEC) No 2092/91 for a specific product is included in a rural development programme, the fixed costs resulting from the participation in that quality scheme shall not be taken into account in calculating the amount of support in the framework of an agri-environment measure to support organic farming for the same product.

⁽⁷⁾ OJ L 198, 22.7.1991, p. 1.

⁽⁸⁾ OJ L 93, 31.3.2006, p. 1.

⁽⁹⁾ OJ L 93, 31.3.2006, p. 12.

⁽¹⁰⁾ OJ L 179, 14.7.1999, p. 1.

5. For the purpose of Article 32(1)(c) of Regulation (EC) No 1698/2005, 'fixed costs' shall mean the costs incurred for entering a supported food quality scheme and the annual contribution for participating in that scheme, including, where necessary, expenditure on checks required to verify compliance with the specifications of the scheme.

Article 23

1. For the purposes of Article 20(c)(iii) of Regulation (EC) No 1698/2005, 'producer group' shall mean an organisation, in whatever legal form, which brings together operators actively participating in a food quality scheme as referred to in Article 32 of that Regulation for a specific agricultural product or foodstuff. Professional and/or inter-professional organisations representing one or more sectors cannot qualify as 'producer groups'.

2. The information and promotion activities eligible for support under Article 33 of Regulation (EC) No 1698/2005 shall be activities designed to induce consumers to buy the agricultural products or foodstuffs covered by food quality schemes included in the rural development programme under Article 32 of that Regulation.

Such activities shall draw attention to the specific features or advantages of the products concerned, notably the quality, specific production methods, high animal welfare standards and respect for the environment linked to the food quality scheme concerned, and may include the dissemination of scientific and technical knowledge about those products. Such activities shall include, in particular, the organisation of, and/or participation in, fairs and exhibitions, similar public relations exercises and advertising via the different channels of communication or at the points of sale.

3. Only information, promotion and advertising activities in the internal market shall be eligible for support pursuant to Article 20(c)(iii) of Regulation (EC) No 1698/2005.

Such activities shall not incite consumers to buy a product due to its particular origin, except for products covered by the quality scheme introduced by Regulation (EC) No 510/2006 and those under Regulation (EC) No 1493/1999. The origin of a product may nevertheless be indicated provided the mention of the origin is subordinate to the main message.

Activities related to the promotion of commercial brands shall not be eligible for support.

4. When activities referred to in paragraph 2 concern a product included in a food quality scheme referred to in Article 22(1)(a), (b) or (c), the Community logo provided for under those schemes shall appear on information, promotion and/or advertising material.

5. Information and promotion activities supported under Regulation (EC) No 2826/2000 shall not qualify for support pursuant to Article 20(c)(iii) of Regulation (EC) No 1698/2005.

6. The Member States shall ensure that all draft information, promotion and advertising materials drawn up in the context of a supported activity comply with Community legislation. To that end, beneficiaries shall transmit such draft materials to the competent authority of the Member State.

Article 24

1. The business plan referred to in Article 34 of Regulation (EC) No 1698/2005 shall comply with the following:

- (a) provide evidence that the farm can become economically viable, taking account, where applicable, of the complementarity of other sources of income of the farm household;
- (b) contain details of the investments required;
- (c) describe specific milestones and targets.

2. Where the business plan referred to in Article 34 of Regulation (EC) No 1698/2005 makes reference to the use of other rural development measures, it must be sufficiently detailed to support an application for assistance under those other measures.

3. For the purpose of Article 34(2) of Regulation (EC) No 1698/2005, the Member States, taking account of the circumstances in which the business plan is implemented, shall not make any further payment of support if the semi-subsistence farmer fails to comply with the provisions of the business plan at the time of the assessment.

Article 25

1. In the case of Malta, in order to set the minimum support for a sector of production where the total output is extremely small, in accordance with the Annex to Regulation (EC) No 1698/2005, only producer groups comprising a minimum percentage of the producers in the sector concerned and representing a minimum percentage of the production in that sector shall be eligible for that minimum support.

The minimum percentages of producers and production as well as the sectors concerned shall be determined in Malta's rural development programme.

2. The minimum amount of support for producer groups in Malta, calculated on the basis of the costs necessary to form a small producer group, is set in Annex III.

Sub-section 2

Axis 2

Article 26

Beneficiaries of support pursuant to Article 38 of Regulation (EC) No 1698/2005 shall not be eligible for support pursuant to Article 31 of that Regulation, as regards the implementation of Council Directives 79/409/EEC ⁽¹¹⁾ and 92/43/EEC ⁽¹²⁾.

Article 27

1. For the purpose of Article 39(1) to (4) and Article 40 of Regulation (EC) No 1698/2005, paragraphs 2 to 13 of this Article shall apply as relevant.

2. Any commitment to extensify livestock farming or manage livestock farming differently shall comply with at least the following conditions:

- (a) grassland management shall continue;
 - (b) the whole of the grazed area per livestock unit shall be maintained, avoiding both over-grazing and under-utilisation;
 - (c) livestock density shall be defined taking into account all grazing livestock kept on the farm or, in the case of a commitment to limit nutrient leaching, all animals kept on the farm which are relevant to the commitment in question.
3. Commitments to limit the use of fertilisers, plant protection products or other inputs shall be accepted only if such limitations can be assessed in a way that provides reasonable assurance about compliance with those commitments.

4. Support may relate to the following commitments:

- (a) to rear farm animals of local breeds indigenous to the area and in danger of being lost to farming;
- (b) to preserve plant genetic resources naturally adapted to the local and regional conditions and under threat of genetic erosion.

The eligible species of farm animals and the criteria for determining the threshold of loss to farming of local breeds are defined in Annex IV.

5. Agri-environment and/or animal welfare support for the same production shall not be precluded by environmental

measures implemented under common market organisations or direct support schemes listed in Annex I, animal and plant health measures or rural development measures other than agri-environment and animal welfare support, provided that such support is additional and consistent with the measures concerned.

Various agri-environment and/or animal welfare commitments may be combined provided that they are complementary and compatible.

Where measures or commitments referred to in the first and second subparagraph are combined, the level of support shall take account of the specific income foregone and additional costs resulting from the combination.

6. Agri-environment measures on land set aside under Article 54 or Article 107 of Regulation (EC) No 1782/2003 shall qualify for support only if the agri-environment commitments go beyond the main requirements laid down in Article 3(1) of that Regulation.

In the case of support for mountain areas, areas with other handicaps, Natura 2000 agricultural areas and agricultural areas included in river basin management plans pursuant to Directive 2000/60/EC of the European Parliament and of the Council ⁽¹³⁾, agri-environment commitments shall, as appropriate, take account of the conditions laid down for support in the areas concerned.

7. Any animal welfare commitment as referred to in Article 40 of Regulation (EC) No 1698/2005 shall provide upgraded standards in at least one of the following areas:

- (a) water and feed closer to their natural needs;
- (b) housing conditions, such as space allowances, bedding, natural light;
- (c) outdoor access;
- (d) absence of systematic mutilations, isolation or permanent tethering;
- (e) prevention of pathologies mainly determined by farming practices or/and keeping conditions.

8. The reference level for calculating income foregone and additional costs resulting from the commitments given shall be the relevant standards and requirements referred to in Article 39(3) and Article 40(2) of Regulation (EC) No 1698/2005.

⁽¹¹⁾ OJ L 103, 25.4.1979, p. 1.

⁽¹²⁾ OJ L 206, 22.7.1992, p. 7.

⁽¹³⁾ OJ L 327, 22.12.2000, p. 1.

9. Where commitments are normally expressed in units other than those used in the Annex to Regulation (EC) No 1698/2005, Member States may calculate payments on the basis of those other units. In such cases, the Member States shall ensure that the maximum amounts per year eligible for Community support set out in that Annex are complied with. To this end the Member State may:

- (a) set a limit on the number of units per hectare of the farm to which the agri-environment commitments applies, or
- (b) determine the overall maximum amount for each participating farm and ensure that the payments for each farm are compatible with that limit.

10. Member States shall determine the need to provide compensation for transaction cost as provided for in Article 39(4) and Article 40(3) of Regulation (EC) No 1698/2005 on the basis of objective criteria.

For the purpose of Article 39(4) and Article 40(3) of Regulation (EC) No 1698/2005, 'transaction cost' shall mean cost related to letting the transaction take place and not directly attributable to the implementation cost of the commitment it relates to.

The transaction cost element shall be calculated over the length of the commitment period and shall not exceed 20 % of the income foregone and additional costs due to the commitment given.

11. Member States may authorise one commitment to be converted into another during the period of its operation, provided that all the following conditions are fulfilled:

- (a) any such conversion is of significant benefit to the environment or to animal welfare or to both;
- (b) the existing commitment is substantially reinforced;
- (c) the approved rural development programme includes the commitments concerned.

An agri-environment commitment may be converted into a commitment for first afforestation of agricultural land under Article 43 of Regulation (EC) No 1698/2005 subject to the conditions set out in points (a) and (b) of the first subparagraph of this paragraph. The agri-environment commitment shall cease without reimbursement being required.

12. Member States may allow agri-environment or animal welfare commitments to be adjusted during the period for which they apply, provided that the approved rural development programme includes scope for such adjustment and that the adjustment is duly justified having regard to the objectives of the commitment.

Such adjustments may also take the form of an extension of the duration of the commitment.

13. The conversion rates of animals to livestock units (LU) are set out in Annex V. Member States may differentiate those rates within the limits set in that Annex for the relevant categories, according to objective criteria.

Article 28

1. Support under Article 39(5) of Regulation (EC) No 1698/2005 may cover operations carried out by other beneficiaries than those referred to in Article 39(2) of that Regulation.

2. Activities entering in agri-environmental commitments referred to in Article 27(4) of this Regulation shall not be eligible for support under Article 39(5) of Regulation (EC) No 1698/2005.

No support shall be granted under Article 39(5) of Regulation (EC) No 1698/2005 for activities eligible under the framework programme of the European Community for research, technological development and demonstration activities.

3. The operations for the conservation of genetic resources in agriculture eligible for support under Article 39(5) of Regulation (EC) No 1698/2005 shall include the following:

- (a) targeted actions: actions promoting the *ex situ* and *in situ* conservation, characterisation, collection and utilisation of genetic resources in agriculture, including web-based inventories of genetic resources currently conserved *in situ*, including *in situ/on-farm* conservation, and of *ex situ* collections (gene banks) and databases;
- (b) concerted actions: actions promoting the exchange of information for the conservation, characterisation, collection and utilisation of genetic resources in Community agriculture, among competent organisations in the Member States;
- (c) accompanying actions: information, dissemination and advisory actions involving non-governmental organisations and other relevant stakeholders, training courses and the preparation of technical reports.

4. For the purposes of this Article, the following definitions shall apply:

- (a) 'in situ conservation' means the conservation of genetic material in ecosystems and natural habitats and the maintenance and recovery of viable population of species or feral breeds in their natural surroundings and, in the case of domesticated animal breeds or cultivated plant species, in the farmed environment where they have developed their distinctive properties;
- (b) 'in situ/on-farm conservation' means *in situ* conservation and development at farm level;
- (c) 'ex situ conservation' means the conservation of genetic material for agriculture outside their natural habitat;
- (d) 'ex situ collection' means a collection of genetic material for agriculture maintained outside their natural habitat.

Article 29

For the purposes of Articles 41 and 49 of Regulation (EC) No 1698/2005, 'non-productive investments' shall mean investments that do not lead to any significant increase in the value or profitability of the agricultural or forestry holding.

Article 30

1. For the purpose of Article 42(1) of Regulation (EC) No 1698/2005, the definitions in paragraphs 2 and 3 of this Article shall apply, subject to exceptions to be duly justified in the rural development programmes.

2. 'Forest' means land spanning more than 0,5 hectare with trees higher than 5 metres and a canopy cover of more than 10 percent, or trees able to reach those thresholds *in situ*. It does not include land that is predominantly under agricultural or urban land use.

Areas under reforestation that have not yet reached but are expected to reach a canopy cover of 10 percent and a tree height of 5 metres are included, as are temporarily unstocked areas, resulting from human intervention or natural causes, which are expected to regenerate.

Forests include areas with bamboo and palms provided that height and canopy cover criteria are met.

Forests include forest roads, firebreaks and other small open areas, forests in national parks, nature reserves and other

protected areas, such as those of specific scientific, historical, cultural or spiritual interest.

Forests include windbreaks, shelterbelts and corridors of trees with an area of more than 0,5 hectare and width of more than 20 metres.

Forests include plantations primarily for forestry protection purposes, such as rubber-wood plantations and cork oak stands. Tree stands in agricultural production systems, such as those in fruit plantations, and agri-forestry systems are excluded from the definition of 'forests'. Trees in urban parks and gardens are also excluded from that definition.

3. 'Wooded areas' means land not classified as 'forest', spanning more than 0,5 hectare, with trees higher than 5 metres and a canopy cover of 5-10 percent, or trees able to reach those thresholds *in situ*, or with a combined cover of shrubs, bushes and trees above 10 percent. The term does not include land that is predominantly under agricultural or urban use.

4. The following forests and wooded areas shall be excluded from the scope of the first sentence of Article 42(1) of Regulation (EC) No 1698/2005:

- (a) forest and other wooded land owned by central or regional governments, or by government-owned corporations;
- (b) forest and other wooded land owned by the Crown;
- (c) forests owned by legal persons at least 50 % of whose capital is held by one of the institutions referred to in points (a) and (b).

