

Mapping and analysis of the implementation of the CAP

Annex 1: Description of the CAP legislation

Client: European Commission – DG Agriculture and Rural Development

Brussels, November 2016



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Foreword

This annex forms part of the study “*Mapping and analysis of the implementation of the CAP*”. This study had three main objectives: (1) to map the implementation of the CAP by the 28 Member States, focusing on their implementation choices, the motivation for these choices and the importance attached to the three CAP general objectives; (2) to develop a typology for grouping Member States according to these choices; and (3) to answer the evaluation questions related to relevance, coherence, conditions for enabling effectiveness, administrative burden and contribution to the EU2020 strategy.

Annex 1 was compiled to describe the CAP legislation within the scope of this study. The annex comprises a description of the implementation modalities of Direct Payments (Reg. 1307/2013), focused on articles 14, 17-26, 28-29 and 35 of the Rural Development policy (Reg. 1305/2013) and on certain elements of the Reg. 1303/2013

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I. Annex 1: Description of the CAP legislation

I.1 Introduction to the CAP 2014-2020

Following Communication COM (2010) 672 final of 18 November 2010, the European Commission, on 12 October 2011, proposed a number of regulations to reform the CAP. After negotiations with the Council and the European Parliament, these regulations were finally approved and published on 23 December 2013. In contrast with the previous programming period, Member States have gained a great deal of flexibility regarding the implementation of the new CAP regulations, particularly in relation to the implementation of the new direct payments regulation. Member State flexibility relating to the European Agricultural Fund for Rural Development (EAFRD) and the Single CMO remains unchanged. Consequently, the range and combination of implementation choices made by Member States under both Pillar I and Pillar II will have a significant influence on the attainments of the CAP objectives as specified in Art. 110 (2) of Reg. (EU) No 1306/2013 of the European Parliament and of the Council.

Implementation of the new CAP regulations started only in 2015 (with 2014 being a transitional year). For direct payments, implementation choices by Member States were finalised and notified to the European Commission during 2014, with the rules coming into force on 1 January 2015. Detailed information on farmers' implementation choices were contained within their IACS declarations in May/June 2015. It should be noted that some implementation decisions can be revised every year, with new notifications made to the Commission (e.g. certain elements of green direct payments).

For rural development programmes, the last of the 118 Rural Development Programmes was approved on 11 December 2015. Most schemes were launched and opened for applications in Member States in the course of 2015 (or for farm area based schemes on 1 January 2016).

This study, which has some of the characteristics of an ex-ante evaluation, will take stock of the implementation choices of Member States, analyse the motivation and rationale behind these choices, and make a preliminary evaluation of these choices against three main criteria (relevance, coherence and preconditions for enabling effectiveness effectiveness) for each CAP general objective (viable food production, sustainable management of natural resources and climate action, and balanced territorial development). An assessment of the implications regarding administrative burden and overall likely policy impact to be expected, including the contribution to the EU2020 strategy objectives will also be carried out.

In agreement with the Terms of Reference for the study, the analysis is focused on certain elements of the legislation only. The main focus is on the implementation modalities of Direct Payments (Reg. 1307/2013), on articles 14, 17-26, 28-29 and 35 of the Rural Development policy (Reg. 1305/2013) and on certain elements of the Reg. 1303/2013. These elements are described in details in this annex. A detailed description of the legislation under Pillar 1 is provided in section I.2 and of Pillar 2 in section I.3.

1.2 Description of legislation under Pillar I (Reg. (EU) 1307/2013)

In the following paragraphs, the legislation pertaining to Pillar I of the CAP 2014-2020 is explained. The reading guide for the description of each article under the Reg. (EU) 1307/2013, is the following:

1. Content of the article;
2. The objective of the article;
3. The conditions needed to be met for the support to be granted while indicating the implementation choices available to Member States;
4. The eligibility criteria and the implementation choices available to Member States;
5. What the payment/support granted under this article can cover and the implementation choices available to Member States;
6. How an article can be combined with other articles/measures.

Sources used for this section are:

- Reg. (EU) No. 1307/2013);
- Commission Delegated Reg. (EU) 639/2014;
- Commission Implementing Reg. (EU) No. 641/2014;
- Relevant elements of the Horizontal Reg. (EU) No. 1306/2013 and the related Commission Implementing Reg. No. 834/2014.

1.2.1 Definitions and related provisions (Art. 4)

Art. 4 (1) of Reg. (EU) No 1307/2013 provides a number of definitions and related provisions for the following items:

- (a) **farmer**: a natural or legal person, or a group of natural or legal persons – who exercise an agricultural activity;
- (b) **holding**: means all the units used for agricultural activities and managed by a farmer;
- (c) **agricultural activity** includes:
 - i. production, i.e. rearing or growing of agricultural products, including harvesting, milking, breeding animals, and keeping animals for farming purposes;
 - ii. maintaining an agricultural area in a state which makes it suitable for grazing or cultivation without preparatory action going beyond usual agricultural methods and machineries;
 - iii. carrying out a minimum activity - defined by Member States - on agricultural areas naturally kept in a state suitable for grazing or cultivation;
- (d) **agricultural products**: the products (excluding fishery products) listed in Annex I to the Treaties as well as cotton;
- (e) **agricultural area**: area used for arable land, permanent grassland and permanent pasture, or permanent crops;
- (f) **arable land**: land cultivated for crop production or areas available for crop production but lying fallow;
- (g) **permanent crops**: non-rotational crops other than permanent grassland and permanent pasture that occupy the land for five years or more and yield repeated harvests, including nurseries and short rotation coppice;
- (h) **permanent grassland and permanent pasture**: land used to grow grasses or other herbaceous forage naturally (self-seeded) or through cultivation (sown) and that has not been included in the crop rotation of the holding for five years or more;
- (i) **grasses or other herbaceous forage**: all herbaceous plants traditionally found in natural pastures or normally included in mixtures of seeds for pastures or meadows;

- (j) **nurseries**: the following areas of young ligneous plants grown in the open air for subsequent trans~~pl~~antation:
 - i. vine and root-stock nurseries;
 - ii. fruit tree and berries nurseries;
 - iii. ornamental nurseries;
 - iv. commercial nurseries of forest trees; nurseries of trees and bushes for planting in gardens, parks, at the roadside and on embankments;
- (k) **short rotation coppice**: areas planted with woody, perennial crops, the rootstock or stools of which remain in the ground after harvesting, with new shoots emerging in the following season;
- (l) **sale**: the sale or any other definitive transfer of ownership of land or payment entitlements (exclusive of sale of land for non-agricultural purposes);
- (m) **lease**: a rental agreement or similar temporary transaction;
- (n) **transfer**: the lease, sale, actual inheritance or anticipated inheritance of land or payment entitlements or any other definitive transfer thereof.

According to Art. 4 (2) **Member States must establish criteria** for the obligation to maintain the agricultural area in a state suitable for grazing or cultivation, define the minimum activity to be carried out on agricultural areas naturally kept in a state suitable for grazing or cultivation, and define the tree species qualifying for short rotation coppice as well as determine the maximum harvest cycle. Moreover, Member States may decide that land which can be grazed and which forms part of established local practices is to be considered to be permanent grassland.

1.2.2 Definition of active farmer (Art. 9)

Basic Payment claimants have to pass an '**Active Farmer**' test. The following claimants are identified that could fail the test:

- i. natural or legal persons, or to groups of natural or legal persons, whose agricultural areas are mainly areas naturally kept in a state suitable for grazing or cultivation (Art. 9 (1));
- ii. natural or legal persons, or to groups of natural or legal persons, who operate airports, railway services, waterworks, real estate services, permanent sport and recreational grounds (Art. 9 (2)).

However, the claimants in group ii. will be regarded as an active farmer if they provide **verifiable evidence**, which demonstrates:

- i. that the annual amount of direct payments is **at least 5%** of the total receipts that it obtained from non-agricultural activities in the most recent fiscal year;
- ii. that its agricultural activities are **not insignificant**; and/or
- iii. that its **principal business or company objects** consist of exercising an agricultural activity.

Member States can decide to add other groups to the **negative list**, i.e. natural or legal persons (Art. 9 (2) and 9 (3)):

- i. whose agricultural activities form only an insignificant part of their overall economic activities; and/or
- ii. whose principal activity or company objects do not consist of exercising an agricultural activity.

However, Art. 9 (2) and 9 (3) do not apply to farmers who only received direct payments not exceeding a certain amount for the previous year. The threshold for this amount is decided by Member States and is not above € 5 000 (Art. 9 (4)).

1.2.3 Minimum requirements for receiving direct payments (Art. 10)

Member States shall decide **not to grant direct payments** to a farmer (Art. 10 (1)):

- i. where the total amount of direct payments in a given calendar year is less than € 100 or an amount specified in Table I-1;
- ii. where the eligible area of the holding for which direct payments are claimed is less than one hectare or a number specified in Table I-1.

Table I-1. Limits for the adjustment for the thresholds of the amount of direct payments (€)

Limit threshold	Member State
100	Estonia, Croatia, Latvia and Lithuania
200	Bulgaria, Czech Republic, Ireland, Hungary, Austria, Poland, Portugal, Romania, Slovakia, Finland, Sweden and UK
300	Denmark, Germany, Spain, France, Cyprus, Luxembourg and Slovenia,
400	Belgium, Greece and Italy
500	Malta and the Netherlands

Source: Annex IV of Reg. 1307/2013.

Table I-2. Limits for the adjustment for the hectare threshold

Limit threshold	Member State
0.1	Malta
0.3	Hungary, Portugal, Romania, Cyprus and Slovenia
0.4	Greece
0.5	Bulgaria, Poland and Italy
1	Croatia, Latvia and Lithuania
2	Belgium, Austria, Slovakia, Spain and the Netherlands
3	Estonia, Ireland and Finland,
4	Sweden, Germany, France and Luxembourg
5	Czech Republic, UK and Denmark

Source: Annex IV of Reg. 1307/2013.

1.2.4 Reduction of payments (Art. 11)

Member States shall reduce the amount of direct payments to be granted to a farmer **by at least 5 % for the amount exceeding € 150 000** (Art. 11 (1)). Salaries taxes and social contributions can be subtracted from the amount exceeding € 150 000 before making the reduction. A Member State **can choose not to apply** any reduction of payments if it has decided to implement **redistributive payments to farmers** using more than 5 % of their national ceiling to do so (Art. 11 (3)).

