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COUNCIL REGULATION (EC) No 1257/1999

of 17 May 1999

**on support for rural development from the European Agricultural Guidance and Guarantee Fund
(EAGGF) and amending and repealing certain Regulations**

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COUNCIL REGULATION (EC) No 1257/1999
of 17 May 1999

**on support for rural development from the European Agricultural
Guidance and Guarantee Fund (EAGGF) and amending and
repealing certain Regulations**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Articles 36 and 37 thereof,

Having regard to the proposal from the Commission ⁽¹⁾,

Having regard to the opinion of the European Parliament ⁽²⁾,

Having regard to the opinion of the Economic and Social Committee ⁽³⁾,

Having regard to the opinion of the Committee of the Regions ⁽⁴⁾,

Having regard to the opinion of the Court of Auditors ⁽⁵⁾,

- (1) Whereas a common rural development policy should accompany and complement the other instruments of the common agricultural policy and thus contribute to the achievement of the policy's objectives as laid down in Article 33(1) of the Treaty;
- (2) Whereas, according to Article 33(2)(a) of the Treaty, in working out the common agricultural policy and the special methods for its application, account is to be taken of the particular nature of agricultural activity which results from the social structure of agriculture and from structural and natural disparities between the various agricultural regions;
- (3) Whereas, according to Article 159 of the Treaty, the implementation of the common policies is to take into account the objectives set out in Articles 158 and 160 for the common policy of economic and social cohesion and contribute to their achievement; whereas rural development measures should, therefore, contribute to this policy in regions whose development is lagging behind (Objective 1) and regions facing structural difficulties (Objective 2) as defined in Council Regulation (EC) No 1260/1999, of 21 June 1999 laying down general provisions on the Structural Funds ⁽⁶⁾;
- (4) Whereas measures designed to support the improvement of agricultural structures were introduced into the common agricultural policy as early as 1972; whereas for almost two decades, attempts have been made to integrate agricultural structural policy into the wider economic and social context of rural areas; whereas the 1992 policy reform stressed the environmental dimension of agriculture as the largest land user;
- (5) Whereas rural policy is currently carried out through a range of complex instruments;
- (6) Whereas over the coming years, agriculture will have to adapt to new realities and further changes in terms of market evolution, market policy and trade rules, consumer demand and preferences and the Community's next enlargement; whereas these changes will affect not only agricultural markets but also local economies in rural areas in general; whereas a rural development policy should aim at restoring and enhancing the competitiveness of rural areas and, therefore, contribute to the maintenance and creation of employment in those areas;

⁽¹⁾ OJ C 170, 4.6.1998, p. 7.

⁽²⁾ Opinion delivered on 6 May 1999 (not yet published in the Official Journal).

⁽³⁾ OJ C 407, 28.12.1998, p. 210.

⁽⁴⁾ OJ C 93, 6.4.1999, p. 1.

⁽⁵⁾ OJ C 401, 22.12.1998, p. 3.

⁽⁶⁾ OJ L 161, 26.6.1999, p. 1.

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- (7) Whereas these developments should be encouraged and supported by reorganisation and simplification of the existing rural development instruments;
- (8) Whereas such reorganisation should take into account the experience gained in applying existing instruments and thus be based on those instruments, which are those implemented under the current priority objectives promoting rural development by speeding up the adjustment of agricultural structures in the framework of the reform of the common agricultural policy and facilitating the development and structural adjustment of rural areas (Objectives 5a and 5b), as laid down in Council Regulation (EEC) No 2052/88 of 24 June 1988 on the tasks of the Structural Funds and their effectiveness and on coordination of their activities between themselves and with the operations of the European Investment Bank and the other existing financial instruments ⁽¹⁾ and Council Regulation (EEC) No 4256/88 of 19 December 1988 laying down provisions for implementing Regulation (EEC) No 2052/88 as regards the European Agricultural Guidance and Guarantee Fund (EAGGF) Guidance Section ⁽²⁾, and those introduced as accompanying measures to the 1992 common agricultural policy reform by Council Regulation (EEC) No 2078/92 of 30 June 1992 on agricultural production methods compatible with the requirements of the protection of the environment and the maintenance of the countryside ⁽³⁾, Council Regulation (EEC) No 2079/92 of 30 June 1992 instituting a Community aid scheme for early retirement from farming ⁽⁴⁾ and Council Regulation (EEC) No 2080/92 of 30 June 1992 instituting a Community aid scheme for forestry measures in agriculture ⁽⁵⁾;
- (9) Whereas the framework of a reformed rural development policy should cover all rural areas in the Community;
- (10) Whereas the three existing accompanying measures introduced by the 1992 reform of the common agricultural policy (agri-environment, early retirement and afforestation) should be supplemented by the scheme for less-favoured areas and areas with environmental restrictions;
- (11) Whereas other rural development measures should form part of integrated development programmes for Objective 1 and may form part of programmes for Objective 2 regions;
- (12) Whereas in rural areas, rural development measures should accompany and complement market policies;
- (13) Whereas support from the EAGGF for rural development should be based on a single legal framework establishing measures eligible for support, their objectives and criteria for eligibility;
- (14) Whereas, given the diversity of the Community's rural areas, rural development policy should follow the principle of subsidiarity; whereas it should therefore, be as decentralised as possible and emphasis must be on participation and a 'bottom up' approach; whereas, therefore, eligibility criteria for rural development support should not go beyond what is necessary to achieve the objectives of rural development policy;

⁽¹⁾ OJ L 185, 15.7.1988, p. 9. Regulation as last amended by Regulation (EC) No 3193/94 (OJ L 337, 24.12.1994, p. 11).