Article 31

1. Agricultural land eligible for support for first afforestation under Article 43 of Regulation (EC) No 1698/2005 shall be specified by the Member State and shall include land where farming takes place on a regular basis.

First afforestation in a Natura 2000 site designated pursuant to Directives 79/409/EEC and 92/43/EEC shall be consistent with the management objectives of the site concerned.

2. For the purposes of Article 43(1)(a) of Regulation (EC) No 1698/2005, 'establishment costs' shall include the cost of the plantation material, the cost of the plantation and the cost directly linked to and necessary for the plantation.

3. For the purposes of Article 43(1)(c) of Regulation (EC) No 1698/2005, 'farmers' shall mean persons who devote an essential part of their working time to agricultural activities and derive from them a significant part of their income according to criteria to be determined by the Member State.

4. For the purposes of Article 43(3) and Article 44(3) of Regulation (EC) No 1698/2005, 'fast-growing species for short-term cultivation' shall mean species with a rotation time, namely the period between two harvest cuts on the same parcel, of less than 15 years.

Article 32

For the purpose of Article 44 of Regulation (EC) No 1698/2005 Member States, taking account of local conditions, forestry species and the need to ensure continuation of the agricultural use of the land, shall determine the maximum number of trees planted per hectare.

Article 33

1. Where support under Article 48 of Regulation (EC) No 1698/2005 covers the creation of forest firebreaks, eligible costs may comprise, beyond the cost of establishment, subsequent maintenance cost on the area concerned.

Support for maintaining forest firebreaks through agricultural activities shall not be granted for areas benefiting from agri-environment support.

2. Preventive actions against fire, as referred to in Article 48 of Regulation (EC) No 1698/2005, may cover the following:

(a) establishment of protective infrastructures such as forest paths, tracks, water supply points, firebreaks, cleared and felled areas, launching of operations to maintain firebreaks and cleared and felled areas;

(b) preventive forestry practices such as vegetation control, thinning, diversification of vegetation structure;

(c) setting-up or improvement of fixed forest fire monitoring facilities and communication equipment.

Article 34

1. Agricultural areas referred to in Article 50(5) of Regulation (EC) No 1698/2005, which are included in river basin management plans in accordance with Directive 2000/60/EC, shall be eligible for payments pursuant to Article 38 of Regulation (EC) No 1698/2005, if a relevant river basin management plan is established and implemented in those areas.

2. Environmental reasons qualifying areas as apt for afforestation as referred to in Article 50(6) of Regulation (EC) No 1698/2005 may comprise prevention from erosion and/or desertification, the enhancing of biodiversity, protection of water resources, prevention of floods and climate change mitigation, provided that the latter will not harm biodiversity or cause other environmental damage.

Sub-section 3

Axis 3

Article 35

For the purposes of Article 53 of Regulation (EC) No 1698/2005, a 'member of the farm household' shall mean a natural or legal person or a group of natural or legal persons, whatever legal status is granted to the group and its members by national law, with the exception of the farm workers. Where a member of the farm household is a legal person or a group of legal persons, that member must exercise an agricultural activity on the farm at the time of the support application.

Article 36

The public-private partnerships referred to in Article 59(e) of Regulation (EC) No 1698/2005 which receive support for implementing local development strategies shall respect the following conditions:

(a) they shall establish area-based local development strategies at sub-regional level;

(b) they shall be representative of the public and private-sector actors identified at the geographical level referred to in point (a) of this Article;

(c) the running costs shall not exceed 15 % of the public expenditure relating to the local development strategy of each individual public-private partnership.

Sub-section 4

Axis 4

Article 37

1. For the implementation of Axis 4 as referred to in Section 4 of Chapter I of Title IV of Regulation (EC) No 1698/2005, Member States or regions may opt to cover either their whole territory or part of it by adapting accordingly the criteria for selecting the local action groups and the areas they represent.

The procedures for selecting the local action groups must be open to the rural areas concerned and ensure competition between the local action groups putting forward local development strategies.

2. Calls for proposals for the selection of rural areas for the implementation of local development strategies referred to in Article 62(1)(a) of Regulation (EC) No 1698/2005 shall be organised no later than two years after the approval of the programmes. However, Member States or regions may organise additional calls for proposals, especially where Leader is open to new areas, in which case a longer time period may be needed.

3. The population of each area referred to in Article 61(a) and Article 62(3) of Regulation (EC) No 1698/2005 must as a general rule be not less than 5 000 and not more than 150 000 inhabitants.

However, in properly justified cases, the limits of 5 000 and 150 000 inhabitants may be lowered or increased respectively.

4. Member States of the Community as constituted at 30 April 2004 shall seek to ensure that a priority is given to the selection of local action groups which have integrated cooperation into their local development strategies pursuant to Article 62(4) of Regulation (EC) No 1698/2005.

Article 38

Running costs of local action groups as referred to in Article 63(c) of Regulation (EC) No 1698/2005 shall be eligible for Community support within a limit of 20 % of the total public expenditure of the local development strategy.

Article 39

1. Cooperation as referred to in Article 65 of Regulation (EC) No 1698/2005 shall involve at least one local action group selected under the Leader Axis. It shall be implemented under the responsibility of a coordinating local action group.

2. Cooperation shall be open to public-private partnerships as referred to in Article 59(e) of Regulation (EC) No 1698/2005 and to other rural areas organised with the following features:

- (a) presence of a local group in a geographical territory, which is active in rural development, with the capacity to draw up a development strategy for that territory;
- (b) the organisation of that local group is based on a partnership of local actors.

3. Cooperation shall include the implementation of a joint action.

Only expenditure for the joint action, for running any common structures and for preparatory technical support shall be eligible for support under Article 65 of Regulation (EC) No 1698/2005.

Expenditure on animation may be eligible in all the areas concerned by the cooperation.

4. The cooperation projects shall be selected by the competent authority of the Member State where such projects borne by the local action groups have not been integrated into their local development strategy pursuant to Article 62(4) of Regulation (EC) No 1698/2005. In that case, the cooperation projects may be submitted by the local action groups to the competent authority by 31 December 2013 at the latest.

5. Member States shall communicate to the Commission the approved transnational cooperation projects.

Sub-section 5

Technical assistance

Article 40

In case of rural development programmes covering both regions eligible under the Convergence Objective and regions not eligible under the Convergence Objective, the EAFRD contribution rate for technical assistance referred to in Article 70(3)(a) of Regulation (EC) No 1698/2005 may be determined taking into account the predominant type of regions, by their number, in the programme.

Article 41

1. The structure needed for running the national rural network provided for in Article 68 of Regulation (EC) No 1698/2005 may be established either within the competent national authorities or by selection through tendering procedures. That structure must be able to perform the tasks referred to in paragraph 2(b) of that Article.

2. Where a single rural development programme covers the whole territory of a Member State, the national rural network shall be part of the technical assistance component of the programme and a distinction shall be made between planned expenditure relating to elements covered by points (a) and (b) of Article 68(2) of Regulation (EC) No 1698/2005. However, expenditure related to the elements covered by that point (a) shall not exceed 25 % of the amount reserved for the national rural network.

3. Where Member States use the possibility provided for in the second subparagraph of Article 66(3) of Regulation (EC) No 1698/2005, the specific programme for the establishment and the operation of the national rural network shall be approved in accordance with Article 18(4) of that Regulation.

Article 4, Article 5(1) and (3), and Article 6 of this Regulation shall apply *mutatis-mutandis* for submission, approval, and changes of such specific programmes.

The specific programme and its financial table shall make a distinction between elements covered by points (a) and (b) of Article 68(2) of Regulation (EC) No 1698/2005. However, expenditure related to the elements covered by that point (a) shall not exceed 25 % of the total amount of that programme.

4. National rural networks shall be established by 31 December 2008 at the latest.

5. Detailed rules on the establishment and the organisation of the national rural networks are laid down in Annex II.

Section 2

Common provisions for several measures

Article 42

For the purposes of Article 70(7) of Regulation (EC) No 1698/2005, where integrated operations fall under more than one axis and/or measure, for each part of the operation clearly identified as falling within the scope of a particular rural development measure, the conditions of that measure shall apply.

Article 43

For investment measures, Member States shall ensure that support is targeted on clearly defined objectives reflecting identified structural and territorial needs and structural disadvantages.

Article 44

1. Where all or part of a holding of the beneficiary is transferred to another person during the period for which a commitment given as a condition for the grant of assistance runs, that other person may take over the commitment for the remainder of the period. If the commitment is not taken over, the beneficiary shall reimburse the assistance granted.

2. Member States may choose not to require the reimbursement referred to in paragraph 1 in the following cases:

- (a) where a beneficiary who has already honoured a significant part of the commitment concerned definitively ceases agricultural activities and it is not feasible for a successor to take over the commitment;
- (b) where the transfer of a part of the holding of a beneficiary occurs during a period of extension of the commitment in accordance with the second subparagraph of Article 27(12) and the transfer does not concern more than 50 % of the area covered by the commitment before the extension.

3. In the event of minor changes to the situation of a holding, Member States may take specific measures to ensure that the application of paragraph 1 does not lead to inappropriate results as regards the commitment entered into.

Article 45

1. When a beneficiary increases the area of the holding during the period for which a commitment given as a condition for the grant of assistance runs, Member States may provide for the commitment to be extended to cover the additional area for the remainder of the period of the commitment in accordance with paragraph 2, or for the original commitment to be replaced by a new one in accordance with paragraph 3.

Provision may also be made for such replacement in cases where the area covered by a commitment within a holding is extended.

2. The extension referred to in paragraph 1 may be granted only under the following conditions:

- (a) it is of benefit to the measure concerned;
- (b) it is justified in terms of the nature of the commitment, the length of the remaining period and the size of the additional area;
- (c) it does not impede the effectiveness of checks to ensure compliance with the conditions for the grant of assistance.

3. The new commitment referred to in paragraph 1 shall cover the whole area concerned under terms at least as strict as those of the original commitment.

4. Where a beneficiary is unable to continue to comply with commitments given because the holding is reorganised or is the subject of public land-consolidation measures or of land-consolidation measures approved by the competent public authorities, Member States shall take the measures necessary to allow the commitments to be adapted to the new situation of the holding. If such adaptation proves impossible, the commitment shall expire and reimbursement shall not be required in respect of the period in which the commitment was effective.

Article 46

A revision clause shall be provided for commitments undertaken pursuant to Articles 39, 40 and 47 of Regulation (EC) No 1698/2005 in order to ensure their adjustment in the case of amendments of the relevant mandatory standards or requirements referred to in Article 39(3), Article 40(2) and Article 47(1) of that Regulation, established pursuant to Articles 4 and 5 of Regulation (EC) No 1782/2003 and Annexes III and IV thereto, as well as of the minimum requirements for fertiliser and plant protection product use and of other relevant mandatory requirements established by national legislation, beyond which the commitments go as provided for in those Articles.

If such adjustment is not accepted by the beneficiary, the commitment shall expire and reimbursement shall not be required in respect of the period during which the commitment was effective.

Article 47

1. Member States may recognise, in particular, the following categories of *force majeure* or exceptional circumstances in which they will not require the partial or full reimbursement of aid received by the beneficiary:

- (a) death of the beneficiary;
- (b) long-term professional incapacity of the beneficiary;
- (c) expropriation of a large part of the holding if that could not have been anticipated on the day on which the commitment was given;
- (d) a severe natural disaster seriously affecting land on the holding;
- (e) the accidental destruction of livestock buildings on the holding;
- (f) an epizootic disease affecting all or part of the farmer's livestock.

2. Cases of *force majeure* or exceptional circumstances shall be notified in writing by the beneficiary, or any person entitled through or under him to the competent authority, together with relevant evidence to the satisfaction of that authority, within 10 working days from the date on which the beneficiary, or the person entitled through or under him, is in a position to do so.

CHAPTER IV

Eligibility and administrative provisions

Section 1

Verifiability and controllability of measures and eligibility rules

Sub-section 1

Verifiability and controllability of measures

Article 48

1. For the purposes of Article 74(1) of Regulation (EC) No 1698/2005 Member States shall ensure that all the rural development measures they intend to implement are verifiable and controllable. To this end, Member States shall define control arrangements that give them reasonable assurance that eligibility criteria and other commitments are respected.

2. In order to substantiate and confirm the adequacy and accuracy of the calculations of payments under Articles 31, 38, 39, 40 and 43 to 47 of Regulation (EC) No 1698/2005, Member States shall ensure that appropriate expertise is provided by bodies or services functionally independent from those responsible for those calculations. Provision of such expertise shall be evidenced in the rural development programme.

Sub-section 2

Interest rate subsidies

Article 49

Interest rate subsidies for loans may be co-financed by the EAFRD pursuant to Article 71(5) of Regulation (EC) No 1698/2005. When proposing interest rate subsidies, Member States shall indicate in their programmes the method of calculation of the interest rate subsidy to be used.

Member States may establish a system of capitalisation of the remaining annual instalments of the interest rate subsidy at any time during the period of the loan. Any remaining annual instalment after the final date for payments shall be capitalised and paid out by 31 December 2015 at the latest. For the purposes of claims for payment made to the Commission, the amounts paid out to the intermediary financial institution undertaking the payment of the discounted value of the subsidy shall be considered as expenditure actually incurred.