1.2.5 Flexibility between pillars (Art. 14)

Member States may decide to **shift up to 15 %** of their annual national ceilings for granting direct payments to the Second Pillar as additional support for rural development measures (Art. 14 (1)). Member States, that do not transfer funds from the First to the Second Pillar, are allowed to shift up to 15 % (25 % for Bulgaria, Estonia, Spain, Latvia, Lithuania, Poland, Portugal, Romania, Slovakia, Finland, Sweden and the United Kingdom) of the amount allocated to support for measures under rural development programming to the First Pillar (Art. 14 (2)).

1.2.6 Basic payment scheme, single area payment scheme and related payments (Art. 21-40)

Those Member States that were previously operating the Single Area Payment Scheme (SAPS) can continue to do so until 2020. All other Member States must operate the Basic Payment Scheme (BPS).

In the basic payment scheme, payment entitlements are available for active farmers (Art. 21 (1)). The number of payment entitlements allocated per farmer is equal to the **number of eligible hectares of the farmer** (Art. 24 (2)). The unit value of payment entitlements is calculated by:

- i. dividing a fixed percentage of the national ceiling by the number of payment entitlements (Art. 25 (1)); or
- ii. dividing a fixed percentage of the payments the farmer received for 2014 under the single payment scheme by the number of payment entitlements he is allocated (Art. 26 (2)).

If Member States apply different values for payment entitlements according to option ii, they have to take account of the following **convergence rules**:

- i. if the value of the payment entitlement is lower than 90 % of the national or regional unit value in 2015, this value has to be increased by at least one third of the difference between their value in 2015 and 90 % of the national or regional unit value in 2019 (Art. 25 (4));
- ii. the value of a payment entitlement may not be lower than 60 % of the national or regional unit value in 2019 (Art. 25 (4));
- iii. in order to finance the increases in the value of payment entitlements in (i) and (ii) payment entitlements that have an initial unit value higher than the national or regional unit value in 2015 are decreased on the basis of objective and non-discriminative criteria to be determined by Member States. Such criteria may include the fixing of a maximum decrease of the initial value in 2015 of 30 %.

Member States may decide to apply the basic payment scheme at **regional level** (Art. 23 (1)). Regions have to be defined in accordance with objective and non-discriminatory criteria such as their agronomic and socio-economic characteristics (Art. 25 (7)).

Where the Single Area Payment Scheme (SAPS) continues to be applied, the single area payment shall be granted on **an annual basis** for each eligible hectare declared by the farmer. The value of the single area payment is calculated by dividing the annual national ceiling by the total number of eligible hectares (Art. 36 (2)).

Member States applying the SAPS may decide to grant transitional national aid in the period 2015-2020 to farmers in sectors in which complementary national direct payments were granted in 2013 (Art. 37 (1) and (2)). The total amount of **transitional national aid** must be limited to the following percentage of the sector-specific financial envelopes authorised by the Commission (Art. 37 (4)):

- 75 % in 2015;
- 70 % in 2016;
- 65 % in 2017;
- 60 % in 2018;
- 55 % in 2019;
- 50 % in 2020.

1.2.7 Voluntary redistributive payment (Art. 41-42)

Member States can create payment **top-ups of up to 65%** of the national/regional average payment per hectare, both in the basic payment scheme and the single area payment scheme. Such top-ups can either be granted for a maximum of 30 ha per holding or a maximum equivalent to a country's average farm size (Table I-3) (Art. 41 (1) and (4)). Art. 42 (1) limits Member States to using no more than 30% of their national ceiling for the redistributive payment.

Table I-3. Average size of agricultural holding referred to in Art. 41(4)

Member State	Average size of agricultural holding (in hectares)
Belgium	29
Bulgaria	6
Czech Republic	89
Denmark	60
Germany	46
Estonia	39
Ireland	32
Greece	5
Spain	24
France	52
Croatia	5.9
Italy	8
Cyprus	4
Latvia	16
Lithuania	12
Luxemburg	57
Hungary	7
Malta	1
Netherlands	25
Austria	19
Poland	6
Portugal	13
Romania	3
Slovenia	6
Slovakia	28
Finland	34
Sweden	43
United Kingdom	54

Source: Annex VIII of Reg. 1307/2013.

1.2.8 Payment for farmers observing agricultural practices beneficial for the climate and the environment (“Greening”) (Art. 43-47)

Member States are required to use **30 %** of their direct payments national ceiling to grant an additional annual payment for compulsory practices which, according to the recitals of the direct payments basic act, should:

- address both climatic and environmental policy goals;
- be simple, general, annual and non-contractual;
- go beyond cross-compliance; and
- be linked to agriculture¹.

There are **three practices** identified that can be used to fulfil this requirement:

- Crop diversification;
- Maintenance of permanent grassland (including traditional orchards where fruit trees are grown in low density on grassland);
- Ecological Focus Areas.

These practices apply on the whole eligible area of the holding. There are however several exemptions, including a blanket exemption for land being farmed organically and those participating in the small farmers scheme (in countries where this is offered). Land managers farming land within Natura 2000 sites or river basins covered by the water framework Directive (WFD) are only required to comply with the greening measures insofar as these are compatible with the requirements set under the birds, habitats or water framework Directives (Art. 43 (10)).

A series of potential variants for the operation of the green measures is also permitted, including:

- the ability to choose which of the list of potential EFA management practices/features are to be permitted to meet the EFA requirement;
- choice of the setting of weighting and conversion factors for each of the potential EFA management practices/features
- choice to implement the EFA measure regionally and/or collectively;
- choice about the area of permanent grassland within Natura 2000 areas to designate as environmentally sensitive and whether or not to designate further areas outside Natura 2000;
- to apply ‘equivalent practices’, either via the agri-environment-climate measure under rural development policy or via a national or regional ‘certification scheme’.

Equivalent practices are defined as ‘...those which include similar practices that yield an equivalent or higher level of benefit for the climate and the environment compared to one or several of the practices referred to in paragraph 2 [the standard practices]’ (Art. 43 (3)). The Regulation includes a list of these equivalent practices in Annex IX.

Double funding of greening practices and those carried out under the agri-environment-climate measure is not permitted. The precise rules about how double funding should be avoided are set out in the delegated act.

Crop diversification (Art. 44)

The objective of the crop diversification measure is to achieve ‘enhanced environmental benefit...in particular the improvement of soil quality’ (Recital 41 of Reg. (EC) 1307/2013). This measure applies to farms with more than 10 ha of arable land. Those with between 10 and 30 ha of arable land are required to have a minimum of two crops. Farms with more than 30 ha are required to have a minimum of three crops, each occupying more than 5 % and with no one crop occupying more than 75 % of the arable area.

¹ Recital 37

Members of the same botanical genus count as one crop, except for members of Brassicacea, Solanacea and Curcubitacea, where each individual species counts as one crop. An exception to this rule is that winter and spring-sown crops of the same genus count as two distinct crops. Fallow land and grass and other herbaceous forage also count as crops (Art. 44(4)).

The delegated act for direct payments (Reg. (EU) 639/2014) (Art. 40) states that the areas of land occupied by the different crops should be calculated for the 'most relevant part of the cultivation period taking account of the traditional cultivation practices in the national context'. It also proposes that where two or more crops are intercropped in rows in one field, they can count as separate crops when they cover at least 25 % of the area² but where the main crop is under-sown with a second crop the area is considered as covered only by the main crop and if mixed cropping results from the sowing of a seed mixture, that will also only count as one crop.

The following arable farms are exempt from these rules:

- Farms where > 75 % of arable land is used for the production of grasses or other herbaceous forage, land laying fallow, or subject to a combination of these uses, provided the arable area not covered by these uses does not exceed 30 ha;
- Farms where > 75 % of the eligible agricultural area is permanent grassland, used for the production of grasses or other herbaceous forage or crops under water or a combination of these uses, provided the arable area not covered by these uses does not exceed 30 ha;
- Farms where > 50 % of the areas under arable land declared were not declared by the farmer in his aid application of the previous year and, where based on a comparison of the geo-spatial aid applications, all arable land is being cultivated with a different crop compared to that of the previous calendar year;
- Farms north of the 62nd Parallel and some adjacent areas. In these areas, where the arable land is > 10 ha, 2 crops are required to be cultivated. Neither of these can cover more than 75 % of the arable areas with the exception of when the main crop is grass or other herbaceous forage or land laying fallow.

Maintenance of Permanent Grassland (Art. 45)

The overall objective of this measure is to ensure environmental benefits, in particular carbon sequestration (Recital 42). The objective for the protection of 'environmentally sensitive permanent grassland' is to protect species, land of high nature value, protect against soil erosion and protect water quality (Art. 41 of Reg. (EU) 639/2014).

Permanent grassland is defined as grassland that has not been included in the crop rotation of the holding for at least five years. The definition includes areas of predominantly herbaceous vegetation used for grazing (See Art. 4/1(h) of Reg. 1307/2013).

There are two basic requirements on Member States regarding the maintenance of permanent grassland. These are:

- To designate permanent grasslands which are environmentally sensitive to provide strict protection to permanent grasslands (i.e. no ploughing or conversion) in areas covered by the Habitats and Birds Directives where this is needed to achieve the objectives of these Directives. Member States can choose to designate further areas in need of strict protection outside these areas. The delegated act (Reg. (EU) 639/2014) sets out a series of circumstances under which strict protection of permanent grassland might be required, to include those:

² The share of the different crops of the mixed cropping shall be calculated by dividing the area covered by the mixed cropping by the number of crops covering at least 25% of the area, irrespective of the actual share of a crop in the mixed cropping (Art. 40(3) of the Delegated Act)

- covering organic soils with a high percentage of organic carbon, such as peat land or wetlands;
- hosting habitats listed in Annex I of Directive 92/43/EEC or protected under national legislation;
- hosting plant species listed in Annex II of Directive 92/43/EEC or protected under national legislation;
- being of significant importance for wild bird species listed in Annex I of Directive 2009/147/EC;
- being of significant importance for wild animal species protected under Directive 92/43/EEC or protected under national legislation;
- of high nature value as defined by other objective criteria to be established by the Member State;
- Covering soils with a high risk of erosion;
- New areas can also be designated each year;
- To 'ensure that the ratio of the land under permanent grassland in relation to the total agricultural area declared by the farmer does not decrease by more than 5 % compared to a reference ratio to be established by Member States in 2015' (Art. 31(2)). This reference ratio is calculated by dividing the area of land declared as under permanent pasture in 2012 plus the land declared as permanent grassland in 2015 that was not declared in 2012, divided by total agricultural area as declared in 2015 in compliance with the Horizontal regulation (Reg. 1306/2013). The percentage change in permanent pasture may be calculated at national, regional or appropriate sub-regional level.

