

Rural development

DRAFT

Regulation of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union and amending Regulation (EC) No 2012/2002, Regulations (EU) No 1296/2013, (EU) 1301/2013, (EU) No 1303/2013, EU No 1304/2013, (EU) No 1305/2013, (EU) No 1306/2013, (EU) No 1307/2013, (EU) No 1308/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, (EU) No 652/2014 of the European Parliament and of the Council and Decision No 541/2014/EU of the European Parliament and of the Council

Whereas:

(212) In order to ensure legal certainty and harmonised and non-discriminatory implementation of support to young farmers, it is necessary to provide that in the context of Rural Development the "date of setting up", referred to in the relevant rules, is the date when the *applicant performs or completes an action related to the setting up for the first time*, ~~setting-up process begins by means of an action to be performed by the applicant~~, and that the application for support is to be submitted ~~within 24 at the latest 24 months from~~ *after* that date. Moreover, experience from the negotiations of the programmes has shown that rules for joint setting up of young farmers and thresholds for access to support required in Article 19(4) of Regulation (EU) No 1305/2013 should be clarified, and that provisions on duration of the business plan should be streamlined.

(212a) In order to facilitate implementation of advisory and training services by Member States' Managing Authorities, the status of beneficiary of support under this measure should be extended to these authorities, while at the same time ensuring that the provider of the service is chosen by a body functionally independent from the Managing Authority and that checks are carried out at the level of the provider of advice or training.

- (212b) *With a view to incentivizing the participation in quality schemes, farmers or groups of farmers taking part in these schemes in the five years preceding the application for support should be eligible for a maximum duration of five years, while duly taking into account the time of the initial participation.*
- (212c) *In order to decrease administrative burden in relation to the implementation of the principle of no double funding in relation to greening, Member States should be given the possibility of applying a fixed, average deduction to all beneficiaries concerned carrying out the type of operation or sub-measure concerned.*
- (213) In order to be sufficiently attractive to the private sector, it is essential that financial instruments are designed and implemented in a flexible **and transparent** manner. However, experience has shown that certain measure-specific eligibility rules limit the uptake of financial instruments in the rural development programmes, as well as the flexible use of financial instruments by fund managers. Therefore, it is appropriate to provide that certain measure-specific eligibility rules do not apply to financial instruments. For the same reason, it is also appropriate to provide that start-up support to young farmers under Article 19 of Regulation (EU) No 1305/2013 may also be provided in the form of financial instruments. In view of these changes, it should be provided that, where support for investments under Article 17 of Regulation (EU) No 1305/2013 is granted in the form of financial instruments, the investment must contribute to one or more Union priorities for rural development.
- (214) Nowadays farmers are exposed to increasing economic risks as a consequence of market developments. However, those economic risks do not affect all agricultural sectors equally. Consequently, Member States should have the possibility, in duly justified cases, to help farmers **by means of** ~~with a~~ sector-specific income stabilisation tool **where the drop of income exceeds a threshold of at least 20%** ~~in particular for sectors affected by a severe income drops, which would have a significant economic impact for a specific rural area provided that the international obligations of the Union are respected.~~ *In order to ensure that the sector-specific income stabilisation tool is effective and adapted to Member States' specific circumstances, it should be possible for them to define, in their rural development programmes, the income to be taken into account for the activation of the tool, in a flexible manner.*
- At the same time, and in order to promote the use of insurance tools by farmers, the threshold for the drop in production applicable for these schemes should be reduced to*

20%. In addition, in order to monitor the expenditure made ~~in relation to this tool~~ **both under the sector- specific income stabilisation tool and the insurance schemes**, the content of the financial plan of the programme should be adapted.

- 214a) The specific reporting requirement for the risk management measure in 2018 referred to in Article 36(5) of Regulation (EU) No 1305/2013 is already covered by the report to the European Parliament and the Council on the monitoring and evaluation of the CAP referred to in Article 110(5) of Regulation (EU) No 1306/2013. Therefore, the second subparagraph of Article 36(5) **of Regulation (EU) No 1305/2013** should be deleted.
- (215) Concerning mutual funds for farmers of all sectors, it appears that the prohibition of any contribution by public funds to initial capital stock laid down in Articles 38(3) and 39(4) of Regulation (EU) No 1305/2013 hinders the effective functioning of these funds. That prohibition should therefore be deleted. ***It is also considered appropriate to expand the areas that can be covered by financial contributions to mutual funds, so that they can supplement the annual payments into the fund, as well as relate to the initial capital stock of the mutual fund. This possibility is therefore foreseen.***
- (216) Support for investments for the restoration of production potential after natural disasters and catastrophic events under Articles 18(1)(b) and 24(1)(d) of Regulation (EU) No 1305/2013 is usually granted to all eligible applicants. Therefore, Member States should not be obliged to define selection criteria for restoration operations. Moreover, in duly justified cases, where it is not possible to define selection criteria due to the nature of the operations, Member States should be allowed to define alternative selection methods.