For the purposes of the second paragraph, an agreement is needed between the Member States' paying agency and the intermediary financial institution undertaking the payment of the discounted value of the subsidy. Member States shall indicate in the programme the calculation method and future value hypotheses to be used in calculating the capitalised value of outstanding interest rate subsidy as well as the arrangements for continuing transmitting the aid to the beneficiaries.

Member States shall remain responsible for the management of the payment of the discounted value of the subsidy for the entire loan period to the financial intermediary and for any recovery of amounts unduly paid in accordance with Article 33 of Council Regulation (EC) No 1290/2005⁽¹⁴⁾.

Sub-section 3

Other financial engineering actions

Article 50

Pursuant to Article 71(5) of Regulation (EC) No 1698/2005, as part of a rural development programme, the EAFRD may co-finance expenditure in respect of an operation comprising contributions to support venture capital funds, guarantee funds and loan funds (hereinafter 'the funds'), in accordance with Articles 51 and 52 of this Regulation.

⁽¹⁴⁾ OJ L 209, 11.8.2005, p. 1.

Article 51

1. Those part-financing the funds or their sponsors shall submit a business plan to the managing authority specifying, *inter alia*, the targeted market or guarantee portfolio, the criteria, terms and conditions of financing, the operational budget of the fund, the ownership and part-financing partners, the requirements as to the professionalism, competence and independence of the management, the fund's by-laws, the justification and intended utilisation of the EAFRD contribution, the investment exit policy, and the winding-up provisions of the fund, including the re-utilisation of returns attributable to the EAFRD contribution. The business plan shall be appraised and its implementation monitored by or under the responsibility of the managing authority.

2. The funds shall be set up as independent legal entities governed by agreements between the shareholders or as separate block of finance within an existing financial institution. In the latter case, the fund shall be subject to specific implementing rules, providing in particular for the keeping of separate accounts distinguishing the new resources invested in the fund, including those contributed by the EAFRD, from those initially available in the financial institution. The Commission shall not become a partner or shareholder in the fund.

3. The funds shall invest in or provide guarantees to enterprises on their establishment, during their early stages or expansion and only in activities that the fund managers consider potentially viable. The assessment of the economic viability shall take into account all sources of income of the enterprises in question. Funds shall not invest in or provide guarantees for firms in difficulty within the meaning of the Community Guidelines on State aid for rescuing and restructuring firms in difficulty⁽¹⁵⁾.

4. Precautions shall be taken by managing authorities and funds to minimise distortion of competition in the venture capital or lending market. In particular, returns from equity investments and loans, less a pro rata share of the management costs, may be preferentially allocated to the private sector shareholders up to the level of remuneration laid down in the shareholder agreement, and after that, they shall be allocated proportionally between all shareholders and the EAFRD.

5. Management costs of funds shall not exceed 3 % of the paid-up capital, or 2 % in the case of guarantee funds, on a yearly average for the duration of the programme unless, after a competitive tender, a higher percentage proves necessary.

6. The terms and conditions for contributions to funds from rural development programmes, including deliverables, investment strategy and planning, monitoring implementation, investment exit policy and winding up provisions, shall be

established in a funding agreement to be concluded between the fund on the one hand, and the Member State or the managing authority, on the other.

7. Contributions to funds from the EAFRD and other public sources and investments made by the funds in or guarantees provided to individual undertakings shall be subject to the rules in Regulation (EC) No 1698/2005 or to the Community rules on State aid.

Article 52

1. As regards financial engineering actions referred to in Article 51 of this Regulation, the expenditure declared to the Commission in accordance with Article 26(3)(a) of Regulation (EC) No 1290/2005 shall be the total expenditure paid in establishing or contributing to such funds.

However, when paying the balance and closing the rural development programme in accordance with Article 28 of Regulation (EC) No 1290/2005, the eligible expenditure shall be the total of:

- (a) any payment for investment in enterprises out of each of the funds concerned, or any guarantees provided including amounts committed as guarantees by guarantee funds;
- (b) eligible management costs.

The difference between the EAFRD contribution actually paid under financial engineering actions and the eligible expenditure under points (a) or (b) of the second subparagraph shall be cleared in the context of the annual accounts of the last year of implementation of the programme.

2. Interest generated by payments from rural development programmes to funds shall be used to finance financial engineering actions for individual undertakings.

3. Resources returned to the operation from investments undertaken by funds or left over after all guarantees have been honoured shall be reused by the competent authorities of the Member States concerned for the benefit of individual undertakings.

Sub-section 4

Standard costs and assumptions of income foregone, contributions in kind

Article 53

1. Where appropriate Member States may fix the level of support provided for in Articles 31, 37 to 41, and 43 to 49 of Regulation (EC) No 1698/2005 on the basis of standard costs and standard assumptions of income foregone.

⁽¹⁵⁾ OJ C 244, 1.10.2004, p. 2.

2. Member States shall ensure that the calculations and the corresponding support referred to in paragraph 1:

- (a) contain only elements that are verifiable;
- (b) are based on figures established by appropriate expertise;
- (c) indicate clearly the source of the figures;
- (d) are differentiated to take into account regional or local site conditions and actual land use as appropriate;
- (e) in the case of measures pursuant to Articles 31, 37 to 40 and 43 to 47 of Regulation (EC) No 1698/2005, do not contain elements linked to fixed investment costs.

Article 54

1. For measures involving investments in kind, contributions of a public or private beneficiary, namely the provision of goods or services for which no cash payment supported by invoices or equivalent documents is made, may be eligible expenditure provided that the following conditions are fulfilled:

- (a) the contributions consist in the provision of land or real estate, equipment or raw materials, research or professional work or unpaid voluntary work;
- (b) the contributions are not made in respect of financial engineering actions referred to in Article 50;
- (c) the value of the contributions can be independently assessed and verified.

In the case of provision of land or real estate, the value shall be certified by an independent qualified expert or duly authorised official body.

In the case of unpaid voluntary work, the value of that work shall be determined taking into account the time spent and the hourly and daily rate of remuneration for equivalent work, where relevant on the basis of ex-ante established system of standard costing, provided that the control system provides reasonable assurance that the work has been carried out.

2. Public expenditure co-financed by the EARDF, contributing to an operation which includes contributions in kind shall not exceed the total eligible expenditure, excluding contributions in kind, at the end of the operation.

Sub-section 5

Investments

Article 55

1. In the case of investments, eligible expenditure shall be limited to:

- (a) the construction, acquisition, including leasing, or improvement of immovable property;
- (b) the purchase or lease-purchase of new machinery and equipment, including computer software up to the market value of the asset. Other costs connected with the leasing contract, such as lessor's margin, interest refinancing costs, overheads and insurance charges, shall not be eligible expenditure;
- (c) general costs linked to expenditure referred to in points (a) and (b), such as fees of architects and engineers and consultation fees, feasibility studies, the acquisition of patent rights and licences.

By way of derogation from point (b) of the first subparagraph, and only for micro, small and medium-sized enterprises within the meaning of Commission Recommendation 2003/361/EC⁽¹⁶⁾, Member States may, in duly substantiated cases, establish the conditions under which the purchase of second-hand equipment may be regarded as eligible expenditure.

2. In the case of agricultural investments the purchase of agricultural production rights, animals, annual plants and their planting shall not be eligible for investment support.

However, in cases of restoration of agricultural potential damaged by natural disasters pursuant to Article 20(b)(vi) of Regulation (EC) No 1698/2005, expenditure for the purchase of animals may be eligible expenditure.

Simple replacement investments shall not be eligible expenditure.

Sub-section 6

Payment of advances for investment support

Article 56

1. By way of derogation from Article 26(5) of Commission Regulation (EC) No 1975/2006⁽¹⁷⁾, beneficiaries of investment support may request the payment of an advance from the competent paying agencies if this option is included in the rural development programme. As regards public beneficiaries, such an advance may be paid only to municipalities and associations thereof and to public law bodies.

⁽¹⁶⁾ OJ L 124, 20.5.2003, p. 36.

⁽¹⁷⁾ See page 74 of this Official Journal.

2. The amount of the advances shall not exceed 20 % of the public aid related to the investment, and its payment shall be subject to the establishment of a bank guarantee or an equivalent guarantee corresponding to 110 % of the amount of the advance.

However, in the case of the public beneficiaries referred to in paragraph 1, the paying agency may accept a written guarantee from their authority, in accordance with provisions applied in the Member States, covering an amount equal to the percentage specified in the first subparagraph, provided that the authority undertakes to pay the amount covered by that guarantee should entitlement to the advance paid not be established.

3. The guarantee shall be released when the competent paying agency establishes that the amount of actual expenditure corresponding to the public aid related to the investment exceeds the amount of the advance.

Section 2

State aid

Article 57

1. Rural development programmes may cover State aid intended to provide additional national funding in accordance with Article 89 of Regulation (EC) No 1698/2005 in favour of measures or operations falling within the scope of Article 36 of the Treaty only if the State aid is identified in accordance with point 9.A of Annex II to this Regulation.

2. Rural development programmes may cover State aid intended to provide financial contributions provided by Member States as counterpart of Community support in accordance with Article 88 of Regulation (EC) No 1698/2005 in favour of measures pursuant to Articles 25 and 52 of that Regulation and of operations under measures pursuant to Articles 28 and 29 of that Regulation or additional national funding in accordance with Article 89 of that Regulation in favour of the measures pursuant to Articles 25, 27 and 52 of that Regulation and of operations under measures pursuant to Articles 28 and 29 of that Regulation, falling outside the scope of Article 36 of the Treaty, only if the State aid is identified in accordance with point 9.B of Annex II to this Regulation.

3. Expenditure incurred for the measures and operations referred to in paragraph 2 of this Article shall be eligible only if the underlying aid does not constitute unlawful aid within the meaning of Article 1(f) of Council Regulation (EC) No 659/1999⁽¹⁸⁾ at the time the aid is granted.

The managing authority or any other competent authority in the Member State shall ensure that where aid is to be granted to operations under the measures referred to in paragraph 2 of this Article on the basis of existing aid schemes within the meaning of Article 1(b) and (d) of Regulation (EC) No 659/1999, any

applicable notification requirements for individual aid within the meaning of Article 1(e) of that Regulation are respected, and that such operations are selected only after notification of the underlying aid and approval by the Commission pursuant to Article 88(3) of the Treaty.

Section 3

Information and publicity

Article 58

1. The rural development programme shall include a communication plan which shall set out:

- (a) the aims and target groups;
- (b) the content and strategy of the communication and information measures, stating the measures to be taken;
- (c) its indicative budget;
- (d) the administrative departments or bodies responsible for implementation;
- (e) the criteria to be used to evaluate the impact of the information and publicity measures in terms of transparency, awareness of the rural development programmes and the role played by the Community.

2. The amount allocated for information and publicity may be part of the technical assistance component of the rural development programme.

3. Detailed rules on information and publicity are laid down in Annex VI.

Article 59

At the meetings of the Monitoring Committee set up in accordance with Article 77 of Regulation (EC) No 1698/2005, the Chairman shall report on progress in implementing the information and publicity measures and provide the Committee members with examples of such measures.

Section 4

Monitoring and evaluation

Article 60

The structure and the elements of the annual progress reports provided for in Article 82 of Regulation (EC) No 1698/2005 are set out in Annex VII to this Regulation.

⁽¹⁸⁾ OJ L 83, 27.3.1999, p. 1.

Article 61

Mid-term and ex-post evaluations in accordance with Article 86(4) and (5) of Regulation (EC) No 1698/2005 shall be submitted to the Commission respectively by 31 December 2010 and 31 December 2015 at the latest.

If Member States fail to submit the mid-term and ex-post evaluation reports by the dates referred to in the first paragraph of this Article the Commission may apply the procedure of temporary suspension of intermediate payments referred to in Article 27(3) of Regulation (EC) No 1290/2005 until it receives those evaluation reports.

Article 62

1. The common set of baseline, output, result, and impact indicators for the rural development programmes are listed in Annex VIII to this Regulation. That list of indicators shall form the Common Monitoring and Evaluation Framework (CMEF) referred to in Article 80 of Regulation (EC) No 1698/2005.

Where relevant, those indicators shall be broken down by age and gender of beneficiaries, as well as according to whether the measures are implemented in less-favoured areas or in areas covered by the Convergence Objective.

2. Progress on the output and result indicators shall be part of the annual progress report. That report shall include both common and additional indicators.

To measure progress in meeting the objectives of the rural development programme, indicative targets for output, result and impact indicators shall be set for the period of implementation of the programme, including additional national financing referred to in Article 89 of Regulation (EC) No 1698/2005.

3. Guidance on the CMEF shall be drawn up by the Commission through a common approach with the Member States. That guidance shall cover at least the following:

- (a) monitoring requirements;
- (b) the organisation of the ex-ante, mid-term and ex-post evaluation and common evaluation questions for each rural development measure;
- (c) guidance on the reporting system for assessing progress with respect to indicators;
- (d) information sheets for each measure containing the intervention logic and the different indicators;

- (e) information sheets describing baseline, output, result and impact indicators.

Section 5

Electronic exchange of information and documents

Article 63

1. The Commission, in collaboration with the Member States, shall establish an information system (hereinafter 'the System') to permit the secure exchange of data of common interest between the Commission and each Member State. Those data shall cover both administrative/operational and financial aspects, the latter covered by Article 18 of Commission Regulation (EC) No 883/2006⁽¹⁹⁾.

The System shall be set up and updated by the Commission through a common approach with the Member States.