⁽²⁾ OJ L 374, 31.12.1988, p. 25. Regulation as last amended by Regulation (EEC) No 2085/93 (OJ L 193, 31.7.1993, p. 44).

⁽³⁾ OJ L 215, 30.7.1992, p. 85. Regulation as last amended by Commission Regulation (EC) No 2272/95 (OJ L 288, 1.12.1995, p. 35). Regulation rectified by Commission Regulation (EC) No 1962/96 (OJ L 259, 12.10.1996, p. 7).

⁽⁴⁾ OJ L 215, 30.7.1992, p. 91. Regulation as amended by Commission Regulation (EC) No 2773/95 (OJ L 288, 1.12.1995, p. 37).

⁽⁵⁾ OJ L 215, 30.7.1992, p. 96. Regulation as last amended by Commission Regulation (EC) No 231/96 (OJ L 30, 8.2.1996, p. 33).

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- (15) Whereas consistency with other instruments of the common agricultural policy and with other common policies requires, however, basic support criteria to be laid down at Community level; whereas, in particular, unjustified distortions of competition resulting from rural development measures should be avoided;
- (16) Whereas, in order to ensure flexibility and to simplify legislation, the Council should confer all necessary implementing powers on the Commission in accordance with the third indent of Article 202 of the Treaty;
- (17) Whereas the structure of agriculture in the Community is typified by the existence of a large number of holdings which lack the structural conditions to ensure a fair income and living conditions for farmers and their families;
- (18) Whereas the aim of Community investment aid is to modernise agricultural holdings and to improve their viability;
- (19) Whereas Community conditions concerning eligibility for investment aid should be simplified as compared to the existing conditions laid down in Council Regulation (EC) No 950/97 of 20 May 1997 on improving the efficiency of agricultural structures ⁽¹⁾;
- (20) Whereas the granting of specific benefits to young farmers may facilitate not only their establishment but also the structural adjustment of their holdings after their initial establishment;
- (21) Whereas the evolution and specialisation of agriculture require an appropriate level of general, technical and economic training for persons involved in agricultural and forestry activities, especially as regards new approaches to management, production and marketing;
- (22) Whereas a particular effort is needed to educate farmers in and inform them of agricultural methods compatible with the environment;
- (23) Whereas early retirement from farming should be encouraged in order to improve the viability of agricultural holdings, taking into account the experience acquired in the implementation of Regulation (EEC) No 2079/92;
- (24) Whereas support for less-favoured areas should contribute to the continued use of agricultural land, maintaining the countryside, maintenance and promotion of sustainable farming systems;
- (25) Whereas less-favoured areas should be classified on the basis of common criteria;
- (26) Whereas there is no need for any further classification of less-favoured areas at Community level;
- (27) Whereas conditions concerning eligibility for compensatory allowances should be laid down in order to ensure the efficiency of this support scheme and to ensure that its objectives are achieved;
- (28) Whereas for limitations on agricultural use in areas with environmental restrictions it might be necessary that support is granted to farmers to solve their specific problems arising from these limitations;
- (29) Whereas, in the coming years, a prominent role should be given to agri-environmental instruments to support the sustainable development of rural areas and to respond to society's increasing demand for environmental services;
- (30) Whereas the existing agri-environmental support under Regulation (EEC) No 2078/92 should be continued for targeted

⁽¹⁾ OJ L 142, 2.6.1997, p. 1. Regulation as amended by Regulation (EC) No 2331/98 (OJ L 291, 30.10.1998, p. 10).

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environmental measures, taking into account experience gained in the implementation of this scheme as described in detail in the Commission's report presented pursuant to Article 10(2) of Regulation (EEC) No 2078/92;

- (31) Whereas the agri-environmental aid scheme should continue to encourage farmers to serve society as a whole by introducing or continuing the use of farming practices compatible with the increasing need to protect and improve the environment, natural resources, soil and genetic diversity and to maintain the landscape and the countryside;
- (32) Whereas improvements in the processing and marketing of agricultural products should be encouraged by support for investments in that field;
- (33) Whereas such support can largely be based on existing conditions as currently laid down in Council Regulation (EC) No 951/97 of 20 May 1997 on improving the processing and marketing conditions for agricultural products ⁽¹⁾;
- (34) Whereas it should be ensured that such investments are viable and that farmers have a share in the economic benefits of the action taken;
- (35) Whereas forestry is an integral part of rural development and forestry measures should, therefore, be included under the rural development support scheme, whereas support for forestry should avoid distorting competition and should be market neutral;
- (36) Whereas forestry measures should be adopted in the light of undertakings given by the Community and the Member States at international level and be based on Member States' forestry plans; whereas such measures should also take into account the specific problems of climate change;
- (37) Whereas forestry measures should be based on those taken under the existing schemes laid down in Council Regulation (EEC) No 1610/89 of 29 May 1989 laying down provisions for implementing Regulation (EEC) No 4256/88 as regards the scheme to develop and optimally utilise woodlands in rural areas in the Community ⁽²⁾ and in Council Regulation (EEC) No 867/90 of 29 March 1990 on improving the processing and marketing conditions for forestry products ⁽³⁾;
- (38) Whereas the afforestation of agricultural land is especially important from the point of view of soil use and the environment and as a contribution to increasing supplies for certain forestry products, whereas the existing support for afforestation under Regulation (EEC) No 2080/92 should, therefore, be continued, taking into account the experience gained in the implementation of that scheme as described in detail in the Commission's report presented pursuant to Article 8(3) thereof;
- (39) Whereas payments should be granted for activities to maintain and improve ecological stability of forests in certain areas;
- (40) Whereas support should be granted for other measures relating to farming activities and their conversion; whereas the list of measures should be defined on the basis of experience and having regard to the need for rural development to be based partly on non-agricultural activities and services so as to reverse the trend towards the economic and social decline and depopulation of the countryside; whereas measures to remove inequalities and to promote equal opportunities for men and women should be supported;

⁽¹⁾ OJ L 142, 2.6.1997, p. 22.