- (217) Article 59 of Regulation (EU) No 1305/2013 defines the maximum EAFRD contribution rates. In order to ease the pressure on the national budget of some Member States and to accelerate much-needed investments in Cyprus, the maximum contribution rate of 100% referred to in Article 59(4)(f) should be extended until the programme closure. In addition, a reference to the specific contribution rate introduced in Regulation (EU) No 1303/2013 for the new financial instrument referred to in point (c) of Article 38(1) of the same Regulation should be mentioned in Article 59(4).
- (218) Pursuant to Article 60(1) of Regulation (EU) No 1305/2013, in cases of emergency measures due to natural disasters, eligibility of expenditure relating to programme changes may start from the date when the natural disaster occurred. This possibility to make eligible expenditure made before the submission of a programme amendment should be extended to other circumstances, such as catastrophic events or a significant and sudden change in the socio-economic conditions of the Member State or region, ~~including sudden and significant demographic changes resulting from migration or reception of refugees.~~
- (219) According to the second subparagraph of Article 60(2) of Regulation (EU) No 1305/2013, in respect of investments in the agricultural sector, only expenditure incurred after the submission of an application is eligible. Member States should be given the possibility to provide in their programmes that, where the investment is related to emergency measures due to natural disasters, catastrophic events or adverse climatic events or a significant and sudden change in the socio-economic conditions of the Member State or region, expenditure incurred after the occurrence of event is eligible.
- (220) In order to increase the use of the simplified cost options referred to in points (b) to (d) of Article 67(1) of Regulation (EU) No 1303/2013, it is necessary to limit the EAFRD specific rules laid down in Article 62(2) of Regulation (EU) No 1305/2013 to aid granted in accordance with points (a) and (b) of Article 21(1), concerning income forgone and maintenance costs, and Articles 28 to 31, 33 and 34 of Regulation (EU) No 1305/2013.

(221) Article 74 of Regulation (EU) No 1305/2013 requires the Member States to consult the Monitoring Committee of the rural development programme on the selection criteria within four months from the approval of the programme. This creates an indirect obligation for the Member States to have defined all the selection criteria by that date even for the calls for applications which will be launched subsequently. In order to reduce unnecessary administrative burden, whilst ensuring that financial resources are used in the best possible way, Member States should be allowed to define the selection criteria and to ask for the opinion of the Monitoring Committee at any time before the publication of the calls for applications.

(221a) With a view to increasing the use of crop, animal and plant insurance, mutual funds and income stabilization tool in Articles 37 (5), 38 (5) and 39 (5) of Annex II of Regulation 1305/2013, the maximum percentage of initial public support should be slightly increased from 65 to 70%.

Article 267

Amendments to Regulation (EU) No 1305/2013

1. In Article 2, in paragraph 1, the second subparagraph is amended as follows:

(a) point (n) is replaced by the following:

(n) "young farmer" means a person who is no more than 40 years of age at the moment of submitting the application, possesses adequate occupational skills and competence and is setting up for the first time in an agricultural holding as head of that holding; the setting up may be done solely or jointly, ***irrespective of its legal form***, with other farmers.