If there is a risk that the 5 % reduction limit is likely to be breached, Member States may introduce holding-level restrictions on conversion from permanent grasslands. Also, in situations where the 5 % limit already has been breached, holding-level requirements to revert land to permanent grassland may be introduced. The exception to this is where the decrease below the threshold results from afforestation, provided such afforestation is compatible with the environment and does not include plantations of short rotation coppice Christmas trees or fast growing trees for energy production (Art. 45 (4) of Reg. 1307/2013).

The delegated act includes rules for the application of these restrictions. These allow Member States to introduce an obligation on individual farmers not to convert permanent pasture without prior authorisation if the ratio is seen to be declining. However, Member States are not obliged to do this. However, if the 5 % reduction threshold is crossed Member States are required to introduce measures to require the re-instatement of permanent pasture and to put rules in place to avoid new conversion of areas of permanent grassland.

Ecological Focus Areas (Art. 46)

The overarching objective for the establishment of EFAs is 'to safeguard and improve biodiversity on farms' (Recital 44).

Holdings with more than 15 ha of arable land must maintain at least 5 % of their arable land as ecological focus area. The 5 % limit may be increased to 7 %, subject to a legislative act of the European Parliament and the Council. A legislative proposal for such an increase can be proposed by the Commission at the same time as it presents an evaluation report on the implementation of the EFA measure – at the latest by 31 March 2017.

Up to half of EFA requirement may be met at the regional level by pooling commitments among groups of farmers - Member States need to designate the areas and the obligations for farmers participating. The aim of the designation and obligations is to underpin the implementation of Union policies on the environment, climate and biodiversity.

EFA's can comprise a number of elements². By August 2014 Member States had to decide which of the following management practices or features they wished to use to help meet the EFA requirement from the following list:

- Land lying fallow;
- Terraces;
- Landscape features, including such features adjacent to the arable land of the holding but not included in the eligible area;
- Buffer strips, including buffer strips covered by permanent grassland provided these are distinct from adjacent eligible agricultural area;
- Areas of agro-forestry that receive support under the forestry measures of rural development programmes or that have received support under these programmes;
- Strips of eligible hectares along forest edges;
- Areas with short rotation coppice with no use of mineral fertilizer and/or plant protection products;
- Afforested areas which are still eligible for direct payments;
- Areas with catch crops, or green cover established by the planting and germination of seeds;
- Areas with nitrogen fixing crops.

Not all of these elements need to be situated within the area eligible for EFAs. For example landscape features and buffer strips covered by permanent grass can be included as long as they are adjacent to the eligible arable area and short rotation coppice and afforested areas do not need to be located on the arable land of the holding (Art. 46 (2) of Reg. 1307/2013). Detailed rules on the application of each of these elements, including rules about the types of crop species and inputs permitted as well as the dimensions of landscape features are set out in the Delegated Regulation (Reg. 639/2014).

Member States also have the option to apply a series of weighting factors to each of the management practices they decide will be available for farmers to use. The application of weighting factors is mandatory for any element of an EFA, with a weighting of less than one. These factors affect the area needed under different practices to meet the 5 % EFA requirement and are set out in Annex II of Commission Delegated Reg. 639/2014, as amended by Commission Delegated Reg. 1001/2014.

The EFA obligations do not apply to the following:

- holdings where > 75 % of the eligible agricultural area is permanent grassland, used for the production of grasses or other herbaceous forage or cultivated with crops either under water for a significant part of the year or for a significant part of the crop cycle or a combination of those uses, provided the arable area not covered by these uses does not exceed 30 ha;
- holdings where > 75 % eligible area is entirely used for production of grass or other herbaceous forage, land laying fallow, cultivated with leguminous crops, or subject to a combination of these uses, provided the arable area not covered by these uses does not exceed 30 ha.

In addition, Member States where over 50 % of the land area is covered by forests, may choose not to apply the greening measures in Areas of Natural Constraint as defined under the rules set out in rural development policy provided certain conditions are met in relation to the rate of forest land to agricultural land in the ANC unit. This exemption is defined as the "forest exemption".

1.2.9 Voluntary payment for farmers in areas with natural constraints (Art. 48-49)

Member States can grant additional payments per hectare in less favoured areas/areas with natural constraints, both in the basic payment scheme and the single area payment scheme. These payments can be given to all areas classified as area with natural constraints, or be restricted to some parts of that area on the basis of objective and non-discriminatory criteria (Art. 48 (1) and (4)). The additional payment per hectare in areas with natural constraints is calculated by dividing the amount of eligible hectares by up to 5 % of their national or regional ceiling (Art. 48 (3) and Art. 49 (1)).

1.2.10 Payment for young farmers commencing their agricultural activity (Art. 50-51)

Member States are obliged to grant young farmers an annual young farmer payment per hectare during a maximum period of five years (Art. 50 (1) and (5)). Young farmers are natural persons, who (Art. 50 (2)):

- (a) are setting up for the first time an agricultural holding as head of the holding, or who have already set up such a holding during the five years preceding the first submission of an application;
- (b) are no more than 40 years of age in the year of submission of the application.

Young farmer payments per ha are calculated as 25 % of the average value of the owned or leased-in payment entitlements held by the farmer or 25 % of the national/regional unit value of the payment per ha (Art. 50 (6)). Up to 2 % of the national ceiling has to be used for the young farmer payments. If the total amount of the young farmers payments exceed this maximum, the difference shall be financed by applying a linear reduction to all basic payments/single area payments (Art. 51 (1) and (2)).

Member States shall set a single maximum limit applicable to the number of hectares for which the young farmer payment entitlements is granted. That limit varies between 25 and 90 ha (Art. 50 (9)).

1.2.11 Voluntary coupled support scheme (Art. 52-55)

All Member States are allowed to grant coupled payments to the following sectors: cereals, oilseeds, protein crops, grain legumes, flax, hemp, rice, nuts, starch potato, milk and milk products, seeds, sheep meat and goat meat, beef and veal, olive oil, silk worms, dried fodder, hops, sugar beet, cane and chicory, fruit and vegetables and short rotation coppice (Art. 52 (1) and (2)). Coupled support may only be granted where one of the following needs in the sector or region concerned is demonstrated (Art. 55 (1)):

- i. the need to sustain a certain level of specific production due to the lack of alternatives, and to reduce the risk of production abandonment with the resulting social and/or environmental problems;
- ii. the need to provide stable supply to the local processing industry, thereby avoiding the negative social and economic consequence of any ensuing restructuring; and
- iii. the need to compensate disadvantages affecting farmers in a particular sector which are the consequence of continuing disturbances on the related market.

Member States that spent less than 5 % of their Pillar One envelope on coupled payments in one year in the period 2010-2014 can increase this to 8 % from 2015 onwards. Member States that spent 5-10 % of their Pillar One envelope on coupled payments in one year in the period 2010-2014 can increase this to 13 % from 2015 onwards. Member States that spent more than 10 % of their Pillar One envelope on coupled payments in one year in the period 2010-2014 can increase this to more than 13 % from 2015 onwards, upon approval by the Commission (Art. 53

(1), (2) and (4)). In addition, Member States may use at least 2% of their annual national ceiling for coupled support for the production of protein crops (Art. 53 (3)).

1.2.12 Crop-specific payment for cotton (Art. 56-57)

A crop-specific payment for cotton can be granted per hectare of eligible area of cotton in Bulgaria, Greece, Spain and Portugal (Art. 57 (1)). This payment is given for a base area and reference amounts (Table 2.4). If the eligible area of cotton in a given Member State and in a given year exceeds the base area, the payment per ha in Table I-4 shall be reduced proportionately to the overrun of the base area (Art. 58 (4)).

Table I-4. Base areas, fixed yields and reference amounts for the crop-specific payment for cotton

	national base area (1000 ha)	fixed yield (tonne/ha)	reference amount of the crop-specific payment per ha (€)
Bulgaria	3.34	1.20	584.88 in 2015 649.45 for 2016 and onwards
Greece	250.00	3.20	234.18
Spain	48.00	3.50	362.15
Portugal	0.36	2.20	228.00

Source: Art. 58 of Reg. 1307/2013.

1.2.13 Voluntary simplified scheme for small farmers (Art. 61-65)

Member States may establish a scheme for small farmers (Art. 61 (1)). Farmers which participate in this scheme are excluded from payments in the scope of the basic payment scheme, the single area scheme, greening, payments for areas with natural handicaps, the young farmers scheme, voluntary coupled support, the crop-specific payment for cotton and the small farmers scheme. Moreover, they are exempt from the greening requirements (Art. 61 (2) and (3)). The annual small farmers payment is calculated as (Art. 63 (1)):

- i. an amount not exceeding 25 % of the national average payment per beneficiary;
- ii. an amount corresponding to the national average payment per hectare multiplied by a figure corresponding to a number of hectares not exceeding five, to be set by the Member States.

The annual small farmers payment must be not lower than €500 (€200 for Cyprus, Croatia and Slovenia; €50 for Malta) and not higher than €1 250. If the total amount of payments under the small farmers scheme exceeds 10 % of the annual national ceiling, Member States shall apply a linear reduction to the amounts to be paid in order to respect that percentage (Art. 65 (4)).

1.2.14 Framework within which Bulgaria, Croatia and Romania may complement direct payments (Art. 16-20)

For Romania and Bulgaria, 2015 is the last year of the phasing-in of direct payments. The amount of total payments in 2015 in the scope of the basic payment scheme, the single area scheme, greening, payments for areas with natural handicaps, the young farmers scheme, voluntary coupled support and the small farmers scheme must not exceed €790 909 000 for Bulgaria and €1 783 426 000 for Romania (Art. 16). In 2015, Bulgaria and Romania are allowed to use national direct payments in order to complement direct payments. The total amount of this national direct payments may not exceed €69 657 000 for Bulgaria and €153 536 000 for Romania (Art. 18 (1)). In addition, Bulgaria is allowed to use national direct payments in order

to complement the specific payment for cotton. The total amount of this national direct payments for cotton may not exceed € 258 952 (Art. 18 (2)).

Direct payments in Croatia are subject to phasing-in of direct payments according to the percentage specified in Table I-5 (Art. 17). Croatia is allowed to use national direct payments in order to complement direct payments. The total amount of this national direct payments may not exceed the ceilings specified in Table I-5 (Art. 19 (3)).