⁽²⁾ OJ L 165, 15.6.1989, p. 3.

⁽³⁾ OJ L 91, 6.4.1990, p. 7.

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- (41) Whereas demand from consumers for organically-produced agricultural products and foodstuffs is increasing; whereas a new market for agricultural products is thus being created; whereas organic agriculture improves the sustainability of farming activities and thus contributes to the general aims of this Regulation; whereas the specific rural development support measures may concern the production, processing and marketing of organically-produced agricultural products;
- (42) Whereas rural development measures eligible for Community support should comply with Community law and be consistent with other Community policies as well as with other instruments of the common agricultural policy;
- (43) Whereas in the framework of this Regulation support should be excluded for certain measures eligible under other common agricultural policy instruments and in particular those falling within the scope of support schemes under common organisations of the market with the exceptions justified by objective criteria;
- (44) Whereas, in view of existing aid to producer groups and their associations in several common organisations of the market, specific support to producer groups in the framework of rural development no longer appears to be necessary; whereas, therefore, the aid scheme existing under Council Regulation (EC) No 952/97 of 20 May 1997 on producer groups and associations thereof ⁽¹⁾ should be discontinued;
- (45) Whereas the financing of Community support for the accompanying measures and for other rural development measures in areas other than Objective 1 should come from the Guarantee Section of the EAGGF; whereas the basic financial rules laid down in Regulation (EC) No 1260/1999 have been adapted accordingly;
- (46) Whereas the financing of Community support for rural development measures, in areas covered by Objective 1, should continue to come from the Guidance Section of the EAGGF except for the three existing accompanying measures and the support for less-favoured areas and areas with environmental restrictions;
- (47) Whereas, with regard to the support for rural development measures covered by Objective 1 and Objective 2 programming, Regulation (EC) No 1260/1999 should apply, in particular as to integrated programming of these measures; whereas, however, rules concerning financing should take into account the Guarantee financing of measures in Objective 2 regions;
- (48) Whereas rural development measures not covered by Objective 1 or Objective 2 programming should be subject to rural development programming pursuant to specific rules; whereas rates of assistance for such measures should be differentiated according to the general principles laid down in Article 29(1) of Regulation (EC) No 1260/1999 taking sufficiently into account the requirement of social and economic cohesion; whereas, as a result, those assistance rates should, in principle, be differentiated as between areas covered by Objective 1 and Objective 2 and other areas; whereas the rates laid down in this Regulation are the maximum rates of Community assistance;
- (49) Whereas, in addition to rural development programmes, the Commission should be able to make provisions for studies on rural development on its own initiative notwithstanding the rural development initiative provided for in Articles 19 and 20 of Regulation (EC) No 1260/1999;
- (50) Whereas appropriate rules should be established for the monitoring and evaluation of rural development support, using as a reference well-defined indicators to be agreed and established prior to programme implementation;

⁽¹⁾ OJ L 142, 2.6.1997, p. 30.

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- (51) Whereas rural development measures should be eligible for Member State support without any Community co-financing; whereas, in view of the considerable economic impact of such aid and in order to ensure consistency with measures eligible for Community support and simplify procedures, specific State-aid rules should be established;
- (52) Whereas it should be possible to adopt transitional rules to facilitate the transition from existing support schemes to the new rural development support scheme;
- (53) Whereas the new support scheme provided for in this Regulation replaces existing support schemes which should therefore be repealed; whereas, as a consequence, the derogation in current schemes for outermost regions and for the Aegean Islands will equally have to be repealed; whereas new rules providing for the necessary flexibility, adaptations and derogations in order to meet the specific needs of those regions will be established when rural development measures are programmed,

HAS ADOPTED THIS REGULATION:

TITLE I

SCOPE AND OBJECTIVES

Article 1

1. This Regulation establishes the framework for Community support for sustainable rural development.
2. Rural development measures shall accompany and complement other instruments of the common agricultural policy and thus contribute to the achievement of the objectives laid down in Article 33 of the Treaty.
3. Rural development measures shall:
 - be integrated into the measures promoting the development and structural adjustment of regions whose development is lagging behind (Objective 1), and
 - accompany the measures supporting the economic and social conversion of areas facing structural difficulties (Objective 2)

in the regions concerned, taking into account the specific targets of Community support under these objectives as laid down in Articles 158 and 160 of the Treaty and in Regulation (EC) No 1260/1999 and according to the conditions laid down in this Regulation.

Article 2

Support for rural development, related to farming activities and their conversion, may concern:

- the improvement of structures in agricultural holdings and structures for the processing and marketing of agricultural products,
- the conversion and reorientation of agricultural production potential, the introduction of new technologies and the improvement of product quality,
- the encouragement of non-food production,
- sustainable forest development,
- the diversification of activities with the aim of complementary or alternative activities,
- the maintenance and reinforcement of viable social fabric in rural areas,
- the development of economic activities and the maintenance and creation of employment with the aim of ensuring a better exploitation of existing inherent potential,
- the improvement of working and living conditions,
- the maintenance and promotion of low-input farming systems,

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- the preservation and promotion of a high nature value and a sustainable agriculture respecting environmental requirements,
- the removal of inequalities and the promotion of equal opportunities for men and women, in particular by supporting projects initiated and implemented by women.