(b) point (r) is replaced by the following:

"(r) "forest" means an area of land spanning more than 0,5 hectares with trees higher than 5 meters and a canopy cover of more than 10 percent, or trees able to reach these thresholds in situ; and does not include land that is predominantly under agricultural or urban land use, subject to paragraph 2;"

(c) the following point (s) is added:

"(s) "date of setting up" means the date when the ~~setting up process begins by means of (an) action(s) to be performed by the applicant;~~ *applicant performs or completes* (an) action(s) *related to the setting up referred to in point (n)*";

2. In Article 8, in paragraph 1, in point (h), point (ii) is replaced by the following:

"(ii) a table setting out, for each measure, for each type of operation with a specific EAFRD contribution rate, for the type of operation referred to in Articles **37.1 and** 39a and for technical assistance, the total Union contribution planned and the applicable EAFRD contribution rate. Where applicable, this table shall indicate separately the EAFRD contribution rate for less developed regions and for other regions;"

2b. In Article 14, paragraph 4 is replaced by the following:

"4. Eligible costs under this measure shall be the costs of organising and delivering the knowledge transfer or information action. Infrastructure installed as a result of demonstration may be used after the operation is completed. In the case of demonstration projects, support may also cover relevant investment costs. Costs for travel, accommodation and per diem expenses of participants as well as the cost of the replacement of farmers shall also be eligible for support. All costs identified under this paragraph shall be paid to the beneficiary."

2c. In Article 15, paragraph 2 is replaced by the following:

"2. The beneficiary of support provided in paragraph 1(a) and (c) shall be either the provider of advice or training or the Managing Authority. In case the Managing Authority is the beneficiary, the provider of the advice or training shall be selected by a body that is functionally independent from the Managing Authority. Support under paragraph 1(b) shall be granted to the authority or body selected to set up the farm management, farm relief, farm advisory or forestry advisory service."

2d. In Article 15(3), subparagraph 1 is replaced by the following:

"The authorities or bodies selected to provide advice shall have appropriate resources in the form of regularly trained and qualified staff and advisory experience and reliability with respect to the fields in which they advise. The providers ~~beneficiaries~~ under this measure shall be chosen through a selection procedure open to both public and private bodies. It shall be objective and shall exclude candidates with conflicts of interest."

2e. *In Article 15 , a new paragraph 3a is inserted:*

For the purpose of this Article, Member States shall, in accordance with Article 65(1), carry out all checks at the level of the provider of advice or training.

2f. In Article 16(1), the introductory part is replaced by the following:

"1. Support under this measure shall cover new participation by farmers and groups of farmers, or participation by farmers or groups of farmers in the five preceding years, in:

3. In Article 16, paragraphs 2 *and 3 are* replaced by the following:

"2. Support under this measure may also cover costs arising from information and promotion activities implemented by groups of producers, concerning products covered by a quality scheme receiving support in accordance with paragraph 1. By way of derogation from Article 70(3) of Regulation (EU) No 1303/2013, these activities may only be implemented in the internal market.

3. Support under paragraph 1 shall be granted as an annual incentive payment, the level of which shall be determined according to the level of the fixed costs arising from participation in supported schemes, for a maximum duration of five years.

In the case of initial participation prior to the application for support under paragraph 1, the maximum duration of five years shall be reduced by the number of years which have elapsed between the initial participation in a quality scheme and the time of the application for the support.

For the purposes of this paragraph, "fixed costs" means the costs incurred for entering a supported quality scheme and the annual contribution for participating in that scheme, including, where necessary, expenditure on checks required to verify compliance with the specifications of the scheme.

For the purposes of this Article, "farmer" means active farmer within the meaning of Article 9 of Regulation (EU) No 1307/2013, as applicable in the Member State concerned.

4. in Article 17:

(a) in paragraph 1, point (b) is replaced by the following:

"(b) concern the processing, marketing and/or development of agricultural products covered by Annex I to the TFEU or cotton, except fishery products; the output of the production process may be a product not covered by that Annex; where support is provided in the form of financial instruments, the input may also be a product not covered by Annex I to the TFEU on condition that the investment contributes to one or more of the Union priorities for rural development;"

(b) paragraph 5 is replaced by the following:

"Support may be granted to young farmers setting up for the first time in an agricultural holding as head of the holding in respect of investments to comply with Union standards applying to agricultural production, including occupational safety. Such support may be provided for a maximum of 24 months from the date of setting up as defined in the rural development programme or for the completion of the actions defined in the business plan referred to in Article 19(4)"

5. Article 19 is amended as follows:

(a) paragraph 4 is replaced by the following:

"4. The application for support under point (a)(i) of paragraph 1 shall be submitted ~~within at~~ ***the latest*** 24 months ~~from~~ ***after*** the date of setting up.

Support under point (a) of paragraph 1 shall be conditional on the submission of a business plan. Implementation of the business plan shall start at the latest within nine months from the date of the decision granting the aid. The business plan shall have a maximum duration of five years.