Table I-5. Phasing in of direct payments in Croatia, 2015-2022

	2015	2016	2017	2018	2019	2020	2021
% phasing-in	35	40	50	60	70	80	90
Total amount of complementary national direct payments (€)	242 450	223 800	186 500	149 200	111 900	74 600	37 300

Source: Art. 17 and Annex VI of Reg. 1307/2013.

1.2.15 Cross compliance (Art. 93 of Reg. (EU) 1306/2013)

Cross compliance comprises a set of conditions for receipt of both direct payments in Pillar I and agricultural area payments under Pillar II, but is not an expenditure type. Rather it contributes to the 'development of a sustainable agriculture through a better awareness of beneficiaries of the need to respect basic standards [and] to make the CAP more compatible with the expectation of the society through a better consistency of that policy with the environment, public health, animal health, plant health and animal welfare policies' (preamble 54 of Reg. 1306/2013). There are two elements to cross-compliance:

- The Statutory Management Requirements (SMRs) require adherence to certain provisions of EU Directives relevant to agricultural land management;
- Standards of Good Agricultural and Environmental Condition (GAEC) follow general principles laid down in EU legislation but are specified at the national or regional level by Member States' own authorities 'taking into account the specific characteristics of the areas concerned, including soil and climatic condition, existing farming systems, land use, crop rotation, farming practices, and farm structures' (Art. 94).

The SMRs and GAEC standards are set out in Annex II of Reg. 1306/2013. In addition for 2015 and 2016 cross-compliance requirements include the maintenance of permanent grassland within defined limits. The baseline date for permanent pasture depends on the date of accession to the European Union as follows:

- for Member States that were part of the European Union prior to 2004 it refers to land which was under permanent pasture on the date provided for in the area aid applications for 2003;
- for Member States which became Member of the Union in 2004 it refers to land which was under permanent pasture on 1 May 2004;
- for Bulgaria and Romania it refers to land which was under permanent pasture on 1 January 2007;
- for Croatia it refers to land which was under permanent pasture on 1 July 2013.

This rule does not apply to land under permanent pasture to be afforested if such afforestation is compatible with the environment, excluding plantations of Christmas trees and fast growing species cultivated in the short term.

Table I-6. SMRs and GAEC standards for 2015-2020

Area	Main Issue	Requirements and standards	
Environment, climate change, good agricultural condition of land	Water	SMR1 Council Directive 91/676/EEC of 12 December 1991 concerning the protection of waters against pollution caused by nitrates from agricultural sources (OJ L 375, 31.12.1991, p. 1)	Art. 4 and 5
		GAEC 1 Establishment of buffer strips along water courses (1)	
		GAEC 2 Where use of water for irrigation is subject to authorisation, compliance with authorisation procedures	
		GAEC 3 Protection of ground water against pollution: prohibition of direct discharge into groundwater and measures to prevent indirect pollution of groundwater through discharge on the ground and percolation through the soil of dangerous substances, as listed in the Annex to Directive 80/68/EEC in its version in force on the last day of its validity, as far as it relates to agricultural activity	
	Soil and carbon stock	GAEC 4 Minimum soil cover	
		GAEC 5 Minimum land management reflecting site specific conditions to limit erosion	
		GAEC 6 Maintenance of soil organic matter level through appropriate practices including ban on burning arable stubble, except for plant health reasons (2)	
	Biodiversity	SMR 2 Directive 2009/147/EC of the European Parliament and of the Council of 30 November 2009 on the conservation of wild birds (OJ L 20, 26.1.2010, p. 7)	Art. 3(1), Art. 3(2)(b), Art. 4(1), (2) and (4)
		SMR3 Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild flora and fauna (OJ L 206, 22.7.1992, p. 7)	Art. 6(1) and (2)
	Landscape, minimum level of maintenance	GAEC 7 Retention of landscape features, including where appropriate, hedges, ponds, ditches, trees in line, in group or isolated, field margins and terraces, and including a ban on cutting hedges and trees during the bird breeding and rearing season and, as an option, measures for avoiding invasive plant species.	
Public Health, animal health and plant health	Food safety	SMR4 Reg. (EC) No 178/2002 of the European Parliament and of the Council of 28 January 2002 laying down the general principles and requirements of food law, establishing the European Food Safety Authority and laying down procedures in matters of food safety (OJ L 31, 1.2.2002, p. 1)	Art. 14 and 15, Art. 17(1) ⁽³⁾ and Art. 18, 19 and 20
		SMR 5 Council Directive 96/22/EC of 29 April 1996 concerning the prohibition on the use in stock-farming of certain substances having a hormonal or thyrostatic action and beta-agonists, and repealing Directives 81/602/EEC, 88/146/EEC and 88/299/EEC (OJ L 125, 23.5.1996, p. 3)	Art. 3(a), (b), (d) and (e) and Art. 4, 5 and 7
	Identification and	SMR 6 Council Directive 2008/71/EC of 15 July 2008 on identification and registration of pigs (OJ L 213, 8.8.2005, p. 31)	Art. 3, 4 and 5

Area	Main Issue	Requirements and standards	
	registration of animals	SMR 7 Reg. (EC) No 1760/2000 of the European Parliament and of the Council of 17 July 2000 establishing a system for the identification and registration of bovine animals and regarding the labelling of beef and beef products and repealing Council Reg. (EC) No 820/97(OJ L 204, 11.8.2000, p. 1)	Art. 4 and 7
		SMR 8 Council Reg. (EC) No 21/2004 of 17 December 2003 establishing a system for the identification and registration of ovine and caprine animals and amending Reg. (EC) No 1782/2003 and Directives 92/102/EEC and 64/432/EEC (OJ L 5, 9.1.2004, p. 8)	Art. 3, 4 and 5
	Animal diseases	SMR 9 Reg. (EC) No 999/2001 of the European Parliament and of the Council of 22 May 2001 laying down rules for the prevention, control and eradication of certain transmissible spongiform encephalopathies (OJ L 147, 31.5.2001, p. 1)	Art. 7, 11, 12, 13 and 15
	Plant Protection Products	SMR 10 Reg. (EC) No 1107/2009 of the European Parliament and of the Council of 21 October 2009 concerning the placing of plant protection products on the market and repealing Council Directives 79/117/EEC and 91/414/EEC (OJ L 309, 24.11.2009, p. 1)	Art. 55, first and second sentence
	Animal welfare	SMR11 Council Directive 2008/119/EC of 18 December 2008 laying down minimum standards for the protection of calves (OJ L 10, 15.1.2009, p. 7)	Art. 3 and 4
		SMR 12 Council Directive 2008/120/EC of 18 December 2008 laying down minimum standards for the protection of pigs (OJ L 47, 18.2.2009, p. 5)	Art. 3 and 4
		SMR 13 Council Directive 98/58/EC of 20 July 1998 concerning the protection of animals kept for farming purposes(OJ L 221, 8.8.1998, p. 23)	Art. 4

- (1) The GAEC buffer strips must respect, both within and outside vulnerable zones designated pursuant to Art. 3(2) of Directive 91/676/EEC, at least the requirements relating to the conditions for land application of fertiliser near water courses, referred to in point A.4 of Annex II to Directive 91/676/EEC to be applied in accordance with the action programmes of Member States established under Art. 5(4) of Directive 91/676/EEC.
- (2) The requirement can be limited to a general ban on burning arable stubble, but a Member State may decide to prescribe further requirements.

As implemented in particular by:

- Art. 14 of Reg. (EC) No 470/2009 and the Annex of Reg. (EC) No 37/2010,
- Reg. (EC) No 852/2004: Art. 4(1) and Annex I part A (II 4 (g, h, j), 5 (f, h), 6; III 8 (a, b, d, e), 9 (a, c));
- Reg. (EC) No 853/2004: Art. 3(1) and Annex III Section IX Chapter 1 (I-1 b, c, d, e; I-2 a (i, ii, iii), b (i, ii), c; I-3; I-4; I-5; II-A 1, 2, 3, 4; II-B 1(a, d), 2, 4 (a, b)), Annex III Section X Chapter 1(1);
- Reg. (EC) No 183/2005: Art. 5(1) and Annex I, part A (I-4 e, g; II-2 a, b, e), Art. 5(5) and Annex III (1, 2), Art. 5(6); and
- Reg. (EC) No 396/2005: Art. 18.

I.3 Description of legislation under Pillar II (Reg. (EU) 1305/2013)

This section provides a description of the legislation related to the Pillar II measures covered by the study. In agreement with the Terms of Reference for the study, the focus is on the measures 1, 4, 6, 7, 8, 10, 11, 13 and 16 of the Reg. (EU) 1305/2013 as well as on the Art. 67 and 32 of the Reg. (EU) 1303/2013.

The reading guide for the description of each measure is the following:

1. Content of the measure and related sub-measures;
2. The objective of the measure;
3. The conditions needed to be met for the support to be granted while indicating the implementation choices available to Member States;
4. The eligibility criteria and the implementation choices available to Member States;
5. What the funding/payment/support granted under the measure and sub-measures can cover and the implementation choices available to Member States;
6. How a measure or sub-measure can be combined with other articles/(sub)measures.

Sources used for this section are:

- Reg. (EU) No. 1305/2013 and 1303/2013;
- Commission Delegated Reg. (EU) 807/2014;
- Commission Implementing Reg. (EU) No. 808/2014.

I.3.1 Knowledge transfer and information actions (Art. 14, Measure 1)

The knowledge transfer and information actions (Art. 14 of EU Reg. No 1305/2013, Measure 1) provides support for the following sub-measures:

- M1.1: Support for vocational training and skills acquisition actions;
- M1.2: Support for demonstration activities and information actions;
- M1.3: Support for short-term farm and forest management exchange as well as farm and forest visits.

The **objective** of the measure is to support rural development through the exchange of knowledge and information amongst persons engaged in SMEs who are active in rural areas, with a focus on the agricultural, food and forestry sector and land managers. Support can be provided through funding vocational training, skills acquisition, demonstration activities and information actions. The support can take the form of traditional training, but it is also encourages to adapt the form to the specific needs of the involved actors. As such, support can be in the form of a training course, workshop, coaching as well as exchanges and visits.

Support is only **eligible** if it concerns activities which are not part of regular education programmes or curricula. Furthermore, to ensure effective delivery, the trainer should have appropriate competency.