Article 3

Support shall be granted for the rural development measures defined in Title II and under the conditions laid down therein.

TITLE II

RURAL DEVELOPMENT MEASURES

CHAPTER I

INVESTMENT IN AGRICULTURAL HOLDINGS*Article 4*

Support for investment in agricultural holdings shall contribute to the improvement of agricultural incomes and of living, working and production conditions.

Such investment shall pursue one or more of the following objectives:

- to reduce production costs,
- to improve and redeploy production,
- to increase quality,
- to preserve and improve the natural environment, hygiene conditions and animal welfare standards,
- to promote the diversification of farm activities.

Article 5

► **M1** 1. ◀ Support for investment shall be granted to agricultural holdings:

- the economic viability of which can be demonstrated,
- which comply with minimum standards regarding the environment, hygiene and animal welfare, and
- where the farmer possesses adequate occupational skill and competence.

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2. The conditions for support for investment laid down in paragraph 1 must be fulfilled at the time when the individual decision to grant support is taken.

3. Where investments are made in order to comply with newly introduced minimum standards relating to the environment, hygiene, and animal welfare, support may be granted in order to comply with the new standards. In such cases, a period of grace may be provided to farmers to meet these minimum standards where time is needed to solve specific problems involved in complying with such standards. The farmer shall comply with the relevant standards by the end of the investment period.

▼B*Article 6*

Support shall not be granted for investment which has as its objective an increase in production for which no normal market outlets can be found.

Article 7

Member States shall set limits for total investment eligible for support.

▼M1

The total amount of support, expressed as a percentage of the volume of eligible investment, is limited to a maximum of 40 % and 50 % in less-favoured areas.

Where investments are undertaken by young farmers, as referred to in Chapter II, these percentages may reach a maximum of 50 % and 60 % in less-favoured areas during a period not exceeding five years from the setting up. The age condition laid down in the first indent of Article 8(1) must be met at the time of setting up.

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CHAPTER II

SETTING UP OF YOUNG FARMERS

Article 8

1. Setting-up aid to facilitate the establishment of young farmers shall be granted under the following conditions:

- the farmer is under 40 years of age,
- the farmer possesses adequate occupational skill and competence,
- the farmer is setting up on an agricultural holding for the first time,
- as regards the holding:
 - (i) economic viability can be demonstrated, and
 - (ii) minimum standards regarding the environment, hygiene and animal welfare are complied with,
- and
- the farmer is established as head of the holding.

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

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2. The setting-up aid may comprise:

- (a) a single premium up to the maximum eligible amount specified in the Annex, and
- (b) an interest subsidy on loans taken on with a view to covering the costs arising from setting-up; the capitalised value of the interest subsidy may not exceed the value of the premium.

A support higher than the maximum amount referred to in point a) but not exceeding EUR 30 000 may be granted to young farmers who are using farm advisory services linked to the setting-up of their activity during a period of three years after setting-up.

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CHAPTER III

TRAINING

Article 9

Support for vocational training shall contribute to the improvement of the occupational skill and competence of farmers and other persons involved in agricultural activities and forestry activities, and their conversion.

Training shall in particular be designed:

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- to prepare farmers and other persons involved in agricultural activities for qualitative reorientation of production, the application of production practices compatible with the maintenance and enhancement of the landscape, the protection of the environment, hygiene standards and animal welfare and acquisition of the skills needed to enable them to manage an economically viable farm, and

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- to prepare forest holders and other persons involved in forestry activities for the application of forest management practices to improve the economic, ecological or social functions of forests.

CHAPTER IV

EARLY RETIREMENT*Article 10*

1. Support for early retirement from farming shall contribute to the following objectives:
 - to provide an income for elderly farmers who decide to stop farming,
 - to encourage the replacement of such elderly farmers by farmers able to improve, where necessary, the economic viability of the remaining agricultural holdings,
 - to reassign agricultural land to non-agricultural uses where it cannot be farmed under satisfactory conditions of economic viability.
2. Early retirement support may include measures to provide an income for farm workers.

Article 11

1. A transferor of a farm shall:
 - stop all commercial farming activity definitively; he may, however, continue non-commercial farming and retain the use of the buildings,
 - be not less than 55 years old but not yet of normal retirement age at the time of transfer, and
 - have practised farming for the 10 years preceding transfer.
2. The transferee of a farm shall:
 - succeed the transferor as the head of the agricultural holding or take over all or part of the land released. The economic viability of the transferee's holding must be improved within a period and in compliance with conditions to be defined in terms of, in particular, the transferee's occupational skill and competence and the surface area and volume of work or income, according to the region and type of production,
 - possess adequate occupational skill and competence, and
 - undertake to practise farming on the agricultural holding for not less than five years.
3. A farm worker shall:
 - stop all farm work definitively,
 - be not less than 55 years old but not yet of normal retirement age,
 - have devoted at least half of his working time as a family helper or farm worker to farm work during the preceding five years,
 - have worked on the transferor's agricultural holding for at least the equivalent of two years full-time during the four-year period preceding the early retirement of the transferor, and
 - belong to a social security scheme.
4. A non-farming transferee may be any other person or body who takes over released land to use it for non-agricultural purposes, such as forestry or the creation of ecological reserves, in a manner compatible with protection or improvement of the quality of the environment of the countryside.
5. The conditions laid down in this Article shall be applied throughout the period during which the transferor receives early retirement support.

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Article 12

1. The maximum amounts eligible for Community support are laid down in the Annex.
2. The duration of early retirement support shall not exceed a total period of 15 years for the transferor and 10 years for the farm worker. It shall not go beyond the 75th birthday of a transferor and not go beyond the normal retirement age of a worker.