~~For young farmers receiving support under point (a)(i) of paragraph 1, implementation of the business plan shall start after the date of setting up.~~ The business plan shall provide that the young farmer complies with Article 9 of Regulation (EU) No 1307/2013, as applicable in the Member State concerned, regarding active farmers within 18 months from the date of the decision granting the aid.

Member States shall define the action(s) referred to in Article 2(1)(s) in the rural development programmes.

Member States shall define upper and lower thresholds per beneficiary *or holding* for allowing access to support under points (a)(i) and (a)(iii) of paragraph 1. The lower threshold for support under point (a)(i) of paragraph 1 shall be higher than the upper threshold for support under point (a)(iii) of paragraph 1. Support shall be limited to holdings coming under the definition of micro and small enterprises.";

(b) the following paragraph 4a is inserted:

"4a. By way of derogation from Article 37(1) of Regulation (EU) No 1303/2013, support under point (a)(i) of paragraph 1 may also be provided in the form of financial instruments, or as a combination of grants and financial instruments.";

(c) paragraph 5 is replaced by the following:

"5. Support under point (a) of paragraph 1 shall be paid in at least two instalments. Instalments may be degressive. The payment of the last instalment under points (a)(i) and (a)(ii) of paragraph 1 shall be conditional upon the correct implementation of the business plan.";

6. In Article 20, the following paragraph 4 is added:

"4. Paragraphs 2 and 3 shall not apply where support is provided in the form of financial instruments.";

6a. The title of Article 23 is replaced by the following:

"Establishment, regeneration or renovation of agroforestry systems"

6b. In Article 23, paragraph 1 is replaced by the following:

"1. Support under point (b) of Article 21(1) shall be granted to private land-holders, municipalities and their associations and shall cover the costs of establishment, regeneration and/or renovation and an annual premium per hectare to cover the costs of maintenance for a maximum period of five years."

6c. In Article 28:

(a) paragraph 6, second subparagraph is replaced by the following:

"6. When calculating the payments referred to in the first sub-paragraph, Member States shall deduct the amount necessary in order to exclude double funding of the practices referred to in Article 43 of Regulation (EU) No 1307/2013. Member States may calculate the deduction as a fixed, average amount applied to all beneficiaries concerned carrying out the type of operation concerned;"

(b) paragraph 9 is replaced by the following:

"9. Support may be provided for the conservation and for the sustainable use and development of genetic resources in agriculture, including non-indigenous resources, for operations not covered by the provisions under paragraphs 1 to 8. Such commitments may be carried out by beneficiaries other than those referred to in paragraph 2."

6d. In Article 29:

(a) paragraph 1 is replaced by the following:

"1. Support under this measure shall be granted, per hectare of agricultural area, to farmers or groups of farmers who undertake, on a voluntary basis, to convert to or maintain organic farming practices and methods as defined in Regulation (EC) No 834/2007 and who are active farmers within the meaning of Article 9 of Regulation (EU) No 1307/2013, as applicable in the Member State concerned."

(b) paragraph 4, second subparagraph is replaced by the following:

"4. When calculating the payments referred to in the first sub-paragraph, Member States shall deduct the amount necessary in order to exclude double funding of the practices referred to in Article 43 of Regulation (EU) No 1307/2013. Member States may calculate the deduction as a fixed, average amount applied to all beneficiaries concerned carrying out the sub-measures concerned.

6e. In Article 30, paragraph 1, the second subparagraph is replaced by the following:

"1. When calculating ~~support under this measure~~ the payments referred to in the first sub-paragraph, Member States shall deduct the amount necessary in order to exclude double funding of the practices referred to in Article 43 of Regulation (EU) No 1307/2013. Member States may calculate the deduction as a fixed, average amount applied to all beneficiaries concerned carrying out the sub-measures concerned";

6f. In Article 31:

(a) paragraph 2 is replaced by the following:

"2. Payments shall be granted to farmers who undertake to pursue their farming activity in the areas designated pursuant to Article 32 and are active farmers within the meaning of Article 9 of Regulation (EU) No 1307/2013, as applicable in the Member State concerned.