2. As regards the administrative/operational management, the System shall contain the documentary aspects of common interest enabling monitoring to be carried out, and in particular: the national strategy plans and their updates, the summary reports, the programmes and their modifications, the Commission Decisions, the annual progress reports, including codification of measures in accordance with the table in Point 7 of Annex II, and the monitoring and evaluation indicators in Annex VIII.

3. The managing authority and the Commission shall input into the System and update the documents for which they are responsible in the format required.

4. The System shall be accessible to the Member States and the Commission either directly or via an interface for automatic synchronisation and inputting of data with national and regional computer management systems.

Member States shall submit requests for access rights to the System to the Commission in a centralised manner.

5. Exchanges of data shall be signed electronically in accordance with Article 5 of Directive 1999/93/EC of the European Parliament and of the Council⁽²⁰⁾. The Member States and the Commission shall recognise the legal effectiveness and admissibility as evidence in legal proceedings of the electronic signature used in the System.

6. The date to take into account for the forwarding of documents to the Commission shall be the date on which the Member State transmits the documents, after inputting them into the System.

⁽¹⁹⁾ OJ L 171, 23.6.2006, p. 1.

⁽²⁰⁾ OJ L 13, 19.1.2000, p. 12.

A document shall be regarded as having been sent to the Commission once it is no longer possible for the Member State to amend it or remove it from the System.

7. The cost of developing and updating the common elements of the System shall be financed by the Community budget in accordance with Article 66(1) of Regulation (EC) No 1698/2005.

Any costs of an interface between national and local systems, on the one hand, and the System, on the other hand, and any costs of adapting national and local systems may be eligible under Article 66(2) of that Regulation.

8. In cases of *force majeure* or exceptional circumstances, and in particular of malfunctioning of the System or a lack of a lasting connection, the Member State may submit the documents to the Commission in hard copy. Such submission of hard copies shall require the t prior and formal agreement of the Commission.

Once the cause of *force majeure* or exceptional circumstance preventing use of the System ceases, the Member State shall input the documents concerned into the System. In this event, the date of sending shall be deemed to be the date of submission of the documents in hard copy.

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

Done at Brussels, 15 December 2006.

CHAPTER V

Final provisions

Article 64

Regulation (EC) No 817/2004 is repealed as from 1 January 2007.

It shall continue to apply to measures approved before 1 January 2007 under Regulation (EC) No 1257/1999.

Article 11 of Regulation (EC) No 817/2004 and points 9.3.V.A(1) and 9.3.V.B(1), (2) and (3) and the second indent of point 9.3.V.B. of Annex II thereto shall continue to apply until 31 December 2009 pursuant to the third paragraph of Article 94 of Regulation (EC) No 1698/2005.

Article 65

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.

For the Commission
Mariann FISCHER BOEL
Member of the Commission

ANNEX I

SUPPORT SCHEMES REFERRED TO IN ARTICLE 2(2)

- Fruits and Vegetables (Article 14(2) and Article 15 of Council Regulation (EC) No 2200/96 ⁽¹⁾)
- Wine (Title II, Chapter III of Regulation (EC) No 1493/1999)
- Tobacco (Article 13(2)(b) of Council Regulation (EEC) No 2075/92 ⁽²⁾)
- Olive oil (Article 8(1) of Council Regulation (EC) No 865/2004 ⁽³⁾)
- Hops (Article 6 of Council Regulation (EC) No 1952/2005 ⁽⁴⁾)
- Beef and Veal (Article 132 of Regulation (EC) No 1782/2003)
- Sheep and Goats (Article 114(1) and Article 119 of Regulation (EC) No 1782/2003)
- Bee keeping (Article 2 of Council Regulation (EC) No 797/2004 ⁽⁵⁾)
- Sugar (Council Regulation (EC) No 320/2006 ⁽⁶⁾)
- Specific measures for agriculture in the outermost regions (Title III of Council Regulation (EC) No 247/2006 ⁽⁷⁾) and Smaller Aegean islands (Chapter III of Council Regulation (EC) No 1405/2006 ⁽⁸⁾)
- Direct payments (Article 42(5) and Article 69 of Regulation (EC) No 1782/2003)

⁽¹⁾ OJ L 297, 21.11.1996, p. 1.

⁽²⁾ OL L 215, 30.7.1992, p. 70.

⁽³⁾ OJ L 161, 30.4.2004, p. 97; corrected version (OJ L 206, 9.6.2004, p. 37).

⁽⁴⁾ OJ L 314, 30.11.2005, p. 1.

⁽⁵⁾ OJ L 125, 28.4.2004, p. 1.

⁽⁶⁾ OJ L 58, 28.2.2006, p. 42.

⁽⁷⁾ OJ L 42, 14.2.2006, p. 1.

⁽⁸⁾ OJ L 265, 26.9.2006, p. 1.

ANNEX II

A. CONTENT OF A RURAL DEVELOPMENT PROGRAMME (ARTICLE 5)

1. **Title of rural development programme**
2. **Member State and administrative region (if relevant)**
 - 2.1. *Geographical area covered by the plan*

(Article 15(2) of Regulation (EC) No 1698/2005)
 - 2.2. *Regions classified as 'Convergence' Objective*

(Article 16(d) and Article 69 of Regulation (EC) No 1698/2005)

Identify:

 - Convergence regions.
3. **Analysis of the situation in terms of strengths and weaknesses, the strategy chosen to meet them and the ex ante evaluation**

(Article 16(a) and Article 85 of Regulation (EC) No 1698/2005)

 - 3.1. *Analysis of the situation in terms of strengths and weaknesses*

Describe the current situation of the geographical area using quantified data, highlighting strengths and weaknesses, disparities, needs and gaps and potential for rural development on the basis of the baseline indicators defined in Annex VIII and of other relevant additional indicators. This description shall concern:

 - **The general socio-economic context of the geographical area:** the definition of the rural area taking into account point 2.4 of the Annex to Council Decision 2006/144/EC⁽¹⁾; the demographic situation including analysis of the age and gender population structure, in- and out-migration and problems arising from peri-urban pressures and remoteness; economic drivers, productivity and growth; the labour market including the structure of employment, unemployment and skills levels including analysis of the age and gender employment situation; general and agricultural/forestry land use and ownership structure, average size of holdings.
 - **Performance of the agricultural, forestry and food sectors:** competitiveness of agricultural, forestry and food sectors, analysis of structural disadvantages and identification, of restructuring and modernisation needs; human capital and entrepreneurship; potential for innovation and knowledge transfer; quality and compliance with Community standards.
 - **Environment and land management:** the handicaps facing farms in areas at risk of abandonment and marginalisation; overall description of biodiversity with focus on that linked to agriculture and forestry, including high nature value farming and forestry systems, the situation with respect to the implementation of the Natura 2000 directives in farm/forestland; water quality and quantity descriptions, the role of agriculture in water use/pollution and implementation of Council Directive 91/676/EEC⁽²⁾ and of Directive 2000/60/EC (The Nitrates and the Water Framework Directive); air pollution and climate change and their link to agriculture: Greenhouse gas (GHG) and ammonia emissions and link to different action plans/initiatives taken by the Member State/region to contribute in achieving international targets including the Code of Good Practice to reduce ammonia emissions (Convention on Long Range Transboundary Pollution); bioenergy use; soil quality descriptions (water and wind erosion, organic matter, contamination) and protection, pesticide use, organic farming and animal welfare; extent of protective and protected forest areas, forest areas under high/medium fire risk, annual average change in forest coverage. The above descriptions shall be supported by quantified data.

⁽¹⁾ OJ L 55, 25.2.2006, p. 20.

⁽²⁾ OJ L 375, 31.12.1991, p. 1.

- **Rural economy and quality of life:** structure of the rural economy, barriers to creation of alternative employment opportunities, micro-business formation and tourism; description and gap analysis of the provision of services in rural area, including access to online services and broadband infrastructure; infrastructural needs, cultural heritage and built environment in villages; human potential and local capacity for development including governance.
- **Leader:** the population and territory of the Member States covered by bottom-up integrated rural development strategies (Leader+ and other national and Community co-financed programmes) during the 2000-06 programming period.

3.2. *The strategy chosen to meet strengths and weaknesses*

Describe the choice and the hierarchy of rural development measures to address the situation in the rural territory and the financial weight given to the different axes and measures justified by the analysis of the strengths and weaknesses.

3.3. *The ex ante evaluation*

Include this evaluation that will identify and appraise the elements contained in Article 85 of Regulation (EC) No 1698/2005: 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.

The ex ante evaluation shall address also the requirements of the environmental assessment provided for by Directive 2001/42/EC of the European Parliament and of the Council⁽¹⁾ (the 'Strategic Environmental Assessment Directive').

The complete ex ante evaluation will be presented as an annex to the rural development programme.

3.4. *Impact from the previous programming period and other information*

Describe the impact of EAGGF financial resources allocated to rural development during the previous programming period on the same programming area. Present a summary of the results of evaluations.

Where relevant, also describe any supplementary measures in addition to Community rural development and accompanying measures which have had an impact on the programming area concerned.

4. **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**

(Article 16(b) of Regulation (EC) No 1698/2005)

4.1. *Justification of the priorities chosen having regard to the Community strategic guidelines and the national strategy plan*

Describe how the measures selected in the rural development programme and the financial weight given to the four Axes reflect the national strategy plan and the specific national situation.

4.2. *Expected impacts deriving from the ex ante evaluation with regard to the priorities chosen*

The rural development programme will include a summary of the ex ante evaluation (driven from the full ex ante evaluation annexed to the programme) and how the managing authorities took into account the results of this evaluation. This part shall also comment on the expected impacts of synergies between axes and measures and how integrated actions across them can contribute to positive externalities and win-win situations.

⁽¹⁾ OJ L 197, 21.7.2001, p. 30.

5. Information on the axes and measures proposed for each axis and their description

(Article 16(c) of Regulation (EC) No 1698/2005)

This information shall include the description of the axes and measures proposed, as well as specific verifiable objectives and indicators referred in Article 81 of Regulation (EC) No 1698/2005 that allow the programme's progress, efficiency and effectiveness to be measured. These indicators will include common indicators included in the CMEF (Annex VIII to this Regulation) and additional indicators specific to the programme.

5.1. General requirements

- identify the specific article (and paragraph where relevant) which covers each rural development measure. Where two or more articles are quoted (for integrated operations), the payment shall be attributed to the dominant measure and through this to the dominant axis (Article 70(7) of Regulation (EC) No 1698/2005), but each part shall be implemented in accordance with the rules governing the individual measures.
- identify the rationale for intervention, the objectives, the scope and actions, indicators, quantified targets and where appropriate beneficiaries.

5.2. Requirements concerning all or several measures

- Reference of all ongoing operations/contracts from the previous period, including in financial terms, and the procedures/rules (including the transitional ones) which apply to these in accordance with Commission Regulation (EC) No 1320/2006 laying down rules for the transition to the rural development support provided for by Council Regulation (EC) No 1698/2005⁽¹⁾. Where deviations from the correlation table set in Annex II to that Regulation are proposed in a programme such deviations must be explained under this indent. For operations belonging to measures which will no longer be re-conducted in the 2007-13 programming period description may be limited only to the requirements under this indent.
- Confirmation that for the measures pursuant to Articles 25 and 52 of Regulation (EC) No 1698/2005 and for operations under the measures pursuant to Articles 28 and 29 of that Regulation which fall outside the scope of Article 36 of the Treaty, respect of the State aid procedures and material compatibility criteria, in particular aid ceilings of total public support under Articles 87 to 89 of the Treaty, is ensured.
- Confirmation that the cross-compliance requirements, which affect the implementation of several rural development measures, are identical to those provided for by Regulation (EC) No 1782/2003.
- Evidence that for investment measures support is targeted on clearly defined objectives reflecting identified territorial needs and structural disadvantages.
- Criteria and administrative rules for ensuring that operations benefiting exceptionally from rural development support in the support schemes listed in Annex I to this Regulation are not also supported by other relevant instruments of the Common Agricultural Policy.
- Evidence as referred to in Article 48(2) of this Regulation allowing the Commission to check consistency and plausibility of the calculations.
- In case of use of interest rate subsidies and capitalisation systems thereof, as well as of financial engineering actions, the arrangements in accordance with Articles 49 to 52 of this Regulation.

⁽¹⁾ OJ L 243, 6.9.2006, p. 6.

5.3. *Information required for Axes and measures*

The following specific information is required for measures:

5.3.1. **Axis 1: Improving the competitiveness of the agricultural and forestry sector**

Common to certain measures relating to forestry

- linkage of proposed measures with national/sub-national forest programmes or equivalent instruments and with the Community Forestry Strategy.

5.3.1.1. **Measures aimed at promoting knowledge and improving human potential**

5.3.1.1.1. Vocational training and information actions, including diffusion of scientific knowledge and innovative practices, for persons engaged in the agricultural, food and forestry sectors

- description of the operations (including types of training) and the type of beneficiaries,
- details on coverage of support.

5.3.1.1.2. Setting up of young farmers

- the definition of 'setting up' used by the Member State/region,
- a summary of the requirements of the business plan, including in case of investments to comply with existing Community standards within a 36-month grace period, and details on frequency and treatment of reviews of the business plan,
- use of the possibility to benefit from the grace period in order to reach the occupational skills and competence requirements,
- use of the possibility to combine different measures through the business plan giving access of the young farmer to these measures,
- amount of support and choice of payment (single premium in up to five instalments, interest rate subsidy or combination of both).