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

CHAPTER V

LESS-FAVOURED AREAS AND AREAS WITH ENVIRONMENTAL RESTRICTIONS*Article 13*

Support for less-favoured areas and areas with environmental restrictions shall contribute to the following objectives.

(a) Compensation for naturally less-favoured areas

- to ensure continued agricultural land use and thereby contribute to the maintenance of a viable rural community,
- to maintain countryside,
- to maintain and promote sustainable farming systems which in particular take account of environmental protection requirements.

(b) Compensation for areas with environmental restrictions

- to ensure environmental requirements and safeguard farming in areas with environmental restrictions.

Article 14

1. Farmers in less-favoured areas may be supported by compensatory allowances.
2. Compensatory allowances shall be granted per hectare of areas used for agriculture to farmers who:
 - farm a minimum area of land to be defined,
 - undertake to pursue their farming activity in a less-favoured area for at least five years from the first payment of a compensatory allowance, and
 - apply usual good farming practices compatible with the need to safeguard the environment and maintain the countryside, in particular by sustainable farming.
3. Where residues of substances prohibited under Directive 96/22/EC ⁽¹⁾ or residues of substances authorised under that Directive but used illegally, are detected pursuant to the relevant provisions of Council Directive 96/23/EC ⁽²⁾ in an animal belonging to the bovine herd of a producer, or where an unauthorised substance or product, or a substance or product authorised under Directive 96/22/EC but held illegally is found on the producer's holding in any form, the producer shall be excluded from receiving compensatory allowances for the calendar year of that discovery.

In the event of a repeated infringement, the length of the exclusion period may, depending on the seriousness of the offence, be extended to five years from the year in which the repeated infringement was discovered.

⁽¹⁾ OJ L 125, 23.5.1996, p. 3.

⁽²⁾ OJ L 125, 23.5.1996, p. 10.

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In the event of obstruction on the part of the owner or holder of the animals when inspections are being carried out and the necessary samples are being taken in application of national residue-monitoring plans, or when the investigations and checks provided for under Directive 96/23/EC are being carried out, the penalties provided for in the first subparagraph shall apply.

Article 15

1. Compensatory allowances shall be fixed at a level which:
 - is sufficient in making an effective contribution to compensation for existing handicaps, and
 - avoids overcompensation.
2. Compensatory allowances shall be duly differentiated, taking into account:
 - the situation and development objectives peculiar to a region,
 - the severity of any permanent natural handicap affecting farming activities,
 - the particular environmental problems to be solved where appropriate,
 - the type of production and, where appropriate, the economic structure of the holding.
3. Compensatory allowances shall be fixed between the minimum and maximum amounts set out in the Annex.

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Compensatory allowances higher than this maximum amount may be granted provided that the average amount of all compensatory allowances granted at the programming level concerned does not exceed this maximum amount. Member States may, for the purpose of calculating the average amount, present a combination of several regional programmes. However, in cases duly justified by objective circumstances, the average amount may be increased to the maximum average amount set out in the Annex.

▼B*Article 16***▼M1**

1. Payments to compensate for costs incurred and income foregone may be made to farmers who are subject to restrictions on agricultural use in areas with environmental restrictions as a result of the implementation of Directives 79/409/EEC ⁽¹⁾ and 92/43/EEC ⁽²⁾, if and in so far as such payments are necessary to solve the specific problems arising from the implementation of those Directives.

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2. Payments shall be fixed at a level which avoids overcompensation; this is especially necessary in the case of payments in less-favoured areas.

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3. The maximum amount eligible for Community support is laid down in the Annex. This amount may be increased in duly justified cases to take account of specific problems.

A support higher than this maximum amount may be granted during a period not exceeding five years from the date the provision imposing new restrictions becomes mandatory in accordance with Community legislation. This support shall be granted annually on a degressive basis and shall not exceed the amount set out in the Annex.

⁽¹⁾ OJ L 103, 25.4.1979, p. 1. Directive as last amended by Regulation (EC) No 807/2003 (OJ L 122, 6.5.2003, p. 36).

⁽²⁾ OJ L 206, 22.7.1992, p. 7. Directive as last amended by Directive 97/62/EC (OJ L 305, 8.11.1997, p. 42).

▼B*Article 17*

Less-favoured areas shall include:

- mountain areas (Article 18),
- other less-favoured areas (Article 19), and
- areas affected by specific handicaps (Article 20).

Article 18

1. Mountain areas shall be those characterised by a considerable limitation of the possibilities for using the land and an appreciable increase in the cost of working it due:

- to the existence, because of altitude, of very difficult climatic conditions, the effect of which is substantially to shorten the growing season,
- at a lower altitude, to the presence over the greater part of the area in question of slopes too steep for the use of machinery or requiring the use of very expensive special equipment, or
- to a combination of these two factors, where the handicap resulting from each taken separately is less acute but the combination of the two gives rise to an equivalent handicap.

2. Areas north of the 62nd Parallel and certain adjacent areas shall be treated in the same way as mountain areas.

Article 19

Less-favoured areas which are in danger of abandonment of land-use and where the conservation of the countryside is necessary, shall comprise farming areas which are homogeneous from the point of view of natural production conditions and exhibit all of the following characteristics:

- the presence of land of poor productivity, difficult cultivation and with a limited potential which cannot be increased except at excessive cost, and which is mainly suitable for extensive livestock farming,
- production which results from low productivity of the natural environment which is appreciably lower than the average, with regard to the main indices of economic performance in agriculture,
- a low or dwindling population predominantly dependent on agricultural activity, the accelerated decline of which would jeopardise the viability of the area concerned and its continued habitation.