6g. In Article 31, paragraph 5, first subparagraph is replaced by the following:

"5. In addition to the payments provided for in paragraph 2, Member States may grant payments under this measure between 2014 and 2020 to beneficiaries in areas which were eligible under Article 36(a)(ii) of Regulation (EC) No 1698/2005 during the 2007-2013 programming period. For beneficiaries in areas that are no longer eligible following the new delimitation referred to in Article 32(3), those payments shall be degressive over a maximum period of four years. That period shall start on the date that the delimitation in accordance with Article 32(3) is completed and at the latest in ~~2018~~2019. Those payments shall start at no more than 80 % of the average payment fixed in the programme for the programming period 2007-2013 in accordance with Article 36(a)(ii) of Regulation (EC) No 1698/2005, and shall end in 2020 at the latest at no more than 20 %. When the application of degressivity results in the level of the payment reaching EUR 25, the Member State can continue payments at this level until the phasing out period is completed."

6h. in Article 33, paragraph 1 is replaced by the following:

"1. b Animal welfare payments under this measure shall be granted to farmers who undertake, on a voluntary basis, to carry out operations consisting of one or more animal welfare commitments and who are active farmers within the meaning of Article 9 of Regulation (EU) No 1307/2013, as applicable in the Member State concerned."

7. Article 36 is amended as follows:

(a) paragraph 1 is amended as follows:

(i) point (c) is replaced by the following:

"(c) an income stabilisation tool, in the form of financial contributions to mutual funds, providing compensation to farmers of all sectors for a severe drop in their income."

(ii) the following point (d) is added:

"(d) ~~an~~ a ***sector-specific*** income stabilisation tool, in the form of financial contributions to mutual funds, providing compensation to farmers of a specific sector for a severe drop in their income.";

(aa) paragraph 2 is replaced by the following:

"2. For the purposes of this article, 'farmer' means active farmer within the meaning of Article 9 of Regulation EU) No 1307/2013, as applicable in the Member State concerned.

(b) paragraph 3 is replaced by the following:

"3. For the purpose of points (b), (c) and (d) of paragraph 1, 'mutual fund' means a scheme accredited by the Member State in accordance with its national law for affiliated farmers to insure themselves, whereby compensation payments are made to affiliated farmers for economic losses caused by the outbreak of adverse climatic events or an animal or plant disease or pest infestation or an environmental incident, or for a severe drop in their income."

(c) in paragraph 5, the second subparagraph is deleted.

7a. Article 37 (1) is amended as follows:

1. Support under point (a) of Article 36(1) shall only be granted for insurance contracts which cover for loss caused by an adverse climatic event, or by an animal or plant disease, or a pest infestation, or an environmental incident or a measure adopted in accordance with Directive 2000/29/EC to eradicate or contain a plant disease, or pest which destroys more than 20% of the average annual production of the farmer in the preceding three-year period or a three-year average based on the preceding five-year period, excluding the highest and lowest entry. Indexes may be used in order to calculate the annual production of the farmer. The calculation method used shall permit the determination of the actual loss of an individual farmer in a given year

8. In Article 38:

(a) paragraph 3 is replaced by the following:

"3. The financial contributions referred to in Article 36(1)(b) may only relate to:

- (a) the administrative costs of setting up the mutual fund, spread over a maximum of three years in a degressive manner;***
- (b) the amounts paid by the mutual fund as financial compensation to farmers. In addition, the financial contribution may relate to interest on commercial loans***

taken out by the mutual fund for the purpose of paying the financial compensation to farmers in case of crisis;

(c) *supplementing the annual payments into the fund;*

(d) *the initial capital stock of the mutual fund.*

Support under point (b) of Article 36(1) shall only be granted to cover for loss caused by the outbreak of adverse climatic events, an animal or plant disease, a pest infestation, or a measure adopted in accordance with Directive 2000/29/EC to eradicate or contain a plant disease or pest or an environmental incident, which destroy more than 30 % of the average annual production of the farmer in the preceding three-year period or a three-year average based on the preceding five-year period, excluding the highest and lowest entry. Indexes may be used in order to calculate the annual production of the farmer. The calculation method used shall permit the determination of the actual loss of an individual farmer in a given year.

~~*No contribution by public funds shall be made to initial capital stock."*~~

(b) *the first subparagraph of paragraph 5 is replaced by the following:*

"5. Support shall be limited to the maximum support rate laid down in Annex II.

Support under paragraph 3(b) shall take into account any support already provided under paragraph 3(c) and 3(d)".