Funding can cover the costs of organising and delivering the knowledge transfer or information action. Investment costs can also be covered in the case of demonstration projects. Other **eligible costs** are travelling, accommodation and per diem of the participant and the costs for temporarily replacing the absent farmer in the origin farm. Member States have the possibility to use a system of vouchers or equivalent to cover expenditures, provided that they are valid for a maximum of one year, are linked to a specific action and contain the conditions which need to be met to use the voucher.

Conditions to be met are that Member States have to define the duration and the content of the short-term farm and forest management exchange schemes and farm and forest visits in their rural development programmes. Such schemes and visits have to focus, in particular, on sustainable farming and forestry methods and/or technologies, farm diversification, farms participating in short supply chains, the development of new business opportunities and new technologies, and on the improvement of forest resilience.

1.3.2 Investments in physical assets (Art. 17, Measure 4)

Investments in physical assets (Art. 17 of EU Reg. No 1305/2013, Measure 4) provides support for the following sub-measures:

- M4.1: support for investments in agricultural holdings;
- M4.2: support for investments in processing/marketing and/or development of agricultural products;
- M4.3: support for investments in infrastructure related to development, modernisation or adaptation of agriculture and forestry;
- M4.4: support for non-productive investments linked to the achievement of agri-environment-climate objectives.

The overall **objective** of this measure is to improve the economic and environmental performance of agricultural enterprises. More specifically, this is broken down into objectives to increase the efficiency of the processing and marketing of agricultural products, creating a shorter and more localised supply chain and developing, adapting and modernising agriculture and forestry. The latter includes access to productive land, land consolidation and supply and efficiency of energy and water resources.

Specific attention is also paid to non-remunerative investments in infrastructure which is required to realise environment and climate related benefits. This includes investments in Natura 2000 areas or other high nature value systems.

As a **condition**, support can only be given to investment in physical assets. Furthermore, Member States are required to target then support to farms, based on a SWOT analysis which is carried out in the context of Union priority for rural development.

Individual farmers as well as groups of farmers can be **eligible** for support. For this measure, Member States should define in their Rural Development Programmes what they consider to be non-productive investments, collective investments, integrated projects, Natura 2000 and other high nature value sites.

The **maximum funding** under this measure is expressed as a rate and varies between 40 and 75% for individual investments. The exception is the support to non-productive investments, which has a maximum of 100%. The extent of funding depends on the specific region and possibly the GDP per capita of the region compared EU-25 or EU-27. An additional rate of support of 20% can be given if criteria are met. This can be for young farmers, collective investments and integrated projects, areas faced with natural constraints and investment in operations supported under EIP or Art. 28 and 29.

Importantly, support under this measure can be **combined** with for support to operations in the framework of the EIP or those linked to a merger of producer organisations. To avoid overcompensation and an increased administrative burden, Member States need to set up rules for the combination of certain measures. One of the provisions under this measure is that the maximum support rate does not exceed 90 %.

1.3.3 Restoring agricultural production potential damaged by natural disasters and catastrophic events and introduction of appropriate preventive actions (Art. 18, Measure 5)

Restoring agricultural production potential damaged by natural disasters and catastrophic events and introduction of appropriate preventive actions (Art. 18 of EU Reg. No 1305/2013, Measure 5) provides support for the following sub-measures:

- M5.1: support for investments in preventive actions aimed at reducing the consequences of probable natural disasters, adverse climatic events and catastrophic events;
- M5.2: support for investments for the restoration of agricultural land and production potential damaged by natural disasters, adverse climatic events and catastrophic events.

The **objective** of this measure is to maintain agricultural productivity in the context of harmful extreme natural events. It aims to prevent damage to agricultural productivity with investments and, should damage occur despite the provided support to investments, restore agricultural productivity with investments.

Importantly, this measure is not designed as a compensation scheme, but rather as a tool to sustain and restore agricultural productivity. This means that support to compensate loss of income is not **eligible** under this measure. With the purpose of improving the efficiency and effectiveness of the measure, support can also be granted to groups of farmers or public entities, as long as a clear link between the investment and production potential is established.

Because the measure is only aimed at combatting the effects of extreme events, support for restoration of production potential can only be provided under the **condition** that the event is formally recognized as a natural disaster. The development of criteria for recognizing a natural disaster and the subsequent assessment and recognition needs to be done by the competent public authority of the Member State. Furthermore, the event needs to have destroyed at least 30% of the relevant agricultural potential. Investments under M5.2 are also eligible if the caused damage is due destruction in the context of plant disease or pest control.

The **maximum funding** under this measure is expressed as a rate of total expenditures. If an individual farmer invests under measure 5.1, the maximum support is 80 %. Farmers are incentivised to invest collectively, because the maximum support for these types of investments is 100 %. Investments in restoration of agricultural productivity are also supported for 100 %.

The **combination** of investments in the restoration of production potential can in practice occur with other types of funding, being European or national support instruments or private insurance schemes. The Member States need to ensure that this does not lead to overcompensation.

1.3.4 Farm and business development (Art. 19, Measure 6)

Farm and business development (Art. 19 of EU Reg. No 1305/2013, Measure 6) provides support for the following sub-measures:

- M6.1: business start-up aid for young farmers;
- M6.2: business start-up aid for non-agricultural activities in rural areas;
- M6.3: business start-up aid for the development of small farms;
- M6.4: support for investments in creation and development of non-agricultural activities;
- M6.5: payments for farmers eligible for the small farmers scheme who permanently transfer their holding to another farmer.

The **objective** of the measure is to create and develop new economic activity in rural areas. It is focussed on SMEs, considering that they are the backbone of the rural economy. More specifically, the measure facilitates the establishment of new businesses and structural adjustment of existing businesses in rural areas, for young farmers and small farms, but also for the diversification of rural economic activity to non-agricultural activities. The payments under M6.5 are meant to increase the flexibility for restructuring the agriculture sector.

In order to be able to receive business start-up aid, the beneficiary has to meet the **condition** of providing a business plan. The implementation of this business plan must commence 9 months after the decision has been taken to support the start-up. The business plan has to describe at least:

- (a) in the case of start-up aid to young farmers:
 - (i) the initial situation of the agricultural holding;
 - (ii) milestones and targets for the development of the activities of the agricultural holding;
 - (iii) details of the actions, including those related to environmental sustainability and resource efficiency, required for the development of the activities of the agricultural holding, such as investments, training, advice;
- (b) in the case of start-up aid for non-agricultural activities in rural areas:
 - (i) the initial economic situation of the person or micro- or small enterprise applying for support;
 - (ii) milestones and targets for the development of the new activities of the person or agricultural holding or of the micro- or small enterprise;
 - (iii) details of the actions required for the development of the activities of the person or agricultural holding or micro- or small enterprise, such as details of investments, training, advice;
- (c) in the case of start-up aid for the development of small farms:
 - (i) the initial situation of the agricultural holding; and
 - (ii) details of the actions, including those related to environmental sustainability and resource efficiency, that could support the achievement of economic viability, such as investments, training, and cooperation.

Tailored support is provided to young farmers, who can take more time to meet general the ex-ante conditionalities for support.

In terms of **eligibility**, support is limited to micro and small enterprises and, if they are part of a farm household, natural persons. Member States need to define which size farms are considered to be small farms. The specific support to young farmers depends on the definition of 'young', which is determined by the Commission.

The **maximum funding** under this measure is € 70 000 per young farmer / beneficiary and € 15 000 per small farm. Member States decide on the level of support, which should be based on the socio-economic situation in the programme area. Member States can also, based on criteria set by the Commission, define lower and upper thresholds of support for business start-up aid, although

support to young farmers needs to be prioritised. It is required that the lower threshold for support for young farmers is always higher than upper threshold for support to small farms. In addition, the measure is not meant as an operating aid, but merely as temporary support to incubate business. The aid can therefore only last a maximum of five years.

M6.1: Business start-up aid for young farmers

Support under 6.1 can be granted to young farmers yet remains conditional on the submission of a business plan. The implementation of this business plan must start within nine months from the date of the decision granting the aid. The business plan should show that the young farmer complies with the active farmer definition as set out in Art. 9 of Reg. (EU) No. 1307/2013 within 18 months of the date of setting up.

Member States need to define upper and lower thresholds for allowing agricultural holdings access to support under this sub-measure. The lower threshold of support for young farmers (M6.1) will be higher than the upper threshold for support for small farms (M6.3).

Support will be paid in at least two instalments over a period of maximum five years. The payment of the final instalments will be conditional upon the correct implementation of the business plan.

M6.2: Business start-up aid for non-agricultural activities in rural areas

Support under 6.2 can be granted to farmers or members of a farm household³ who diversify into non-agricultural activities and to micro- and small – enterprises and natural persons in rural areas, yet remains conditional on the submission of a business plan. The implementation of this business plan must start within nine months from the date of the decision granting the aid.

Support will be granted in at least two instalments over a period of maximum five years. The payment of the final instalments will be conditional upon the correct implementation of the business plan.

M6.3: Business start-up aid for the development of small farms

Support under 6.3 shall be granted to small farms as defined by Member States. It is conditional on the submission of a business plan. The implementation of this business plan must start within nine months from the date of the decision granting the aid.

Member States shall define upper and lower thresholds for allowing agricultural holdings access to support under this sub-measure. The lower threshold of support for young farmers (M6.1) will be higher than the upper threshold for support for small farms (M6.3).

M6.4: support for investments in creation and development of non-agricultural activities

Support under 6.4 can be granted to micro- and small enterprises and natural persons in rural areas as well as to farmers or members of a farm household.

³ According Art. 19 (3) of Reg. (EU) 1305/2013 “any legal or natural person or a group of natural or legal persons, whatever legal status is granted to the group and its members by national law, may be considered to be a member of a farm household, with the exception of farm workers. Where a legal person or a group of legal persons is considered to be a member of the farm household, that member must exercise an agricultural activity on the farm at the time of the support application.”

M6.5: payments for farmers eligible for the small farmers scheme who permanently transfer their holding to another farmer

Support under 6.5 shall be granted to farmers eligible to participate in the small farmers scheme who, at the time of submitting their application for support, have been so eligible for at least one year and who undertake to permanently transfer their entire holding and the corresponding payment entitlements to another farmer.

Support shall be paid from the date of the transfer until 31 December 2020, or calculated in respect of that period and paid in one go. Support shall be equal to 120% of the annual payment that the beneficiary is eligible to receive under the small farmers scheme.