Article 20

►M1 1. ◄ Less-favoured areas may include other areas affected by specific handicaps, in which farming should be continued, where necessary and subject to certain conditions, in order to conserve or improve the environment, maintain the countryside and preserve the tourist potential of the area or in order to protect the coastline.

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2. Areas referred to in paragraph 1 may not exceed 10 % of the area of the Member State concerned.

 CHAPTER Va
MEETING STANDARDS*Article 21a*

Support to help farmers to adapt to demanding standards based on Community legislation in the fields of the environment, public, animal

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and plant health, animal welfare and occupational safety shall contribute to the following objectives:

- (a) a more rapid implementation of demanding Community standards by Member States;
- (b) the respect of those standards by farmers;
- (c) the use of farm advisory services by farmers, as provided for in Council Regulation (EC) No 1782/2003 of 29 September 2003 establishing common rules for direct support schemes under the common agricultural policy and support schemes for producers of certain crops ⁽¹⁾, in assessing the performance of farm businesses and identifying improvements required with regard to the statutory management requirements as set out in that Regulation.

Article 21b

1. Temporary support intended to contribute partly to costs incurred and income foregone may be granted to farmers who have to apply demanding standards based on Community legislation and newly introduced in national legislation.

For Member States applying Article 16, support shall not be granted under this Chapter to a farmer to apply standards based on the Community legislation referred to in Article 16.

2. Support may be granted during a period not exceeding five years from the date the standard becomes mandatory in accordance with Community legislation.

To be eligible for support, the standard should impose new obligations or restrictions on farming practice which have a significant impact on typical farm operating costs and which concern a significant number of farmers.

For Directives for which the implementation deadline has been exceeded and which are not yet correctly implemented by the Member State, support may be granted during a period not exceeding five years from 25 October 2003.

3. Support shall not be payable where the non-application of a standard is due to the non-respect by the applicant farmer of a standard already transposed in national legislation.

Article 21c

1. Support shall be granted annually in the form of a flat rate aid and on a degressive basis, in equal instalments. Member States shall modulate the level of payment per standard with regard to the level of obligations resulting from the application of the standard. Payment shall be fixed at a level which prevents overcompensation. Costs related to investments shall not be taken into account when determining the level of annual support.

2. The maximum eligible annual amount, per holding, of support is set out in the Annex.

Article 21d

1. Support may be granted to farmers to help them meet costs arising from the use of the farm advisory services which identify and where necessary, propose improvements relating to the application by farmers of statutory environmental, public, animal and plant health and animal welfare standards.

2. Farm advisory services for which support may be granted shall be in accordance with Chapter III of Title II of Regulation (EC) No 1782/2003 and the provisions adopted in implementation thereof.

⁽¹⁾ OJ L 270, 21.10.2003, p. 1.

▼M1

3. The total amount of support for the use of advisory services as referred to in paragraph 1, shall be limited to a maximum of 80 % of the eligible cost, without exceeding the maximum eligible amount as set out in the Annex.

CHAPTER VI

AGRI-ENVIRONMENT AND ANIMAL WELFARE

Article 22

Support for agricultural methods designed to protect the environment, maintain the countryside (agri-environment) or improve animal welfare shall contribute to achieving the Community's policy objectives regarding agriculture, the environment and the welfare of farm animals.

Such support shall promote:

- (a) ways of using agricultural land which are compatible with the protection and improvement of the environment, the landscape and its features, natural resources, the soil and genetic diversity,
- (b) an environmentally-favourable extensification of farming and management of low-intensity pasture systems,
- (c) the conservation of high nature-value farmed environments which are under threat,
- (d) the upkeep of the landscape and historical features on agricultural land,
- (e) the use of environmental planning in farming practice,
- (f) the improvement of animal welfare.

Article 23

1. Support shall be granted to farmers who give agri-environmental or animal welfare commitments for at least five years. Where necessary, a longer period shall be determined for particular types of commitments in view of their effects on the environment or animal welfare.

2. Agri-environmental and animal welfare commitments shall involve more than the application of usual good farming practice including good animal husbandry practice.

They shall provide for services which are not provided for by other support measures, such as market support or compensatory allowances.

Article 24

1. Support in respect of an agri-environmental or animal welfare commitment shall be granted annually and be calculated on the basis of:

- (a) income foregone,
- (b) additional costs resulting from the commitment given, and
- (c) the need to provide an incentive.

Costs related to investments shall not be taken into account when calculating the level of annual support. Costs for non-remunerative investments which are necessary to comply with a commitment may be taken into account in calculating the level of annual support.

2. Maximum amounts per year eligible for Community support are laid down in the Annex. When support is calculated on an area basis, these amounts shall be based on that area of the holding to which agri-environmental commitments apply.

▼M1

CHAPTER VIa
FOOD QUALITY*Article 24a*

Support for agricultural production methods designed to improve the quality of agricultural products and for promotion of those products shall contribute to the following objectives:

- (a) to provide assurances to consumers on the quality of the product or of the production process used through the participation of farmers in food quality schemes as defined in Article 24b;
- (b) to achieve added value for agricultural primary products and to enhance market opportunities;
- (c) to improve consumer information on the availability and specifications of such products.

Article 24b

1. Support shall be granted to farmers who participate on a voluntary basis in Community or national food quality schemes, which impose specific production requirements on agricultural products listed in Annex I to the Treaty, except fishery products, and comply with paragraph 2 or 3 in this Article.

Support shall only cover products intended for human consumption.