9. Article 39 is amended as follows:

(a) The heading of Article 39 is replaced by the following:

"Article 39

Income stabilisation tool for farmers of all sectors"

(aa) In Article 39, paragraph 1 is replaced by the following:

"1. Support under point (c) of Article 36(1) shall only be granted where the drop of income exceeds 30 % of the average annual income of the individual farmer in the preceding three-year period or a three-year average based on the preceding five-year period excluding the highest and lowest entry. Income for the purposes of point (c) of Article 36(1) shall refer to the sum of revenues the farmer receives from the market, including any form of public support, deducting input costs. Payments by the mutual fund to farmers shall compensate for less than 70 % of the income lost in the year the producer becomes eligible to receive this assistance. Indexes may be used to calculate the annual loss of income of the farmer."

10a. In Article 39:

(a) paragraph 4 is replaced by the following:

"4. The financial contributions referred to in point (c) of Article 36(1) may only relate to:

- (a) the administrative costs of setting up the mutual fund, spread over a maximum of three years in a degressive manner;***
- (b) the amounts paid by the mutual fund as financial compensation to farmers. In addition, the financial contribution may relate to interest on commercial loans taken out by the mutual fund for the purpose of paying the financial compensation to farmers in case of crisis. No contribution by public funds shall be made to initial capital stock;***
- (c) supplementing the annual payments into the fund;***
- (d) the initial capital stock of the mutual fund.***

(b) 5 is replaced by the following:

"5. Support shall be limited to the maximum rate laid down in Annex II. Support under paragraph 4(b) shall take into account any support already provided under paragraph 4(c) and 4 (d)."

10b. the following Article 39a is inserted:

"Article 39a

Income stabilisation tool for farmers of a specific sector

- "1. Support under point (d) of Article 36(1) shall only be granted in duly justified cases and where the drop of income exceeds **a threshold of at least** 20 % of the average annual income of the individual farmer in the preceding three-year period or a three-year average based on the preceding five-year period excluding the highest and lowest entry. ***Indexes may be used in order to calculate the annual income of the farmer.*** Income for the purposes of point (d) of Article 36(1) shall refer to the sum of revenues the farmer receives from the market, including any form of public support, deducting input costs. Payments by the mutual fund to farmers shall compensate for less than 70 % of the income lost in the year the producer becomes eligible to receive this assistance.
2. Paragraphs 2 to 5 of Article 39 shall apply for the purpose of support under point (d) of Article 36(1).";

11. Article 45 is amended as follows:

(a) paragraph 5 is replaced by the following:

"5. ***Where support is provided*** through a financial instrument established in accordance with Article 37 of Regulation (EU) No 1303/2013, ***working capital*** may be eligible expenditure. Such eligible expenditure shall not exceed ***EUR 200 000 or 30%*** of the total amount of the eligible expenditure for the investment, ***whichever is the higher.***"

(b) the following paragraph 7 is added:

"7. Paragraphs 1, 2 and 3 shall not apply where support is provided in the form of financial instruments.";

12. Article 49 is amended as follows:

(a) in Paragraph 1, the following subparagraph is added:

"By way of derogation, in exceptional and duly justified cases where it is not possible to establish selection criteria due to the nature of the type of operations concerned, the Managing Authority may define another selection method to be described in the rural development programme following consultation with the Monitoring committee.";

(b) paragraph 2 is replaced by the following:

"2. The Member State authority responsible for the selection of operations shall ensure that operations, with the exception of operations under Articles 18(1)(b), 24(1)(d), 28 to 31, 33 to 34 and 36 to 39a, are selected in accordance with the selection criteria referred to in paragraph 1 and according to a transparent and well documented procedure.";

(c) paragraph 3 is replaced by the following:

"3. ~~Where appropriate, the~~ Beneficiaries may be selected on the basis of calls for proposals, applying economic, social and environmental efficiency criteria."

(d) the following paragraph 4 is added:

"4. Paragraphs 1 and 2 shall not apply where support is provided in the form of financial instruments.";

13. in Article 59, paragraph 4 is amended as follows:

(a) point (f) is replaced by the following:

"(f) 100 % for an amount of EUR 100 million, in 2011 prices, allocated to Ireland, for an amount of EUR 500 million, in 2011 prices, allocated to Portugal and for an amount of EUR 7 million, in 2011 prices, allocated to Cyprus."