5.3.1.1.3. Early retirement of farmers and farm workers

- description of the link with national retirement schemes,
- description of the link with the young farmers setting-up measure (where this options was chosen),
- duration of the aid,
- use of the possibility to transfer released land to a body which undertakes to reassign it at a later date,
- amount for payments.

5.3.1.1.4. Use of farm and forestry advisory services

- description of the farm/forestry advisory systems put in place by the Member State, including the procedure for the selection of the bodies responsible for the provision of those services to farmers/forest holders,
- amount and rate of support.

5.3.1.1.5. Setting up of management, relief and advisory services

- description of the setting-up procedures, the status of the services providers, the type of services covered,
- description of the types of eligible expenditures, level of support, including its degressivity.

5.3.1.2. **Measures aimed at restructuring and developing physical potential and promoting innovation**

5.3.1.2.1. Modernisation of agricultural holdings

- description of the requirements and targets with regard to the improvement of the overall performance of the agricultural holdings,
- types of investments (tangible-intangible),
- types of beneficiaries,
- designation of the newly introduced Community standards (and of existing standards in the case of young farmers receiving setting-up support) for which support may be granted, justification related to the specific problems involved in complying with these standards and duration and justification of the grace period per standard concerned,
- type of support and aid intensities.

5.3.1.2.2. Improving the economic value of forests

- types of investments and of the beneficiaries concerned,
- type of support and aid intensities.

5.3.1.2.3. Adding value to agricultural and forestry products

- description of the requirements and targets with regard to the overall performance of the enterprises,
- primary production sectors and types of investments (tangible-intangible),
- types and size of the beneficiary enterprises,
- designation of the standards for which a period of grace can be granted to micro-enterprises in order to comply with a newly introduced Community standard,
- type of support and aid intensities.

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

- sectors covered and types of partners involved in the cooperation projects,
- description of any distinction between cooperation projects in the fields of new products/new processes/new technologies,
- types of eligible costs and levels of support.

5.3.1.2.5. Infrastructure related to the development and adaptation of agriculture and forestry

- Description of the type of operations.

5.3.1.2.6. Restoring agricultural production potential damaged by natural disasters and introducing appropriate prevention actions

- On occurrence of such events, assurance that only investment expenditure is covered.

5.3.1.3. **Measures aimed at improving the quality of agricultural production and products**

5.3.1.3.1. Meeting standards based on Community legislation

- list of standards based on Community legislation eligible for support under Article 31(1) of Regulation (EC) No 1698/2005, date from which each standard is mandatory in accordance with Community legislation and justification of choice,
- description of the significant impact on farm operating costs stemming from the obligations or restrictions imposed by the new standard,
- amount of support per eligible standard and methodology used to determine this amount.

5.3.1.3.2. Participation of farmers in food quality schemes

- list of Community and national quality schemes eligible for support, including the list of products qualifying for support under the quality schemes chosen. For national schemes, description of the scheme regarding the criteria referred to in Article 22(2),
- indication of the official authority or authorities responsible for the supervision of the functioning of the quality scheme and description of the organisational arrangements for the supervision,
- amount of support per type of eligible scheme and justification of fixed costs.

5.3.1.3.3. Information and promotion activities

- list of products qualifying for support under the quality scheme chosen under measure 'Participation of farmers in food quality schemes',
- procedure for ensuring that actions benefiting from rural development support are not also supported under Regulation (EC) No 2826/2000,
- procedure for ex ante checks on information, promotion, and advertising materials (Article 23(6) of this Regulation),
- summary description of the type of eligible costs and rates of support.

5.3.1.4. **Transitional measures for the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia**

5.3.1.4.1. Supporting semi-subsistence agricultural holdings undergoing restructuring

- definition of the semi-subsistence farm taking account of the minimum and/or maximum size of the farm, the proportion of production marketed, and/or the level of income of the eligible farm;

- definition of the future economic viability;
- summary of the requirements of the business plan;
- amount and duration of support.

5.3.1.4.2. Setting up of producer groups

- description of the official procedure for recognising the groups including selection criteria;
- sectors concerned;
- solely for Malta, indication of the sector or sectors benefiting from the derogation with the justification related to the extremely small total output, and the conditions of eligibility for the derogation: minimum percentage of the group's production compared to total production in the sector, minimum number of producers in the sector who are members of the group;
- solely for Malta, justification of annual amounts.

5.3.2. **Axis 2: Improving the environment and the countryside**

5.3.2.1. **Measures targeting the sustainable use of agricultural land**

Common to certain measures

Detailed description of the national implementation:

- for the specific purposes of Article 39(3) of Regulation (EC) No 1698/2005 the minimum requirements for fertilizer and plant protection products use and other relevant mandatory requirements; minimum requirements for fertilisers must include, inter alia, the Codes of Good Practice introduced under Directive 91/676/EEC for farms outside Nitrate Vulnerable Zones, and requirements concerning phosphorus pollution; minimum requirements for plant protection products must include, inter alia, requirements to have a licence to use the products and meet training obligations, requirements on safe storage, the checking of application machinery and rules on pesticide use close to water and other sensitive sites, as established by national legislation;
- for the specific purposes of Article 40(2) of Regulation (EC) No 1698/2005 other relevant mandatory requirements established by national legislation.

5.3.2.1.1. Natural handicap payments to farmers in mountain areas

The provisions of points 9.3.V.A(1) and 9.3.V.B(1), (2) and (3) and of the second indent of point 9.3.V.B. of Annex II to Regulation (EC) No 817/2004 apply until 31 December 2009. However, the distinction between A and B, main features/other information respectively is invalidated.

5.3.2.1.2. Payments to farmers in areas with handicaps, other than mountain areas

Point 5.3.2.1.1 applies.

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

- the areas designated to implement Directives 79/409/EEC and 92/43/EEC and the obligations for farmers resulting from the corresponding national/regional management provisions;
- description of the methodology and the agronomic assumptions used as reference point for the calculations justifying additional costs and income foregone resulting from the disadvantages in the area concerned related to the implementation of Directives 79/409/EEC and 92/43/EEC ⁽¹⁾;
- amounts of support.

⁽¹⁾ Details for Directive 2000/60/EC will be issued at a later stage.

5.3.2.1.4. Agri-environment payments

- description and justification of the different types of commitments, based on their expected environmental impact in relation to environmental needs and priorities,
- the description of the methodology and of the agronomic assumptions and parameters (including the description of the baseline requirements as stated in Article 39(3) of Regulation (EC) No 1698/2005 which are relevant for each particular type of commitment) used as reference point for the calculations justifying: (a) additional costs, (b) income foregone resulting from the commitment made and (c) level of the transaction costs; where relevant, this methodology shall take into account aid granted under Regulation (EC) No 1782/2003; where appropriate, the conversion method used for other units in accordance with Article 27(9) of this Regulation,
- amounts of support,
- the measures, objectives and criteria applied in case of the selection of beneficiaries by calls for tender in accordance with the second subparagraph of Article 39(4) of Regulation (EC) No 1698/2005,
- the list of local breeds in danger of being lost to farming and the number of breeding females concerned. That number must be certified by a duly recognised technical body — or breeder's organisation/association — which must register and keep up-to-date the herd or flock book for the breed. Evidence that the body concerned possesses the necessary skills and knowledge to identify animals of the breeds in danger,
- for plant genetic resources under threat of genetic erosion, evidence of genetic erosion based upon scientific results and indicators for the occurrence of landraces/primitive (local) varieties, their population diversity and the prevailing agricultural practices at local level,
- for conservation of genetic resources in agriculture (Article 39(5) of Regulation (EC) No 1698/2005): types of beneficiaries, of operations and details on eligible costs.

5.3.2.1.5. Animal welfare payments

- description and justification of the different types of commitments, in at least one of the areas identified in Article 27(7) of this Regulation, based on their expected impact,
- description of the methodology and of the agronomic/zoo-technical assumptions and parameters (including the description of the baseline requirements as stated in Article 40(2) of Regulation (EC) No 1698/2005 which are relevant for each particular type of commitment) used as reference point for the calculations justifying: (a) additional costs and income foregone resulting from the commitment made; (b) level of the transaction costs,
- amounts of support.

5.3.2.1.6. Support for non-productive investments

- definition of operations to be supported,
- description of the link to commitments provided for in Article 36(a)(iv) of Regulation (EC) No 1698/2005 or other agri-environmental objectives,
- description of the public amenity values of a Natura 2000 area or other high nature value area to be enhanced.

5.3.2.2. **Measures targeting the sustainable use of forestry land**

Common to all measures:

- linkage of proposed measures with national/sub-national forest programmes or equivalent instruments and with the Community Forestry Strategy,
- reference to the forest protection plans for areas classified as high or medium risk for forest fires and the elements ensuring conformity of proposed measures with these protection plans.

5.3.2.2.1. First afforestation of agricultural land

- definition of 'agricultural land',
- definition of 'farmer',
- provisions and criteria for the selection of the areas to be afforested ensuring that the planned measures are suited to local conditions and compatible with the environmental requirements, particularly biodiversity, in accordance with Article 50(6) of Regulation (EC) No 1698/2005 and Article 34(2) of this Regulation,
- description of the methodology for the calculation of establishment and maintenance cost as well as income foregone to be compensated. Where relevant for the latter, this methodology shall take into account aid granted under Regulation (EC) No 1782/2003,
- aid intensity for establishment support, amounts and duration of annual premiums contributing to covering maintenance costs and loss of income.

5.3.2.2.2. First establishment of agroforestry systems on agricultural land

- definition of agroforestry systems to be supported,
- forestry use,
- agricultural use,
- densities of planting,
- description of the methodology for the calculation of the establishment cost,
- aid intensities for establishment support.

5.3.2.2.3. First afforestation of non-agricultural land

- provisions and criteria for the designation of areas to be afforested,
- provisions ensuring that the planned measures are suited to local conditions and compatible with the environmental requirements, particularly biodiversity,
- description of the methodology for the calculation of establishment and maintenance costs,
- aid intensities for establishment support.

5.3.2.2.4. Natura 2000 Payments

- the areas designated to implement Directives 79/409/EEC and 92/43/EEC as well as the obligations for forest owners resulting from the corresponding national/regional management provisions,
- description of the methodology for the calculations justifying costs incurred and income foregone resulting from the restrictions on the use of forests and other wooded land due to implementation of Directives 79/409/EEC and 92/43/EEC in the area concerned,
- amount of support.

5.3.2.2.5. Forest-environment payments

- justification for the commitments, based on their expected environmental impact in relation to environmental needs and priorities,
- description of the methodology and of the assumptions and parameters used as reference point for the calculations justifying additional costs and income foregone resulting from the commitment given,
- amount of support.

5.3.2.2.6. Restoring forestry potential and introducing prevention actions

- nature of the actions to be implemented and prevention plans.

5.3.2.2.7. Support for non-productive investments

- definition of operations to be supported,
- description of the link to commitments provided for in Article 36(b)(v) of Regulation (EC) No 1698/2005 or other environmental objective,
- description of the public amenity values to be enhanced.

5.3.3. **Axis 3: Quality of life in rural areas and diversification of the rural economy**

5.3.3.1. **Measures to diversify the rural economy**

5.3.3.1.1. Diversification into non-agricultural activities

- domains of diversification covered,
- aid intensities.

5.3.3.1.2. Support for the creation and development of micro-enterprises

- types of beneficiary enterprises,
- description of the type of operations,
- aid intensities.

5.3.3.1.3. Encouragement of tourism activities

- description of the type of operations covered, referred to in Article 55 of Regulation (EC) No 1698/2005,
- aid intensities.

5.3.3.2. **Measures to improve the quality of life in rural areas**

5.3.3.2.1. Basic services for the economy and rural population

- types of services supported,
- types of cost covered.

5.3.3.2.2. Village renewal and development

- types of actions supported,
- types of cost covered.

5.3.3.2.3. Conservation and upgrading of the rural heritage

- description of the type of operations covered, referred to in Article 57 of Regulation (EC) No 1698/2005.

5.3.3.3. Training and information

- field(s) covered by the training and information,
- type of economic actors beneficiary of actions envisaged.

5.3.3.4. Skill acquisition, animation and implementation

- skill acquisition and animation: description of the type of operation covered,
- public-private partnerships under Article 59(e) of Regulation (EC) No 1698/2005 other than those referred to in Article 62(1)(b) of that Regulation that will implement local development strategies: description of the type (partners represented, percentage of private partners represented, decision-making power), indicative estimate of the number of the public-private partnerships and area and population covered; indication of Axis 3 measures implemented by these public-private partnerships; provision ensuring that the running costs of these partnerships fit within the ceiling of 15 % of the public expenditure of their local development strategy.

5.3.4. **Axis 4: Implementation of the Leader approach**

5.3.4.1. **Local development strategies**

- procedure and timetable for selecting the local action groups, including objective selection criteria and planned indicative number of local action groups and planned percentage of rural territories covered by local development strategies,
- justification for selection of areas whose population falls outside the limits set out in Article 37(3),
- procedure for the selection of operations by the local action groups,
- description of the financial circuits applicable for local action groups.

5.3.4.2. **Inter-territorial and transnational cooperation**

- Procedure, timetable and objective criteria to select inter-territorial and transnational cooperation projects.