1.3.5 Basic services and village renewal in rural areas (Art. 20, Measure 7)

Basic services and village renewal in rural areas (Art. 20 of Reg (EU) No 1305/2013) (M7) provides support for the following sub-measures:

- M7.1: support for drawing up and updating of plans for the development of municipalities and villages in rural areas and their basic services and of protection and management plans relating to Natura 2000 sites and other areas of high nature value;
- M7.2: support for investments in the creation, improvement or expansion of all types of small scale infrastructure, including investments in renewable energy and energy saving;
- M7.3: support for broadband infrastructure, including its creation, improvement and expansion, passive broadband infrastructure and provision of access to broadband and public e-government;
- M7.4: support for investments in the setting-up, improvement or expansion of local basic services for the rural population including leisure and culture, and the related infrastructure;
- M7.5: support for investments for public use in recreational infrastructure, tourist information and small scale tourism infrastructure;
- M7.6: support for studies/investments associated with the maintenance, restoration and upgrading of the cultural and natural heritage of villages, rural landscapes and high nature value sites including related socioeconomic aspects, as well as environmental awareness actions;
- M7.7: support for investments targeting the relocation of activities and conversion of buildings or other facilities located inside or close to rural settlements, with a view to improving the quality of life or increasing the environmental performance of the settlement;
- M7.8 others.

Local infrastructure and basic services in rural areas are considered to be an essential element in a strategy for realising growth potential and sustainability of rural areas. The **objective** of this measure is to contribute to this, through:

- contributing to restoring, preserving and enhancing biodiversity and high nature-value farming to rear local breeds in danger of being lost to farming and preserve plant genetic resources under threat of genetic erosion;
- supporting renewable energy and energy efficiency to steer the shift towards a low carbon and climate resilient economy, preserving and protecting the environment and improving security of supply;
- having rural areas gain access to Information and Communication Technologies and the development of fast and ultra-fast broadband;
- setting up of quality jobs in rural areas by developing leisure and culture services and rural tourism;
- restoring or upgrading the cultural and natural heritage of rural villages and landscapes to improve the quality of life.

Investments can only be done in small-scale infrastructure. Exception to this **condition** are investments in broadband connection and renewable energy production, although the complementarity with support under other Union instruments needs to be provided. The definition of small-scale infrastructure is determined by individual Member States.

Only those investments are **eligible** who are aligned with existing plans for municipal or other relevant rural development plan or strategy.

1.3.6 Investments in forest area development and improvement of the viability of forests (Art. 21-26, Measure 8)

Investments in forest area development and improvement of the viability of forests (Art. 21-26 of Reg. (EU) No 1305/2013) – The code for this measure is M8 which covers the following sub-measures:

- M8.1: support for afforestation/creation of woodland (Art. 21);
- M8.2: support of establishment and maintenance of agro-forestry systems (Art. 22);
- M8.3: support for prevention of damage to forests from forest fires and natural disasters and catastrophic events (Art. 23);
- M8.4: support for restoration of damage to forests from forest fires and natural disasters and catastrophic events (Art. 24);
- M8.5: support for investments improving the resilience and environmental value of forest ecosystems (Art. 25);
- M8.6: support for investments in forestry technologies and in processing, mobilising and marketing of forest products (Art. 26).

Forestry is an integral part of rural development and support for sustainable and climate friendly land use should include forest area development and sustainable management of forests (recital 20 of Reg 1305/2013). The **objective** of the measure is to cover all types of support for forestry investments and management, with a view of helping beneficiaries to realise integrated projects with increased added value while achieving simplification..

General requirements:

For all forest investment measures Member States must determine in their RDPs the size of holdings above which support becomes conditional on the drafting of a **forest management plan** (or an equivalent instrument) in line with the General Guidelines for the Sustainable Management of Forests in Europe adopted at the Ministerial Conference on the Protection of Forests in Europe of 1993.

M8.1 Support for afforestation/creation of woodland (Art. 21)

Support under M8.1 can be granted either to public and private land-holders or land holder associations. In the case of state-owned land, support can only be granted if the body managing such land is a private body or a municipality.

M8.1 support aims to cover:

- the costs of establishment of the afforestation/creation of woodland; and
- an annual premium per hectare to compensate for the agricultural income foregone and for maintenance costs, including early and late cleanings.

M8.1 support can be granted for a maximum period of twelve years.

Reg. (EU) No 1305/2013 specifies some **specific cases** in which support may only be partially granted or not granted at all. In the case of afforestation of **land owned by public authorities** or for **fast growing trees**, the support will cover only the costs of establishment. No support is available for the planting of trees for **short rotation coppicing, Christmas trees or fast growing trees for energy production**.

In terms of the **eligibility criteria** for M8.1, both agricultural and non-agricultural land is eligible, provided that the species planted are adapted to the environmental and climatic conditions prevailing in the area, and that it complies with **minimum environmental requirements** established by the European Commission in the Delegated Reg. (EU) No 807/2014. These include various implementation choices for Member States, as follows:

- Member States must ensure that the support is granted to **avoid the inappropriate afforestation** of sensitive habitats such as peat lands and wetlands and negative effects on areas of high ecological value including areas under high natural value farming, or to ensure consistency with management plans in Natura 2000 sites;
- Member States must define the **relevant tree species** to be planted taking into account the need for resilience to climate change and natural disasters, the potential invasive character and the local conditions of the afforested area;
- As regards fast-growing species, Member States must define the minimum and maximum **time before felling**. The minimum time shall not be less than 8 years and the maximum shall not exceed 20 years;
- In areas where afforestation is difficult due to severe pedo-climatic conditions, Member States can allow support for planting of **other perennial woody species** such as shrubs or bushes suitable to local conditions;
- Where the afforestation covers an **area exceeding a certain threshold**, to be defined by Member States, the support will be granted for the exclusive planting of ecologically adapted species and/or species resilient to climate change. The impact of these species should be assessed to ensure that they will not threaten biodiversity and ecosystem services or have a negative impact on human health. Alternatively, beyond a certain size, it will be required that a mix of tree species is planted which includes either a minimum of 10 % broadleaved trees by area, or a minimum of three tree species, with any of these accounting for at least 10% of the area.

M8.2 Support of establishment and maintenance of agro-forestry systems (Art. 22)

Support under M8.2 can be granted either to private land-holders, land holder associations or municipalities. M8.2 covers:

- the costs of establishment of the agro-forestry systems; and,
- an annual premium per hectare to cover the maintenance costs.

M8.2 support can be granted for a maximum period of five years, at a maximum support rate of 80 % of the eligible investment for the establishment of agro-forestry systems (Annex II of EAFRD Regulation).

For the purposes of M8.2, agroforestry systems are defined by Reg. (EU) No 1305/2013 as land use systems in which trees are grown in combination with agriculture on the same land.

In terms of the **eligibility criteria** for M8.2, Member States must determine the minimum and maximum number of trees per hectare taking account of local pedo-climatic and environmental conditions, forestry species and the need to ensure sustainable agricultural use of the land.

M8.3 Support for prevention of damage to forests from forest fires and natural disasters and catastrophic events (Art. 23)

Support under M8.3 can be granted to private or public forest-holders, forest holder associations or other private or public bodies. It covers costs associated with:

- the establishment of protective infrastructure. In the case of firebreaks, support can also cover aid contributing to maintenance costs;
- local, small scale prevention activities against fire or other natural hazards; including the use of grazing animals;
- establishing and improving monitoring facilities and communication equipment for forest fire, pest and diseases.

M8.3 applies to forest areas that are classified as having a medium to high forest fire risk, according to the forest protection plan established by the Member States. To be eligible, the preventive operations must be consistent with the national forest protection plan.

For preventive actions concerning pests and diseases, Member States must specify in their RDPs the extent of risk of an outbreak, supported by scientific evidence. Where relevant, the list of the relevant harmful organisms must be provided in the RDPs.

Agricultural related activities in areas covered by agri-environment-climate commitments are excluded from the scope of support under M8.3.

M8.4 Support for restoration of damage to forests from forest fires and natural disasters and catastrophic events (Art. 24)

Support under M8.4 can be granted to private or public forest-holders, forest holder associations or other bodies. M8.4 can cover the costs of restoring the forest potential damaged by fires and other natural disasters, including pests, diseases as well as catastrophic events and climate change related events.

M8.4 support applies in cases when a natural disaster has been formally recognised by the Member State's competent authorities and when at least 20% of the relevant forest potential has been destroyed as a result.

Support under this measure, however, is not intended to compensate for any loss of income resulting from the natural disaster. Member States need to ensure that overcompensation as a result of the combination of this measure and other support or private insurance schemes is avoided.

M8.5 Support for investments improving the resilience and environmental value of forest ecosystems (Art. 25)

Support under M8.5 can be granted to individuals, private or public forest-holders, forest holder associations or other private or public bodies. M8.5 support targets investments that contribute to achieving environmental aims, the provision of ecosystem services and/or the enhancement of the public amenity value of forest and wooded land, or that contribute to improving the climate change mitigation potential of ecosystems. Investments made under this measure must take into account the economic benefits that will be made in the long term.

M8.6 Support for investments in forestry technologies and in processing, mobilising and marketing of forest products

Support under M8.6 can be granted to private forest-holders, forest holder associations, municipalities or to SMEs. M8.6 provides investments that enhance forestry potential or that contribute to adding value to forest products via the processing, mobilising and marketing of these products.

In some islands and overseas territories of the EU⁴, support can also be granted to companies that are not SMEs.

Investments related to the improvement of the economic value of forests must justify the expected improvements to forests. These can include investments for soil-friendly and resource -friendly harvesting machinery and practices. Investments related to the use of wood as a raw material or as an energy source must be limited to operations prior to industrial processing.

M8.6 support is limited to a maximum support rate of 40 % of the eligible investment (Annex II of EAFRD Regulation), although higher rates are allowed in specific regions⁵.

1.3.7 Agri-environment-climate (Art. 28, Measure 10)

The agri-environment-climate measure - AECM (Art. 28 of Reg (EU) No 1305/2013), (M10) comprises the following sub-measures:

- M10.1: payment for agri-environment-climate commitments; and
- M10.2: support for conservation and sustainable use and development of genetic resources in agriculture.

M10 is a compulsory measure of Pillar II and therefore must be included in all rural development programmes, whether at national and/or regional levels. M10 **aims to preserve** and promote *“agricultural practices that make a positive contribution to the environment and climate”*. The payments under M10 target farmers or groups of farmers or, if duly justified, other land managers. Given the specificity of sub-measure 10.2 (conservation and development of genetic resources), operations can be carried out by other types of beneficiaries.