(b) in point (g), the last sentence is replaced by the following:

"The EAFRD contribution rate which would be applicable without this derogation shall, however, be respected for the total public expenditure made during the programming period;"

(c) the following point (h) is added:

"(h) the contribution rate referred to in Article Article 39a(13) of Regulation (EU) No 1303/2013 for the financial instrument referred to in point (c) of Article 38(1) of the same Regulation."

14. Article 60 is amended as follows:

(a) paragraph 1 is replaced by the following:

"1. By way of derogation from Article 65(9) of Regulation (EU) No 1303/2013, in cases of emergency measures due to natural disasters, catastrophic events or adverse climatic events or a significant and sudden change in the socio-economic conditions of the Member State or region, ~~including significant and sudden demographic changes resulting from migration or reception of refugees~~, the rural development programmes may provide that eligibility of expenditure relating to programme changes may start from the date when the event occurred."

(b) in paragraph 2, the second subparagraph is replaced by the following:

"With the exception of general costs as defined in Article 45(2)(c), in respect of investment operations under measures falling within the scope of Article 42 TFEU, only expenditure which has been incurred after an application has been submitted to the competent authority shall be considered eligible. However, Member States may provide in their programme that expenditure which is related to emergency measures due to natural disasters, catastrophic events or adverse climatic events or a significant and sudden change in the socio-economic conditions of the Member State or region, ~~including significant and sudden demographic changes resulting from migration or reception of refugees~~, and which has been incurred by the beneficiary after the event occurs, is also eligible";

(c) *paragraph 4 is replaced by the following:*

"4. Payments by beneficiaries shall be supported by invoices and documents proving payment. Where this cannot be done, payments shall be supported by documents of equivalent probative value, except for forms of support under points (b), (c) ~~and~~ (d) and (e) of Article 67(1) of Regulation (EU) No 1303/2013."

15. in Article 62, paragraph 2 is replaced by the following:

"2. Where aid is granted on the basis of standard costs or additional costs and income foregone in accordance with in points (a) and (b) of Article 21(1) of this Regulation *as regards ~~(concerning income foregone and maintenance costs)~~* and Articles 28 to 31, 33, and 34 of Regulation (EU) No 1305/2013, Member States shall ensure that the relevant calculations are adequate and accurate and established in advance on the basis of a fair, equitable and verifiable calculation method. To this end, a body that is functionally independent from the authorities responsible for the programme implementation and possesses the appropriate expertise shall perform the calculations or confirm the adequacy and accuracy of the calculations. A statement confirming the adequacy and accuracy of the calculations shall be included in the rural development programme.":

15 a. In Article 66(1), point (b) is deleted.

16. in Article 74, point (a) is replaced by the following:

"(a) be consulted and shall issue an opinion, before publication of the relevant call for proposals, on the selection criteria for financed operations, which shall be revised according to programming needs;"

16 a. in Annex II , Article 17(3), Investments in physical assets, 40% maximum rate first indent is replaced by the following:

"Of the amount of eligible investment in other regions

The above rates may be increased by an additional 20 percentage points, provided that maximum combined support does not exceed 90 %, for:

-Young farmers as defined in this Regulation ~~or who have already set up during the five years preceding the application for support for a maximum of 5 years from the date of setting up as defined in the rural development programme or for the completion of the actions defined in the business plan referred to in Article 19(4);~~

16b. In Annex II, Article 17(3), column 4, Processing and marketing of products listed in Annex I to the TFEU, line 4 is replaced by the following:

Of the amount of eligible investment in other regions

The above rates may be increased by an additional 20 percentage points, provided that maximum combined support does not exceed 90 %, for operations supported in the framework of the EIP, for collective investments and integrated projects or those linked to a merger of producer organisations”

16c. In Annex II, Article 37(5) is replaced by the following:

Crop, animal and plant insurance

Maximum amount in EUR or rate: 70% of the insurance premium due

16d. In Annex II, Article 38(5) is replaced by the following:

Mutual funds for adverse climatic events, animal and plant diseases, pest infestations and environmental incidents

Maximum amount in EUR or rate: 70% of the eligible costs

16e. In Annex II, Article 39(5) is replaced by the following:

Income stabilisation tool

Maximum amount in EUR or rate: 70% of the eligible costs