2. Community quality schemes under the following Regulations and provisions shall be eligible for support:

- (a) Council Regulation (EEC) No 2081/92 of 14 July 1992 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs ⁽¹⁾,
- (b) Council Regulation (EEC) No 2082/92 of 14 July 1992 on certificates of specific character for agricultural products and foodstuffs ⁽²⁾,
- (c) Council Regulation (EEC) No 2092/91 of 24 June 1991 on organic production of agricultural products and indications referring thereto on agricultural products and foodstuffs ⁽³⁾,
- (d) Title VI on quality wine produced in specified regions of Council Regulation (EC) No 1493/1999 of 17 May 1999 on the common organisation of the market in wine ⁽⁴⁾.

3. To be eligible for support, food quality schemes recognised by the Member States shall comply with the criteria set out in points (a) to (e):

- (a) the specificity of the final product produced under such schemes shall be derived from detailed obligations on farming methods that guarantee:
 - (i) specific characteristics including the production process, or
 - (ii) a quality of the final product that goes significantly beyond the commercial commodity standards as regards public, animal or plant health, animal welfare or environmental protection;
- (b) the schemes involve binding product specifications and compliance with those specifications shall be verified by an independent inspection body;
- (c) the schemes shall be open to all producers;

⁽¹⁾ OJ L 208, 24.7.1992, p. 1. Regulation as last amended by Regulation (EC) No 806/2003 (OJ L 122, 16.5.2003, p. 1).

⁽²⁾ OJ L 208, 27.7.1992, p. 9. Regulation as last amended by Regulation (EC) No 806/2003.

⁽³⁾ OJ L 198, 22.7.1991, p. 1. Regulation as last amended by Regulation (EC) No 806/2003.

⁽⁴⁾ OJ L 179, 14.7.1999, p. 1. Regulation as last amended by Regulation (EC) No 806/2003.

▼M1

- (d) the schemes shall be transparent and assure complete traceability of the products;
 - (e) the schemes shall respond to current or foreseeable market opportunities.
4. Schemes whose sole purpose is to provide a higher level of control of respect of obligatory standards under Community or national law shall not be eligible for support.

Article 24c

1. Support shall be paid as an annual incentive payment up to the maximum eligible amount per holding as set out in the Annex. The level of payment amount shall be determined according to the level of the fixed costs arising from participation in supported schemes and be fixed at a level which prevents overcompensation.
2. The duration of such support shall not exceed a period of five years.

Article 24d

1. Support shall be granted to producer groups for activities intended to inform consumers about and promote agricultural products or food-stuffs designated under Community or national food quality schemes as described in Article 24b and selected for support by the Member State under the measure provided for in Articles 24a, 24b and 24c.
2. Support shall cover information, promotion and advertising activities.
3. The total amount of support shall be limited to a maximum of 70 % of the eligible costs of the action.

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CHAPTER VII

IMPROVING PROCESSING AND MARKETING OF AGRICULTURAL PRODUCTS*Article 25*

1. Support for investment shall facilitate the improvement and rationalisation of processing and marketing of agricultural products and thereby contribute to increasing the competitiveness and added value of such products.
2. Such support shall contribute to one or more of the following objectives:
 - to guide production in line with foreseeable market trends or encourage the development of new outlets for agricultural products,
 - to improve or rationalise marketing channels or processing procedures,
 - to improve the presentation and preparation of products or encourage the better use or elimination of by-products or waste,

▼M1

- to develop and apply new technologies,

▼B

- to favour innovative investments,
- to improve and monitor quality,
- to improve and monitor health conditions,
- to protect the environment.

Article 26

1. Support shall be granted to those persons ultimately responsible for financing the investment in enterprises
 - for which economic viability can be demonstrated, and

▼B

- which comply with minimum standards regarding the environment, hygiene and animal welfare.

▼M1

Where investments are made in order to comply with newly introduced minimum standards relating to the environment, hygiene, and animal welfare, support may be granted in order to comply with the new standards. In such cases, a period of grace may be provided to small processing units to meet these minimum standards where time is needed to solve specific problems encountered in complying with such standards. The small processing units shall comply with the relevant standards by the end of the investment period.

▼B

2. Investment must contribute to improving the situation of the basic agricultural production sector in question. It must guarantee the producers of such basic products an adequate share in the resulting economic benefits.
3. Sufficient evidence must be shown that normal market outlets for the products concerned can be found.

Article 27

1. Investment shall concern the processing and marketing of products covered by Annex I to the Treaty except fishery products.
2. Investment shall meet selection criteria setting priorities and indicating which types of investment are not eligible for support.

Article 28

1. The following types of investment shall be excluded from support:
 - investment at the retail level,
 - investment in the processing or marketing of products from third countries.
2. The total amount of support, expressed as a percentage of the volume of eligible investment, is limited to a maximum of:
 - (a) 50 % in Objective 1 regions;
 - (b) 40 % in the other regions.

CHAPTER VIII

FORESTRY*Article 29*

1. Support for forestry shall contribute to the maintenance and development of the economic, ecological and social functions of forests in rural areas.
2. Such support shall promote in particular one or more of the following objectives:
 - sustainable forest management and development of forestry,
 - maintenance and improvement of forest resources,
 - extension of woodland areas.

▼M1

3. Such support, as provided for in Articles 30 and 32, shall be granted only for forests and areas owned by private owners or by their associations or by municipalities or their associations. This restriction shall not apply to the measures provided for in the second indent of Article 30(1) for investment in forests aimed at significantly improving their ecological and social value, and for the measures provided for in the sixth indent of Article 30(1).

▼B

4. Such support shall contribute to the fulfilment of the undertakings given by the Community and the Member States at international level.

▼B

It shall be based on national or subnational forest programmes or equivalent instruments which should take into account the commitments made in the Ministerial Conferences on the Protection of Forests in Europe.