AECM payments are granted to eligible beneficiaries that carry out, on a voluntary basis, operations in response to their agri-environment-climate commitments on ‘agricultural land’. The payment is intended to compensate beneficiaries for all or part of the additional costs and income foregone resulting from the commitments made. In addition to this, where necessary, Member States can **decide to also cover transaction costs** to a value of **up to 20 % of the payment** - or up to 30 % when commitments are undertaken **by groups of farmers** (or groups of farmers and other land managers). When calculating the payment rate, Member States should ensure that **double funding** with greening measures is avoided. No support under M10 can be granted for commitments that are covered under the organic farming measure (M11).

⁴ Azores, Madeira, the Canary islands, the smaller Aegean islands within the meaning of Regulation (EEC) No 2019/93 and the French overseas departments

⁵ 65% in less developed regions, 75% in outermost regions and in smaller Aegean islands

In some specific cases⁶ where equivalent greening practices are being used in the Member States, agri-environment-climate payments covering the same practices as those contributing to the greening requirements will be **reduced by a lump sum** corresponding to a part of the greening measure for each specific equivalent greening practice, as laid down in Art. 9(2) of Delegated Reg. No 807/2014.

'Agricultural land' is to be defined by the Member States, which can broaden the scope of the 'agricultural area' definition as set out in the EAFRD Reg. (Art. 2(f)) – but they cannot narrow it.

The **support** is given as an annual payment on the basis of a per hectare rate, for commitments over a period of 5 to 7 years.

- Member States can however determine **longer commitment periods** for particular types of commitments, e.g. in the form of annual extension after the end of the initial period; and **shorter periods** for new commitments directly following the end of the initial period commitment;
- Member States need to respect a maximum rate expressed per ha or per livestock unit as laid down in the EAFRD Regulation (Annex II). If they choose to calculate the support on the basis of a different unit⁷, they need to **ensure compliance with this maximum ceiling**.

M10 payments can only cover commitments that **go beyond other existing mandatory requirements for farmers**, i.e. cross-compliance (Statutory Management Requirements (SMR) and standards of Good Agricultural and Environmental Condition (GAEC)), the requirements of the greening measures, relevant requirements for fertiliser and plant protection product use and any other relevant requirements established by national law. These requirements must be clearly identified in the rural development programmes. The Rural Development Programmes (RDPs) must also include a description of the agronomic assumptions and parameters used to define the **baseline**, i.e. the threshold beyond which efforts are made for the purpose of M10. The baseline should be used as reference for the calculations justifying additional costs and the income foregone as well as the level of the transaction costs.

Member States must also ensure that beneficiaries are provided with the **knowledge and information** required to implement the relevant M10 operations via expert advice or mandatory training.

Where duly justified, Member States can opt to grant **environmental conservation support** at a flat-rate or as a one-off payment per unit for commitments to renounce commercial use of areas. As for all rural development measures, Member States must specify in the RDPs the calculation method they intend to use.

Member States can decide to **select M10 beneficiaries** on the basis of calls for proposals, applying economic and environmental efficiency criteria.

Some specific conditions regarding the types of genetic resources eligible for support under sub-measure 10.2 are laid down in Art. 7 of Commission Delegated Reg. (EC) No 807/2014.

⁶ When winter soil cover and catch crops are used as equivalent to crop diversification (points 3 and 4 of Section I) and when production with no use of fertiliser and/or plant protection products, and not irrigated, not sown with the same crop two years in a row and on a fixed place is used as equivalent to ecological focus area (point 7 of Section III of Annex IX to Regulation (EU) No 1307/2013)

⁷ Art. 9 of Commission Implementing Regulation (EU) No 808/2014

It should be noted that the agri-environment-climate measure is one of the Pillar II measures for which **combination with other commitments/measures** is allowed⁸ under Art. 11 of Implementing Reg. (EU) No 808/2014. As a result, when determining the level of support for M10, Member States must take into account the specific income foregone and additional costs resulting from the combination with other Pillar II measures.

1.3.8 Organic farming (Art. 29, Measure 11)

Organic farming (Art. 29 of Reg (EU) No 1305/2013) (M11) provides support for the following sub-measures:

- M11.1: payment to convert to organic farming practices and methods;
- M11.2: payment to maintain organic farming practices and methods.

Pillar II allows for support to be granted to EU active farms that either convert to (M11.1), or maintain (M11.2) organic farming activity⁹. The support provided is a response to increasing societal demand for the use of environmentally friendly farm practices and for high standards of animal welfare. M11 design is intended particularly to encourage take up of organic farming practices by groups of farmers through collective contracts or co-operation between farmers, so as to cover larger, adjacent areas and increase the biodiversity benefits secured.

The support is given as **an annual payment** on the basis of a per hectare rate, for commitments over a period of 5 to 7 years.

- Given the specific nature of the organic farming commitments, Member States are allowed to calculate support on the basis of other units than the per hectare rate¹⁰ (M11).;
- Member States can also determine a shorter initial period for the conversion sub-measure (M11.1) and annual extension or shorter periods for commitments after the end of the initial period for the maintenance sub-measure (M11.2);
- Member States need to respect a maximum per ha rate as laid down in the EAFRD Regulation (Annex II). If they choose to calculate the support on the basis of a different unit (see above), they need to establish rules to ensure compliance with this maximum ceiling (M11).

Member States also need to specify in the Rural Development Programmes all applicable requirements for **farmers to be eligible** for this support (M11):

- Minimum activity requirements ('active farmers');
- Relevant minimum requirements for fertiliser and plant protection products use;
- Other relevant mandatory requirements established by national law.

Organic farming payments are intended to cover only those efforts that **go over and above the mandatory standards** farmers need to comply with to receive direct payments under Pillar I, in particular compliance with the Statutory Management Requirements (SMR), standards of Good Agricultural and Environmental Condition (GAEC), relevant requirements for fertiliser and plant protection products use and any other relevant requirements established by national law. These requirements must be clearly identified in the rural development programmes. The Rural Development Programmes (RDPs) must also include a description of the agronomic assumptions and parameters used to define the **baseline**, i.e. the threshold beyond which efforts are made for

⁸ More specifically, the agri-environment-climate commitments (M10), organic farming commitments (M11), animal welfare commitments (M14) and forest-environment commitments (M15) may be combined provided that they are complementary and compatible. Member States must attach the list of combinations permitted to their rural development programmes. Where an operation falls under two or more measures or under two or more different types of operations, Member States may attribute the expenditure to the dominant measure or type of operation.

⁹ Organic farming practices and methods as defined in Regulation (EC) No 834/2007

¹⁰ Art. 9 of Commission Implementing Regulation (EU) No 808/2014

the purpose of M11. The baseline should be used as reference for the calculations justifying additional costs and the income foregone as well as the level of the transaction costs.

The annual payment is intended to compensate beneficiaries for all or part of the additional costs and income foregone resulting from the commitments made. In addition to this, where necessary, Member States can decide to also cover **transaction costs** to a value of up to 20 % of the payment - or up to 30 % when commitments are undertaken by groups of farmers. When calculating this transaction cost payment, Member States should ensure that **double funding** with greening measures is avoided as well as with Measure 10 payments, where relevant (Art. 9 of Delegated Reg. No 807/2014). As for all rural development measures, Member States must specify in the RDPs the **calculation method** they intend to use.

It should be noted that organic farming is one of the Pillar II measures for which **combination with other commitments/measures** is allowed¹¹ under Art. 11 of Implementing Reg. (EU) No 808/2014. As a result, when determining the level of support for M11, Member States must take into account the specific income foregone and additional costs resulting from the combination with other Pillar II measures.

1.3.9 Payments to areas facing natural or other specific constraints (Art. 31-32, Measure 13)

Payments to areas facing natural or other specific constraints (Art. 31-32 of Reg (EU) No 1305/2013) (M13) provide compensation payments in different areas, as follows:

- M13.1: compensation payment in mountain areas;
- M13.2: compensation payment for other areas facing significant natural constraints;
- M13.3: compensation payment to other areas affected by specific constraints.

Pillar II allows for support to be granted to EU active farms who undertake farming activity in mountain areas and other areas facing natural or other specific constraints, as designated by Art 32 of Reg (EU) No 1305/2013. M13 intends to compensate farmers for all or part of the additional costs and income foregone related to these constraints for agricultural production. The payment is calculated on the basis on the severity of the constraint(s) and the farming system in comparison to areas which are not affected by natural or other specific constraints, also taking into account the greening payments under Pillar I.

The payments must be fixed between a minimum (€ 25/ha) and a maximum ceiling (€ 250/ha or € 450/ha in mountain areas) but can exceed the maximum ceiling in duly substantiated cases justified in the RDPs. Member States must define a threshold level of area per holding beyond which payments are to be degressive. The degressivity of payments is also to be defined in the RDPs. Some beneficiaries may have been eligible to this payment in the previous programming period (2007-2013) and may be no longer eligible under the new designation of areas facing natural or other specific constraints (Art 32). In these cases, the payments must be no more than 80 % of the average payment fixed in the programme and be then degressive over a maximum period of 4 years. In all cases, these payments must end in 2020.

Member States are the ones that designate the areas eligible under M13 under the categories corresponding to the three submeasures but must comply some general definitions/eligibility conditions as follows:

¹¹ More specifically, the agri-environment-climate commitments (M10), organic farming commitments (M11), animal welfare commitments (M14) and forest-environment commitments (M15) may be combined provided that they are complementary and compatible. Member States must attach the list of combinations permitted to their rural development programmes. Where an operation falls under two or more measures or under two or more different types of operations, Member States may attribute the expenditure to the dominant measure or type of operation.

Mountain areas (M13.1) however must in all cases be characterised by a considerable limitation of the possibilities for using the land and by an appreciable increase in production costs due to (a) the existence of very difficult climatic conditions substantially shortening the growing season or to (b) the presence of slopes too steep to use machinery or requiring the use of very expensive special equipment, or a combination of these factors.

Areas other than mountain areas (M13.2) are eligible only if at least 60 % of the agricultural area faces at least one of the significant natural constraint listed in Annex III of Reg (EU) No 1305/2013. To delimitate these areas, Member States must carry out a fine-tuning exercise based on objective criteria, with the purpose of excluding potentially eligible areas where the constraints have been overcome as a result of which income loss or added costs have been offset (by investments, economic activity or by evidence of normal land productivity, etc.)