5.3.4.3. **Running the local action group, acquiring skills and animating the territory**

- limit to apply on the share of the local action group budget for running the local action groups,
- indicative estimate of expenditure under Article 59(a) to (d) of Regulation (EC) No 1698/2005 which will be used for skills acquisition and animation for the Leader axis.

6. **A financing plan, comprising two tables**

(Article 16(d) of Regulation (EC) No 1698/2005)

6.1. *Annual Contribution from the EAFRD (in EUR)*

Year	2007	2008	2009	2010	2011	2012	2013
Total EAFRD							
Convergence regions (*)							

(*) For Member States with convergence and non-convergence regions.

6.2. *Financial plan by axis (in EUR total period) ⁽¹⁾*

Axis	Public contribution		
	Total public	EAFRD contribution rate (%)	EAFRD amount
Axis 1			
Axis 2			
Axis 3			
Axis 4			
Technical Assistance			
Total			

NB: Transitional expenditure according to the first indent of point 5.2 of this Annex shall be integrated in the tables in points 6.1, 6.2 and point 7. For the identification of such expenditure Member States shall use the correlation table in Annex II to Regulation (EC) No 1320/2006.

7. **Indicative breakdown by Rural Development Measure (in EUR, total period)**

Measure/Axis	Public expenditure	Private expenditure	Total Cost
Measure 111			
Measure 112			
Measure 121			
Measure 1 ...			
Total Axis 1			
Measure 211			
Measure 212			
Measure 221			
Measure 2 ...			
Total Axis 2			

⁽¹⁾ In so far the rural development programme covers different types of regions and the EAFRD co-financing rates are differentiated, table 6.2 needs to be repeated for each type of region: Convergence Objective regions, Outermost regions and smaller Aegean Islands, other regions.

Measure/Axis	Public expenditure	Private expenditure	Total Cost
Measure 311			
Measure 312			
Measure 321			
Measure 3 ...			
Total Axis 3			
41 Local development strategies:			
— 411 Competitiveness			
— 412 Environment/land management			
— 413 Quality of life/diversification			
421 Cooperation:			
431 Running costs, skills acquisition, animation			
Total Axis 4 ⁽¹⁾			
Total axes 1, 2, 3 and 4			
511 Technical Assistance of which amount for the national rural network (where relevant):			
(a) running costs			
(b) action plan			
Grand total			

⁽¹⁾ In order to verify compliance with Article 17 of Regulation (EC) No 1698/2005 the distribution key between axes resulting from the local development strategies will be applied to the total allocation of axis 4.

The consolidated financial table and the indicative initial measure table must follow the structure of the tables in points 6.1, 6.2 and point 7 and the order of the following list:

The different measures are codified as follows:

- (111) vocational training, information actions, including diffusion of scientific knowledge and innovative practices for persons engaged in the agricultural, food and forestry sectors;
- (112) setting up of young farmers;
- (113) early retirement of farmers and farm workers;
- (114) use by farmers and forest holders of advisory services;
- (115) setting up of farm management, farm relief and farm advisory services, as well as forestry advisory services;
- (121) farm modernisation;

- (122) improving the economic value of the forest;
- (123) adding value to agricultural and forestry products;
- (124) cooperation for development of new products, processes and technologies in the agricultural and food sector;
- (125) improving and developing infrastructure related to the development and adaptation of agriculture and forestry;
- (126) restoring agricultural production potential damaged by natural disasters and introducing appropriate prevention actions;
- (131) helping farmers to adapt to demanding standards based on Community legislation;
- (132) supporting farmers who participate in food quality schemes;
- (133) supporting producer groups for information and promotion activities for products under food quality schemes;
- (141) supporting semi-subsistence farms undergoing restructuring;
- (142) setting up of producer groups;
- (211) natural handicap payments to farmers in mountain areas;
- (212) payments to farmers in areas with handicaps, other than mountain areas;
- (213) Natura 2000 payments and payments linked to Directive 2000/60/EC;
- (214) agri-environmental payments;
- (215) animal welfare payments;
- (216) support for non-productive investments;
- (221) first afforestation of agricultural land;
- (222) first establishment of agroforestry systems on agricultural land;
- (223) first afforestation of non-agricultural land;
- (224) Natura 2000 payments;
- (225) forest environment payments;
- (226) restoring forestry potential and introducing prevention actions;
- (227) support for non-productive investments;
- (311) diversification into non-agricultural activities;
- (312) support for the creation and development of micro-enterprises;
- (313) encouragement of tourism activities;
- (321) basic services for the economy and rural population;
- (322) village renewal and development;
- (323) conservation and upgrading of the rural heritage;

- (331) training and information for economic actors operating in the fields covered by Axis 3;
- (341) skills acquisition and animation with a view to preparing and implementing a local development strategy;
- (41) local development strategies;
- (411) competitiveness;
- (412) environment/land management;
- (413) quality of life/diversification;
- (421) transnational and inter-regional cooperation;
- (431) running the local action group, skills acquisition, animation;
- (511) technical assistance.

8. **Where applicable, a table on additional national financing per axis, distinguishing the measures concerned as identified in Regulation (EC) No 1698/2005**

Table

Additional national financing (Article 16(f) of Regulation (EC) No 1698/2005)

(In Euro, total period)

Axis 1	
Measure 111	
...	
Total Axis 1	
Axis 2	
Measure 211	
...	
Total Axis 2	
Axis 3	
Measure 311	
...	
Total Axis 3	
Axis 4	
Measure 411	
...	
Total Axis 4	
Total Axis 1, Axis 2, Axis 3, Axis 4	

9. **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**

(Article 16(g) of Regulation (EC) No 1698/2005)

Elements under points A and B for state aid rules and procedures must be valid over the entire life cycle of the programme and cover both the initial submission and subsequent changes thereof.

A. For measures and operations falling within the scope of Article 36 of the Treaty, either:

- indicate whether support will be granted in respect of Commission Regulation (EC) No 1860/2004 ⁽¹⁾ on *de minimis* support in the agriculture sector; or
- provide the registration number and the reference to the Commission exemption Regulation adopted on the basis of Council Regulation (EC) No 994/98 ⁽²⁾ under which the measure was introduced; or
- provide the case number and reference number under which the measure has been declared compatible with the Treaty by the Commission; or
- submit the relevant information sheet annexed to Commission Regulation (EC) No 794/2004 ⁽³⁾.

B. For the measures pursuant to Articles 25, 27 (for the latter only for additional national funding referred to in Article 89 of Regulation (EC) No 1698/2005) and 52 of Regulation (EC) No 1698/2005 and operations under the measures pursuant to Articles 28 and 29 of that Regulation which fall outside the scope of Article 36 of the Treaty, either:

- indicate whether support will be granted in respect of Commission Regulation (EC) No 69/2001 ⁽⁴⁾ on *de minimis* support; or
- list the registration number and the reference to the Commission exemption Regulation adopted on the basis of Regulation (EC) No 994/98 under which the measure was introduced; or
- provide the case number and reference number under which the measure has been declared compatible with the Treaty by the Commission; or
- indicate for what other reasons the aid scheme concerned shall constitute existing aid within the meaning of Article 1(b) of Regulation (EC) No 659/1999 including existing aid measures within the meaning of the Accession Treaties.

Those measures must be provided in the format of State aid table, as set out below:

C. Format of State aid table, to be attached to each rural development programme

Measure code	Name of the aid scheme	Indication of lawfulness of the scheme (*)	Duration of aid scheme

(*) To indicate respectively:

- For the measures covered by a *de minimis* Regulation: 'Any aid granted under this measure will be in conformity with the *de minimis* Regulation (EC) No [...]',
- For approved aid schemes: reference to Commission State aid approval decision, including State aid number and references of approval letter,
- For Block Exempted aid: reference to the individual Block Exemption Regulation and the registration number,
- For other existing aid measures:
 - (a) in the case of the Member States that acceded to the Community on 1 May 2004 and on 1 January 2007 'the new Member States': (1) 'none' for pre-1995 aid; (2) reference to the measure's number on the Accession Treaty list, (3) reference to the 'interim procedure' no objections letter,
 - (b) for other cases of existing aid: please indicate the applicable relevant justification.

The State aid table shall be accompanied by a commitment from the Member State that any cases of application of the schemes enumerated in point B for which individual notifications are required under State aid rules or under conditions and commitments laid down in the respective State aid approval decision, will be notified individually pursuant to Article 88(3) of the Treaty.

⁽¹⁾ OJ L 325, 28.10.2004, p. 4.

⁽²⁾ OJ L 142, 14.5.1998, p. 1.

⁽³⁾ OJ L 140, 30.4.2004, p. 1.

⁽⁴⁾ OJ L 10, 13.1.2001, p. 30.

10. **Information on the complementarity with the measures financed by the other Common Agricultural Policy instruments, through Cohesion policy as well as by the European Fisheries Fund**

(Article 5, Article 16(h) and Article 60 of Regulation (EC) No 1698/2005)

10.1. *Appraisal of and means for the complementarity with:*

- activities, policies and priorities of the Community, in particular with the objectives of Economic and Social cohesion and those of the European Fisheries Fund,
- measures financed by the EAGF or other instruments in the sectors listed in Annex I to this Regulation.

10.2. *In relation with Axes 1, 2 and 3 measures:*

- Demarcation criteria for the measures which target operations also eligible under another Community support instrument, in particular structural funds and the European Fisheries Fund.

10.3. *In relation with Axis 4 measures:*

- Demarcation criteria for the local development strategies falling within Axis 4 in relation to local development strategies implemented by 'Groups' under the European Fisheries Fund and for cooperation in relation to the Cooperation Objective under the Structural Funds.

10.4. Where relevant, information on the complementarity with other Community financial instruments shall be supplied.

11. **Designation of competent authorities and bodies responsible**

(Article 16(i)(i) of Regulation (EC) No 1698/2005)

- Designation by the Member State of all the authorities provided for in Article 74(2) of Regulation (EC) No 1698/2005 and for information a summary description of their management and control structure.

12. **A description of the monitoring and evaluation systems, as well as the envisaged composition of the Monitoring Committee**

(Article 16 (i)(ii) and Article 77 of Regulation (EC) No 1698/2005)

12.1. *A description of the monitoring and evaluation systems*

These will be constructed on the basis of the common list of output, result, baseline and impact indicators of the rural development programme, included in the CMEF in Annex VIII and the other elements referred to in Article 62(3). Each rural development programme shall specify additional indicators reflecting national and/or regional needs, conditions and objectives specific to the programme area. The data gathered for the indicators could be inspired from standards developed by the Global Earth Observation System of Systems (GEOSS) or Community projects such as the Global Monitoring for Environment and Security (GMES).

12.2. *The envisaged composition of the Monitoring Committee*

13. **Provisions to ensure that the programme is publicised**

(Article 76 of Regulation (EC) No 1698/2005)

Describe the communication plan and the elements included in Article 58 of this Regulation and Annex VI thereto:

13.1. Actions foreseen to inform potential beneficiaries, professional organisations, the economic, social and environmental partners, bodies involved in promoting equality between men and women and the non-governmental organisations, of the possibilities offered by the programme and the rules for gaining access to programme funding.

- 13.2. Actions foreseen to inform the beneficiaries of the Community contribution.
- 13.3. Actions to inform the general public about the role played by the Community in the programmes and the results thereof.
14. **The designation of the partners consulted and the results of the consultation**
(Article 6 and Article 16(j) of Regulation (EC) No 1698/2005)
- 14.1. *The designation of the partners consulted*
List of the consulted competent regional, local authorities and other public authorities, the economic and social partners and any other appropriate body representing civil society, non-governmental organisations, including environmental organisations, and bodies responsible for promoting equality between men and women.
- 14.2. *The results of the consultation*
Supply a summary of the results of consultations including the dates of consultation and the time given to comment and contribute to the programme preparation and indicate the extent to which the views and advice received have been taken into account.
15. **Equality between men and women and non-discrimination**
(Article 8 of Regulation (EC) No 1698/2005)
- 15.1. Describe how equality between men and women will be promoted at the various stages of programme implementation (design, implementation, monitoring and evaluation).
- 15.2. Describe how any discrimination based on sex, racial or ethnic origin, religion or beliefs, disability, age or sexual orientation is prevented during the various stages of programme implementation.
16. **Technical assistance operations**
(Article 66(2) and Article 68 of Regulation (EC) No 1698/2005)
- 16.1. *Description of the preparation, management, monitoring, evaluation, information and control activities of programme assistance financed by technical assistance.*
- 16.2. *National rural network*
- list of organisations and administrations involved in rural development which will form part of the national rural network;
 - procedure and timetable for establishing the national rural network;
 - summary description of the main categories of activity to be undertaken by the national rural network. These activities will form the basis of the action plan to be drawn up by the managing authority and supported under Article 68(2)(b) of Regulation (EC) No 1698/2005;
 - amount reserved for establishing and operating the national rural network and implementing the action plan as referred to in Article 68(2)(a) and (b) of Regulation (EC) No 1698/2005. Within this amount a distinction must be made between the part covering the structure needed to run the network and the one covering the action plan. The programme must contain provisions ensuring that the part of the amount under that point (a) shall not unduly increase over time.