Other areas may be eligible under M13.3 if they are **affected by specific constraints** and if it is necessary for land management to be continued in order to conserve or improve the environment, to maintain the countryside, to preserve the tourist potential of the area or to protect the coastline. M13.3 eligible areas must not exceed 10 % of the Member State's area.

In addition, areas may also be eligible for M13.3 payments if:

- at least 60 % of the agricultural area meets at least two of the criteria listed in Annex III each within a margin of not more than 20 % of the threshold value indicated; or
- at least 60 % of the agricultural area is composed of areas meeting at least one of the criteria listed in Annex III at the threshold value indicated, and areas meeting at least two of the criteria listed in Annex III each within a margin of not more than 20 % of the threshold value indicated.

1.3.10 Cooperation (Art. 35, Measure 16)

Cooperation (Art. 35 of Reg (EU) No 1305/2013) – Measure 16 aims at promoting different forms of co-operation in rural areas to bring a broad range of people and other entities together.

The basic rule of the Co-operation measure is that **at least two entities** must be involved in a **new** form of co-operation – this can include also an existing group of co-operating entities in undertaking a **new joint project**. Co-operation among actors located in different regions or Member States is also eligible for support.

The measure supports

- i. co-operation approaches among different actors in the Union agriculture sector, forestry sector and food chain and other actors that contribute to achieving the objectives and priorities of rural development policy, including producer groups, cooperatives and inter-branch organisations;
- ii. the creation of clusters and networks; - a "cluster" means a grouping of independent undertakings – start-ups, small, medium and large undertakings as well as advisory bodies and/or research organisations – designed to stimulate economic/innovative activity by promoting intensive interactions. The term "network" is less precisely defined and much broader in scope;
- iii. the establishment and operation of operational groups of the EIP for agricultural productivity and sustainability.

Payments

Support can be given as a single investment, or a productive investment to a maximum period of seven years, except for collective environmental action in duly justified cases. Member States may need to set criteria for deciding whether a given investment is "productive" or not.

A range of costs are eligible for support as follows:

- i. the cost of studies of the area concerned, of feasibility studies, and of drawing up a business plan or a forest management plan or equivalent or a local development strategy other than the one referred to in Art. 33 of Reg. (EU) No 1303/2013;
- ii. the cost of animation of the area concerned in order to make feasible a collective territorial project or a project to be carried out by an operational group of the EIP for Agricultural Productivity and Sustainability as referred to in Art. 56. In the case of clusters, animation may also concern the organisation of training, networking between members and the recruitment of new members;
- iii. the running costs of co-operation;
- iv. the direct costs of specific projects linked to the implementation of a business plan an environmental plan, a forest management plan or equivalent, a local development strategy (not those referred to in Art. 33 of Reg. (EU) No 1303/2013) or direct costs of other actions targeted towards innovation, including testing;
- v. the cost of promotion activities.

In addition, where a business plan or an environmental plan or a forest management plan or equivalent or a development strategy is implemented, Member States may grant the aid either as a global amount covering the costs of co-operation and the costs of the projects implemented or cover only the costs of the co- operation and use funds from other measures or other Union Funds for project implementation.

Co-operation activities funded under this measure can be combined with projects supported by other Union or national funds in the same area. If this is the case then Member States must ensure that overcompensation is avoided.

M16.1 Support for the establishment and operation of operational groups of the EIP for agricultural productivity and sustainability

Measure 16.1 plays a key role in the implementation of the EIP in supporting the establishment and running costs of the EIP operation groups (as set out in Art. 56). Art. 56 does not set out many prescriptions about the form of EIP operational groups, because what these groups "do" is much more important than what they "are". They shall be set up by interested actors such as farmers, researchers, advisors and businesses involved in the agriculture and food sector, who are relevant for achieving the objectives of the EIP.

M16.2 Support for pilot projects and for the development of new products, practices, processes and technologies

Pilot projects are widely understood as referring to a "test project", the development of new products, practices, processes and technologies refers to actions in the agriculture, food and forestry sectors; Here practices may refer, eg to farming practices (eg crop rotation, soil management or hedge maintenance).

M16.3 Cooperation among small operators in organising joint work processes and sharing facilities and resources, and for developing and marketing tourism

This sub-measure can support co-operation among small operators in organising joint work processes and the development and marketing of tourism services relating to rural tourism. This is to help "small" operators in rural areas to find economies of scale together which they lack when acting alone. A small operator refers to a so-called micro-enterprise¹².

¹² a micro-enterprise is an enterprise which employs fewer than 10 persons and whose annual turnover or balance sheet is lower than € 10 million (Commission Recommendation 2003/361/EC of 6 May 2003)

M16.4 Support for horizontal and vertical cooperation among supply chain actors for the establishment and development of short supply chains and local markets and for promotion activities in a local context relating to the development of short supply chains and local markets

Support must be limited to supply chains which are "short" and markets which are "local" as these are not reaching their potential in many areas. A supply chain is short where there is no more than one intermediary between farmer and consumer. A local market is in principle based solely on short supply chains.

M16.5 Support for joint action undertaken with a view to mitigating or adapting to climate change and for joint approaches to environmental projects and ongoing environmental practices. (Art. 35 (2) (f) and (g))

This measure offers support for joint projects in favour of the environment / climate particularly where these project require action involving multiple actors: It supports joint action in relation to mitigating or adapting to climate change or to environmental projects and ongoing environmental practices, including efficient water management, the use of renewable energy and the preservation of agricultural landscapes.

M16.6 Support for cooperation among supply chain actors for sustainable provision of biomass for use in food and energy production and industrial processes

This measure supports horizontal and vertical co-operation among supply chain actors in the sustainable provision of biomass for use in food and energy production and industrial processes. The intention is here not to influence farmers' production decisions, but rather to help them to work together to organise the supply of biomass.

M16.7 Support for non-CLLD strategies (non-Community-led Local Development)

This measure offers support for groups of public and private partners (non-LEADER local development strategies) addressing one or more of the Union priorities for rural development. The measure covers the implementation of strategies which address some of the needs of a particular area but may be less comprehensive than the strategies of the LEADER approach

M16.8 Support for drawing up of forest management plans or equivalent instruments

This measure offers support for beneficiaries to work together to draw up forest management plans as required under certain of the forestry measures (e.g. Art. 24 (M8) and Art. 34 (M15)).

M16.9 Support for diversification of farming activities into activities concerning health care, social integration, community-supported agriculture and education about the environment and food

This measure offers support for a range of activities which could be called e.g. "social agriculture". The focus is on using farming to deliver various benefits to society through joint action, and thus also to offer new income opportunities to farm households.

1.3.11 LEADER (Art. 42-44, Measure 19)

Measure 19 LEADER (article 42-44 of EU Reg. 1305/2013) aims to promote the development of rural areas by fully taking into account the multi-sectoral needs for endogenous rural development through its bottom-up approach. The capacity of local actors is being developed through the Local Action Groups. LEADER local development also consists of community-led local development, which is supported by EAFRD, ERDF, ESF or EMFF (article 32-35 EU Reg. 1303/2013).

Measure 19 supports:

- **inter-territorial co-operation** projects within a Member State or **transnational co-operation** projects between territories in several Member States or with territories in third countries.
- **preparatory technical support** for inter-territorial and transnational co-operation projects, on condition that local action groups are able to demonstrate that they are envisaging the implementation of a concrete project. This could be for example:
 - (i) training actions for local stakeholders;
 - (ii) studies of the area concerned;
 - (iii) costs related to the design of the community-led local development strategy, including consultancy costs and costs for actions related to consultations of stakeholders for the purposes of preparing the strategy;
 - (iv) administrative costs (operating and personnel costs) of an organisation that applies for preparatory support during the preparation phase;
 - (v) support for small pilot projects.

The measure is compulsory for the rural development programmes. A minimum of 5 % of the total EAFRD contribution to the rural development programme shall be reserved for LEADER. In the case of Croatia it should be a minimum of 2,5 % (art 59 (5) of EU Reg. 1305/2013).

Community-led local development is:

- focused on specific subregional areas;
- led by local action groups composed of representatives of public and private local socio-economic interests, in which, at the decision-making level neither public authorities, as defined in accordance with national rules, nor any single interest group represents more than 49 % of the voting rights;
- carried out through integrated and multi-sectoral area-based local development strategies;
- designed taking into consideration local needs and potential, and shall include innovative features in the local context, networking and, where appropriate, cooperation.

Community-led local development supported by the ESI Funds concerned is carried out under one or more priorities of the relevant programme or programmes in accordance with Fund-specific rules of the ESI Funds concerned. When the implementation of the community-led local development strategy selected requires support from more than one Fund, the monitoring committee may designate in accordance with national rules and procedures, a lead Fund to support all running and animation costs for the community-led local development strategy.

Activities that are being supported:

- building the capacity of local actors to develop and implement operations including fostering their project management capabilities;
- drawing up a non-discriminatory and transparent selection procedure and objective criteria for the selection of operations, which avoid conflicts of interest, ensure that at least 50 % of the votes in selection decisions are cast by partners which are not public authorities, and allow selection by written procedure;
- ensuring coherence with the community-led local development strategy when selecting operations, by prioritising those operations according to their contribution to meeting that strategy's objectives and targets;
- preparing and publishing calls for proposals or an ongoing project submission procedure, including defining selection criteria;
- receiving and assessing applications for support;
- selecting operations and fixing the amount of support and, where relevant, presenting the proposals to the body responsible for final verification of eligibility before approval;

- monitoring the implementation of the community-led local development strategy and the operations supported and carrying out specific evaluation activities linked to that strategy.

Support for LEADER local development may also include a "LEADER start-up kit" for local communities who did not implement LEADER in the 2007-2013 programming period. The "LEADER start-up kit" consists of support for capacity building and small pilot projects to test and prepare for the design and implementation of a local development strategy. The support is conditioned to the submission of a LEADER local development strategy.

The beneficiaries in local action groups can be:

- a group of local public and private partners in a rural territory that is implementing a local development strategy within or outside the Union;
- a group of local public and private partners in a non- rural territory that is implementing a local development strategy.

Grants and repayable assistance may take any of the following forms:

- reimbursement of eligible costs actually incurred and paid, together with, where applicable, contributions in kind and depreciation;
- standard scales of unit costs;
- lump sums not exceeding € 100 000 of public contribution;
- flat-rate financing, determined by the application of a percentage to one or more defined categories of costs.



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