B. SPECIFIC PROGRAMMES FOR NATIONAL RURAL NETWORKS (REFERRED TO IN ARTICLE 41(3) AND (5))

Where, in accordance with the second subparagraph of Article 66(3) of Regulation (EC) No 1698/2005, Member States with regional programmes submit for approval a specific programme for the establishment and the operation of national rural networks, those programmes must include the following elements:

- (a) list of organisations and administrations involved in rural development which will form part of the national rural network;
- (b) procedure and timetable for establishing the national rural network;
- (c) summary description of the main categories of activity to be undertaken by the national rural network. These activities will form the basis of the action plan to be drawn up by the managing authority and supported under Article 68(2)(b) of Regulation (EC) No 1698/2005;
- (d) amount reserved for establishing and operating the national rural network and implementing the action plan as referred to in Article 68(2)(a) and (b) of Regulation (EC) No 1698/2005 and the annual breakdown of the EAFRD contribution which must be compatible with Article 69(1) of Regulation (EC) No 1698/2005;
- (e) a financial table for the whole programming period of the following format (EUR current prices):

Type of expenditure for the national rural network	Total public expenditure	EAFRD contribution
(a) for running the structure of the national rural network		
(b) for implementing the action plan of the national rural network, including its evaluation		
Total		

- (f) designation of competent authorities and bodies responsible;
- (g) description of the monitoring and evaluation system, as well as the envisaged composition of the Monitoring Committee.

ANNEX III

AID TO PRODUCER GROUPS IN MALTA

Support for the setting up of a producer group (Minimum amount referred to in Article 25(2))

EUR	Year
63 000	1st year
63 000	2nd year
63 000	3rd year
60 000	4th year
50 000	5th year

ANNEX IV

THRESHOLDS FOR ENDANGERED BREEDS (REFERRED TO IN ARTICLE 27(4))

Eligible farm animal species	Thresholds under which a local breed is considered as being in danger of being lost to farming (number of breeding females ^(*))
Cattle	7 500
Sheep	10 000
Goat	10 000
Equidae	5 000
Pigs	15 000
Avian	25 000

(*) Number, calculated for all Member States, of breeding females of the same breed available for pure-bred reproduction registered in a herd book kept by an approved breeding organisation recognised by the Member State in accordance with Community zootechnical legislation.

ANNEX V

TABLE OF CONVERSION OF ANIMALS TO LIVESTOCK UNITS (REFERRED TO IN ARTICLE 27(13))

Bulls, cows and other bovine animals over two years, equine animals over six months	1,0 LU
Bovine animals from six months to two years	0,6 LU
Bovine animals below six months	0,4 LU
Sheep	0,15 LU
Goats	0,15 LU
Breeding sows > 50 Kg	0,5 LU
Other pigs	0,3 LU
Laying hens	0,014 LU
Other poultry	0,003 LU

ANNEX VI

INFORMATION AND PUBLICITY ON ASSISTANCE FROM THE EAFRD (REFERRED TO IN ARTICLE 58(3))**1. Information measures for potential beneficiaries and for beneficiaries***1.1. Information measures for potential beneficiaries*

With a view to transparency, the managing authorities shall disseminate the most comprehensive information possible on the financing opportunities offered by joint assistance from the Community and the Member States in the rural development programme.

To that end, the managing authority shall ensure that the rural development programme is published widely, with details of the financial contributions from the EAFRD, and that it is supplied to all interested applicants.

The managing authority shall provide the potential beneficiaries with clear, detailed and updated information on the following:

- (a) the administrative procedures to be followed in order to qualify for financing under an rural development programme;
- (b) a description of the procedures for examining applications for financing;
- (c) the eligibility conditions and/or criteria for selecting and evaluating the projects to be financed;
- (d) the names of persons or contacts at national, regional or local level who can explain the way rural development programmes work and the criteria for selecting and evaluating the operations.

The managing authority shall ensure that bodies that can act as relays are involved in the information measures for potential beneficiaries, and in particular:

- (a) local and regional authorities;
- (b) professional organisations;
- (c) economic and social partners;
- (d) non-governmental organisations, especially bodies promoting equality between men and women and bodies working to protect the environment;
- (e) information centres on Europe;
- (f) Commission representations in the Members States.

The managing authority shall inform potential beneficiaries of the publication provided for in point 2.1.

1.2. Information measures for beneficiaries

The managing authority shall ensure that the notification of award of the assistance informs beneficiaries that the action is being financed from a programme part-financed by the EAFRD and the priority axis of the rural development programme concerned.

2. Information and publicity measures for the public

The managing authority for the rural development programme and the beneficiaries shall take all steps to provide information and publicity for the public on measures financed under a rural development programme in accordance with this Regulation.

2.1. Responsibilities of the managing authorities

The managing authority shall inform the public of the rural development programme's adoption by the Commission and its updates, the main achievements in the implementation of the programme and its closure.

Starting from 2008 the managing authority shall publish at least annually, electronically or otherwise the list of beneficiaries receiving support from the rural development programmes, the names of the operations and the amounts of public contributions allocated to these operations.

The information measures shall be implemented by the managing authority using all media at the appropriate territorial level. They shall also involve communication campaigns, hard-copy and electronic publications and any other medium regarded as suitable.

The measures for informing the public shall include the elements set out in point 3.1.

2.2. Responsibilities of beneficiaries

Where an operation under a rural development programme results in an investment (for example, on a farm or on food enterprise) whose total cost exceeds EUR 50 000, the beneficiary shall place an explanatory plaque.

A billboard shall be erected at the sites of infrastructures whose total cost exceeds EUR 500 000.

An explanatory plaque shall also be installed in the locations of the local action groups financed by Axis 4.

The billboards and plaques shall carry a description of the project/operation and the elements mentioned in point 3.1. That information shall take up at least 25 % of the billboard or plaque.

3. Technical characteristics of information and publicity actions

3.1. Slogan and logo

Each action of information and publicity shall contain the following elements:

- The European flag in accordance with the graphic standards set out in point 4, together with an explanation of the Community's role, by means of the following statement:

'The European Agricultural Fund for Rural Development: Europe investing in rural areas'.

- For the actions and measures financed by the Leader Axis, the Leader logo shall also be used.

3.2. Information and communication material

- Publications (such as booklets, leaflets and newsletters) and posters about measures and actions part-financed by the EAFRD shall contain a clear indication on the title page of the Community's participation, as well as the Community emblem if the national or regional emblem is also used. Publications shall include references to the body responsible for the information content and to the managing authority designated to implement the assistance package in question.

- In the case of information made available by electronic means (websites, databases for potential beneficiaries) or as audio-visual material, the first indent shall apply by analogy. In drawing the communication plan, due regard must be had to new technologies which permit the rapid and efficient distribution of information and facilitate a dialogue with the general public.

Websites concerning the EAFRD shall:

- mention the contribution of the EAFRD at least on the home page;
- include a hyperlink to the Commission website concerning EAFRD.

4. Instructions for creating the emblem and a definition of the standard colours

4.1. European flag

Symbolic description

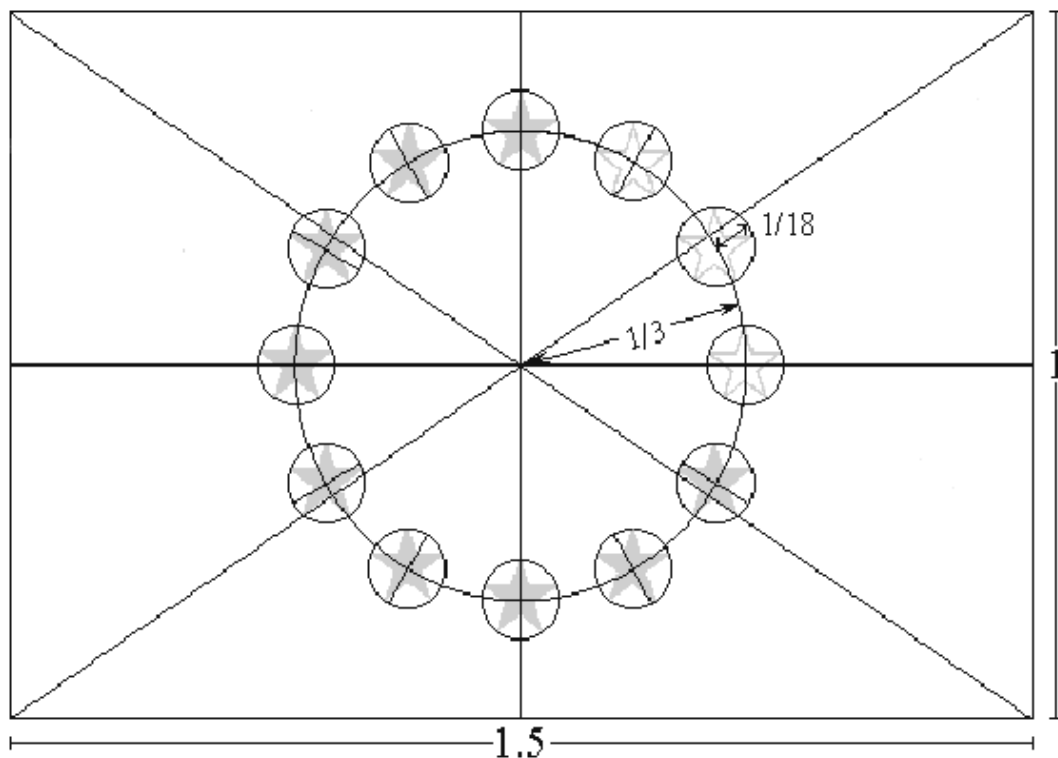
Against a background of blue sky, 12 golden stars form a circle representing the union of the peoples of Europe. The number of stars is fixed, 12 being the symbol of perfection and unity.

In projects financed by the EAFRD, the name of this Fund shall appear under the European flag.

Heraldic description

On an azure field a circle of 12 golden mullets, their points not touching.

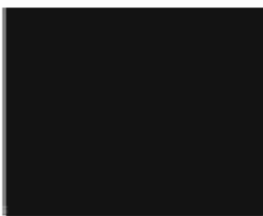
Geometric description



The emblem has the form of a blue rectangular flag of which the fly is one and a half times the length of the hoist. 12 gold stars situated at equal intervals form an invisible circle whose centre is the point of intersection of the diagonals of the rectangle. The radius of the circle is equal to one third of the height of the hoist. Each of the stars has five points which are situated on the circumference of an invisible circle whose radius is equal to one eighteenth of the height of the hoist. All the stars are upright, therefore with one point vertical and two points in a straight line at right angles to the mast. The circle is arranged so that the stars appear in the position of the hours on the face of a clock. Their number is invariable.

Regulation colours

PANTONE REFLEX BLUE



The emblem is in the following colours:

PANTONE REFLEX BLUE for the surface of the rectangle; **PANTONE YELLOW** for the stars. The international **PANTONE** range is very widely available and easily accessible even for non-professionals.

PANTONE YELLOW

Four-colour process:

If the four-colour process is used, the two standard colours cannot be used. They must therefore be recreated using the four colours of the four-colour process. **PANTONE YELLOW** is obtained by using 100 % 'Process Yellow'. Mixing 100 % 'Process Cyan' and 80 % 'Process Magenta' gives a colour that is very similar to **PANTONE REFLEX BLUE**.

Internet:

In the web-palette **PANTONE REFLEX BLUE** corresponds to colour RGB:0/0/153 (hexadecimal: 000099) and **PANTONE YELLOW** to colour RGB:255/204/0 (hexadecimal: FFCC00).

Monochrome reproduction process:

If only black is available, outline the rectangle in black and print the stars in black and white.



Where blue is the only colour available (it must be Reflex Blue, of course), use 100 % with the stars reproduced in negative white and the field 100 % blue.



Reproduction on a coloured background:

The emblem should preferably be reproduced on a white background. Avoid a background of varied colours, and in any case one that does not go with blue. If there is no alternative to a coloured background, put a white border around the rectangle, the width of the border being 1/25th of the height of the rectangle.



4.2. *Leader logo*



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ANNEX VII

A. STRUCTURE AND CONTENT OF ANNUAL PROGRESS REPORTS OF RURAL DEVELOPMENT PROGRAMMES (ARTICLE 60)**1. Changes to the general conditions (Article 82(2)(a) of Regulation (EC) No 1698/2005):**

- Changes to the general conditions having a direct impact on the conditions for implementing the programme (namely legislative changes or unexpected socio-economic developments)

- Change to Community and national policies affecting consistency between the EAFRD and other financial instruments

2. The progress of the programme in relation to the objectives set, on the basis of output and result indicators (Article 82(2)(b) of Regulation (EC) No 1698/2005):

An analysis of the achievements as measured by monitoring indicators including a qualitative analysis on the progress achieved in relation to the targets set out initially shall be given. The list of indicators (output and result) as set out in Annex VIII to this Regulation is to be used. Along with these indicators which make part of the CMEF, additional indicators specific to the programme to effectively monitor progress towards its objectives shall also be included.

3. 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 (Article 82(2)(c) of Regulation (EC) No 1698/2005).

The table summarising the financial implementation of the programme shall have at least the following information:

(in Euro)

Axes/measures	Annual payments-year N	Cumulative payments from year 2007 to year N
Axis 1		
Measure 111 — of which transitional expenditure according to Regulation (EC) No 1320/2006		
Measure ... — of which transitional expenditure according to Regulation (EC) No 1320/2006		
Total Axis 1 — of which transitional expenditure according to Regulation (EC) No 1320/2006		
Axis 2		
Measure 211 — of which transitional expenditure according to Regulation (EC) No 1320/2006		
Measure ... — of which transitional expenditure according to Regulation (EC) No 1320/2006		
Total Axis 2 — of which transitional expenditure according to Regulation (EC) No 1320/2006		
Axis 3		
Measure 311 — of which transitional expenditure according to Regulation (EC) No 1320/2006		

(in Euro)

Axes/measures	Annual payments-year N	Cumulative payments from year 2007 to year N
Measure...		
— of which transitional expenditure according to Regulation (EC) No 1320/2006		
Total Axis 3		
— of which transitional expenditure according to Regulation (EC) No 1320/2006		
Axis 4		
Measure 411		
— of which transitional expenditure according to Regulation (EC) No 1320/2006		
Measure 4...		
— of which transitional expenditure according to Regulation (EC) No 1320/2006		
Total Axis 4		
— of which transitional expenditure according to Regulation (EC) No 1320/2006		
Technical Assistance		
— of which transitional expenditure according to Regulation (EC) No 1320/2006		
Total programme		
— of which transitional expenditure according to Regulation (EC) No 1320/2006		

A separate table with at least the same information shall be established for the regions covered by the Convergence Objective, as well as a table consolidated at programme-level for programmes covering both Convergence and non-Convergence regions.

4. A summary of the ongoing evaluation activities in accordance with Article 86(3) of Regulation (EC) No 1698/2005 (Article 82(2)(d) of Regulation (EC) No 1698/2005)

A summary of the ongoing evaluation activities, established on the basis of the reporting to the Monitoring Committee in accordance with Article 86(3) of Regulation (EC) No 1698/2005, including the activities related notably to the elements referred to in Articles 84(5) and 86(1) and (2) of that Regulation.

5. The steps taken by the Managing Authority and the Monitoring Committee to ensure the quality and effectiveness of programme implementation (Article 82(2)(e) of Regulation (EC) No 1698/2005), 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 of Regulation (EC) No 1698/2005
- (iii) use of technical assistance

In case of coverage under the programme technical assistance of the establishment and functioning of national rural networks, the annual progress report shall describe the procedures for setting up and running the network and the state-of-play of the implementation of the action plan. It shall also indicate how expenditure was carried out (distinction between the elements covered by points (a) and (b) of Article 68(2) of Regulation (EC) No 1698/2005).

- (iv) steps taken to ensure that the programme is publicised in accordance with Article 76 of Regulation (EC) No 1698/2005

The report shall include summary descriptions for information and publicity taken to provide information on the rural development programme in accordance with Article 58 of this Regulation and Annex VI thereto.

6. 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 (Article 82(2)(f) of Regulation (EC) No 1698/2005)

This compliance with the Community law shall in particular cover the respect of rules on competition, public procurement, environmental protection and improvement, and promotion of gender equality and non-discrimination.

7. Where applicable, re-utilisation of aid recovered under Article 33 of Regulation (EC) No 1290/2005 (Article 82(2)(g) of Regulation (EC) No 1698/2005)

B. FORMAT OF ANNUAL PROGRESS REPORTS FOR SPECIFIC PROGRAMMES COVERING NATIONAL RURAL NETWORKS ('NRN') (ARTICLE 60)

Where Member States make use of the possibility provided for in the second subparagraph of Article 66(3) of Regulation (EC) No 1698/2005 the annual progress reports of the specific programmes shall include:

- (a) a description of the procedures for setting up and running the network,
- (b) the state-of-play of the implementation of the action plan,
- (c) a financial table showing the financial implementation of the programme and distinguishing between the elements covered by points (a) and (b) of Article 68(2) of Regulation (EC) No 1698/2005:

Type of expenditure for NRN	Annual payments-year N	Cumulative payments from year 2007 to year N
(a) for running the structure of the national rural network		
(b) for implementing the action plan of the national rural network		
Total		

- (d) information, as appropriate, covered by points 4 to 7 of part A of this Annex.

ANNEX VIII

LIST OF COMMON BASELINE, OUTPUT, RESULT AND IMPACT INDICATORS

I. COMMON BASELINE INDICATORS

1. Baseline indicators related to objectives

AXIS		Indicator
Horizontal	(*) 1	Economic development
	(*) 2	Employment rate
	(*) 3	Unemployment
AXIS 1, Improving the competitiveness of the agricultural and forestry sector	(*) 4	Training and education in agriculture
	5	Age structure in agriculture
	(*) 6	Labour productivity in agriculture
	7	Gross fixed capital formation in agriculture
	8	Employment development of primary sector
	9	Economic development of primary sector
	(*) 10	Labour productivity in food industry
	11	Gross fixed capital formation in food industry
	12	Employment development in food industry
	13	Economic development of food industry
	(*) 14	Labour productivity in forestry
	15	Gross fixed capital formation in forestry
	16	Importance of semi-subsistence farming in New Member States
AXIS 2, Improving the environment and the countryside through land management	(*) 17	Biodiversity: Population of farmland birds
	(*) 18	Biodiversity: High nature value farmland and forestry
	19	Biodiversity: Tree species composition
	(*) 20	Water quality: Gross Nutrient Balances
	21	Water quality: Pollution by nitrates and pesticides
	22	Soil: Areas at risk of soil erosion
	23	Soil: Organic farming
	(*) 24	Climate change: Production of renewable energy from agriculture and forestry
	25	Climate change: UAA devoted to renewable energy
	26	Climate change/air quality: gas emissions from agriculture
AXIS 3, Improving the quality of life in rural areas and encouraging diversifi- cation of economic activity	(*) 27	Farmers with other gainful activity
	(*) 28	Employment development of non-agricultural sector
	(*) 29	Economic development of non-agricultural sector
	(*) 30	Self-employment development
	31	Tourism infrastructure in rural area
	(*) 32	Internet take-up in rural areas
	(*) 33	Development of services sector
	34	Net migration
	(*) 35	Lifelong learning in rural areas
Leader	(*) 36	Development of Local Action Groups

(*) Refers to LEAD indicators in the framework of the national strategy and strategic monitoring foreseen in Article 11(3)c and 13(2)A of Regulation (EC) No 1698/2005.

2. **Baseline indicators related to context**

AXIS		Indicator
Horizontal	1	Designation of rural areas
	2	Importance of rural areas
AXIS 1, Improving the competitiveness of the agricultural and forestry sector	3	Agricultural land use
	4	Farm structure
	5	Forestry structure
	6	Forest productivity
AXIS 2, Improving the environment and the countryside through land management	7	Land cover
	8	Less favoured areas
	9	Areas of extensive agriculture
	10	Natura 2000 area
	11	Biodiversity: Protected forest
	12	Development of forest area
	13	Forest ecosystem health
	14	Water quality
	15	Water use
	16	Protective forests concerning primarily soil and water
AXIS 3, Improving the quality of life in rural areas and encouraging diversification of economic activity	17	Population density
	18	Age structure
	19	Structure of the Economy
	20	Structure of Employment
	21	Long-term unemployment
	22	Educational attainment
	23	Internet Infrastructure

II. COMMON OUTPUT INDICATORS

AXIS 1 IMPROVING THE COMPETITIVENESS OF THE AGRICULTURAL AND FORESTRY SECTOR

Code	Measure	Output Indicators (*)
111	Vocational training and information actions	— Number of participants in training — Number of training days received
112	Setting up of young farmers	— Number of assisted young farmers — Total volume of investments
113	Early retirement	— Number of farmers early retired — Number of farm workers early retired — Number of hectares released
114	Use of advisory services	— Number of farmers supported — Number of forest holders supported
115	Setting up of management, relief and advisory services	— Number of newly set up management, relief or advisory services
121	Modernisation of agricultural holdings	— Number of farm holdings that received investment support — total volume of investments

Code	Measure	Output Indicators (*)
122	Improvement of the economic value of forests	— Number of forest holdings that received investment support — Total volume of investments
123	Adding value to agricultural and forestry products	— Number of enterprises supported — Total volume of investments
124	Cooperation for development of new products, processes and technologies in the agriculture and food sector and the forestry sector	— Number of cooperation initiatives supported
125	Infrastructure related to the development and adaptation of agriculture and forestry	— Number of operations supported — Total volume of investments
126	Restoring agricultural production potential damaged by natural disasters and introducing appropriate prevention actions	— Supported area of damaged agricultural land — Total volume of investments
131	Meeting standards based on Community legislation	— Number of beneficiaries
132	Participation of farmers in food quality schemes	— Number of supported farm holdings participating in a quality scheme
133	Information and promotion activities	— Number of supported actions
141	Semi-subsistence farming	— Number of semi-subsistence farm holdings supported
142	Producer groups	— Number of supported producer groups — Turnover of supported producer groups

(*) For each measure, number of applications received and number of applications approved will be provided.

AXIS 2 IMPROVING THE ENVIRONMENT AND THE COUNTRYSIDE THROUGH LAND MANAGEMENT

Code	Measure	Output Indicators (*)
211	Natural handicap payments to farmers in mountain areas	— Number of supported holdings in mountain areas — Supported agricultural land in mountain areas
212	Payments to farmers in areas with handicaps, other than mountain areas	— Number of supported holdings in areas with handicaps, other than mountain areas — Agricultural land area supported in areas with handicaps, other than mountain areas
213	Natura 2000 payments and payments linked to Directive 2000/60/EC	— Number of supported holdings in Natura 2000 areas/under Water Framework Directive — Supported agricultural land under Natura 2000/under Water Framework Directive
214	Agri-environment payments	— Number of farm holdings and holdings of other land managers receiving support — Total area under agri-environmental support — Physical area under agri-environmental support under this measure — Total Number of contracts — Number of actions related to genetic resources
215	Animal welfare payments	— Number of farm holdings receiving support — Number of animal welfare contracts

Code	Measure	Output Indicators (*)
216	Non-productive investments	— Number of farm holdings and holdings of other land managers receiving support — Total volume of investments
221	First afforestation of agricultural land	— Number of beneficiaries receiving afforestation aid — Number of ha afforested land
222	First establishment of agroforestry systems on agricultural land	— Number of beneficiaries — Number of ha under new agroforestry systems
223	First afforestation of non-agricultural land	— Number of beneficiaries receiving afforestation aid — Number of ha of afforested land
224	Natura 2000 payments	— Number of forest holdings receiving aid in Natura 2000 area — Supported forest land (ha) in Natura 2000 area
225	Forest-environment payments	— Number of forest holdings receiving support — Total forest area under forest environment support — Physical forest area under forest environment support — Number of Contracts
226	Restoring forestry potential and introducing prevention actions	— Number of prevention/restoration actions — Supported area of damaged forests — Total volume of investments
227	Non-productive investments	— Number of supported forest holders — Total volume of investments

(*) For each measure, number of applications received and number of applications approved will be provided.

AXIS 3 IMPROVING THE QUALITY OF LIFE IN RURAL AREAS AND ENCOURAGING DIVERSIFICATION OF ECONOMIC ACTIVITY

Code	Measure	Output indicators (*)
311	Diversification into non-agricultural activities	— Number of beneficiaries — Total volume of investments
312	Business creation and development	— Number of micro-enterprises supported/created
313	Encouragement of tourism activities	— Number of new tourism actions supported — Total volume of investments
321	Basic services for the economy and rural population	— Number of supported actions — Total volume of investments
322	Village renewal and developmen	— Number of villages where actions took place — Total volume of investments
323	Conservation and upgrading of the rural heritage	— Number of rural heritage actions supported — Total volume of investments
331	Training and information	— Number of participating economic actors to supported activities — Number of days of training received by participants
341	Skills acquisition, animation and implementation of local development strategies	— Number of skills acquisition and animation actions — Number of participants in actions — Number of public-private partnerships supported

(*) For each measure, number of applications received and number of applications approved will be provided.

AXIS 4 LEADER

Code	Measure	Output indicators (*)
41	Implementing local development strategies 411 — competitiveness 412 — environment/land management 413 — quality of life/diversification	— Number of local action groups (LAG) — Total size of the LAG area (km ²) — Total population in LAG area — Number of projects financed by LAGs — Number of beneficiaries supported
421	Implementing cooperation projects	— Number of cooperation projects — Number of cooperating LAGs
431	Running the local action group, acquiring skills and animating the territory as referred to in Article 59	— Number of actions supported

(*) For each measure, number of applications received and number of applications approved will be provided.

III. COMMON RESULT INDICATORS

Axis/Objective	Indicator
Improving the competitiveness of the agricultural and forestry sector	(1) Number of participants that successfully ended a training activity related to agriculture and/or forestry (2) Increase in gross value added in supported holdings/enterprises (3) Number of holdings/enterprises introducing new products and/or new techniques (4) Value of agricultural production under recognized quality label/standards (5) Number of farms entering the market
Improving the environment and the countryside through land management	(6) Area under successful land management contributing to: (a) biodiversity and high nature value farming/forestry (b) water quality (c) climate change (d) soil quality (e) avoidance of marginalisation and land abandonment
Improving the quality of life in rural areas and encouraging diversification of economic activity	(7) Increase in non-agricultural gross value added in supported businesses (8) Gross number of jobs created (9) Additional number of tourists (10) Population in rural areas benefiting from improved services (11) Increase in Internet penetration in rural areas (12) Number of participants that successfully ended a training activity

IV. COMMON IMPACT INDICATORS

	Indicator
1	Economic growth
2	Employment creation
3	Labour productivity
4	Reversing biodiversity decline
5	Maintenance of high nature value farmland and forestry
6	Improvement in water quality
7	Contribution to combating climate change