▼M1

5. Measures proposed under this Chapter in areas classified as high or medium forest fire risk within the framework of the Community action on protection of forests against fire, must conform to the forest protection plans established by the Member States for these areas.

▼B*Article 30*

1. Support for forestry shall concern one or more of the following measures:

- afforestation of land not eligible under Article 31 provided that such planting is adapted to local conditions and is compatible with the environment,
- investment in forests aimed at significantly improving their economic, ecological or social value,
- investment to improve and rationalise the harvesting, processing and marketing of forestry products; investment related to the use of wood as a raw material shall be limited to all working operations prior to industrial processing,
- promotion of new outlets for the use and marketing of forestry products,
- the establishment of associations of forest holders that are set up in order to help their members to improve the sustainable and efficient management of their forests,

▼M1

- restoring forestry production potential damaged by natural disasters and fire and introducing appropriate prevention actions.

▼B

2. The rules laid down in Chapters I and VII, with the exception of the second subparagraph of Article 7, shall apply as appropriate for investments.

Article 31

1. Support shall be granted for the afforestation of agricultural land provided that such planting is adapted to local conditions and is compatible with the environment.

▼M1

Such support may include in addition to establishment costs:

- an annual premium per hectare afforested to cover maintenance costs for a period of up to five years,
- an annual premium per hectare to cover loss of income resulting from afforestation for a maximum period of 20 years for farmers or associations thereof who worked the land before its afforestation or for any other private law person.

2. Where support is granted for afforestation of agricultural land owned by public authorities, it shall cover only the cost of establishment. If the afforested land is rented by a private law person, the annual premia referred to in paragraph 1, second subparagraph, may be granted.

▼B

3. Support for the afforestation of agricultural land shall not be granted:

- for farmers benefiting from early retirement support,
- in respect of the planting of Christmas trees.

▼M1

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

▼B

4. Maximum amounts per year of the annual premium to cover loss of income eligible for Community support are laid down in the Annex.

Article 32

1. With a view to:

- maintaining and improving the ecological stability of forests where the protective and ecological role of these forests are of public interest and where the costs of maintenance and improvement measures for these forests exceed the income from forestry,
- maintaining fire-breaks through agricultural measures,

payments for relevant measures shall be granted to the beneficiaries provided that the protective and ecological values of these forests are ensured in a sustainable manner and the measures to be carried out are laid down by contract and their cost specified therein.

2. Payments shall be fixed between the minimum and maximum amounts set out in the Annex, on the basis of the real costs of the measures carried out, as previously stipulated in the contract.

CHAPTER IX

PROMOTING THE ADAPTATION AND DEVELOPMENT OF RURAL AREAS*Article 33*

Support shall be granted for measures, relating to farming activities and their conversion and to rural activities, which do not fall within the scope of any other measure referred to in this Title.

Such measures shall concern:

- land improvement,
- reparaCELLING,

▼M1

- setting up of farm advisory systems as referred to in Chapter III of Title II of Regulation (EC) No 1782/2003, as well as farm relief and farm management services,
- marketing of quality agricultural products, including the setting-up of quality schemes as referred to in Article 24b(2) and (3),

▼B

- basic services for the rural economy and population,
- renovation and development of villages and protection and conservation of the rural heritage,
- diversification of agricultural activities and activities close to agriculture to provide multiple activities or alternative incomes,
- agricultural water resources management,
- development and improvement of infrastructure connected with the development of agriculture,
- encouragement for tourist and craft activities,
- protection of the environment in connection with agriculture, forestry and landscape conservation as well as with the improvement of animal welfare,
- restoring agricultural production potential damaged by natural disasters and introducing appropriate prevention instruments,
- financial engineering,

▼M1

- management of integrated rural development strategies by local partnerships.

▼B

CHAPTER X
IMPLEMENTING RULES

Article 34

Detailed rules for the implementation of this Title shall be adopted in accordance with the procedure laid down in Article 50(2) of Regulation (EC) No 1260/1999.

These rules may in particular define:

- conditions for support for investment in agricultural holdings (Articles 4 to 7), including the necessary restrictions resulting from application of Article 6,
- the period and the conditions for the improvement of economic viability of an agricultural holding and conditions of use of land released in the case of early retirement (Article 11(2)),
- conditions for the granting and calculation of the compensatory allowance in less-favoured areas, including in the case of communal use of agricultural land (Articles 14 and 15) and the compensatory payments in areas with environmental restrictions (Article 16),
- conditions governing the giving of agri-environmental commitments (Articles 23 and 24),
- selection criteria for investment aimed at improving the processing and marketing of agricultural products (Article 27(2)),
- conditions governing forestry measures (Chapter VIII),

▼M1

- conditions governing meeting standards measures (Chapter Va),
- conditions governing food quality measures (Chapter VIa).

▼B

According to the same procedure, the Commission may derogate from the second indent of Article 28(1) in the outermost regions subject to the condition that the processed products are destined for the market of the region in question.

TITLE III

GENERAL PRINCIPLES, ADMINISTRATIVE AND FINANCIAL PROVISIONS

CHAPTER I

GENERAL PRINCIPLES

Subchapter I

Support from EAGGF

Article 35

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1. Community support for early retirement (Articles 10, 11 and 12), less-favoured areas and areas with environmental restrictions (Articles 13 to 21), meeting standards (Articles 21a to 21d), agri-environment and animal welfare (Articles 22, 23 and 24), food quality (Articles 24a to 24d) and afforestation (Article 31) shall be financed by the EAGGF Guarantee Section throughout the Community.

▼B

2. Community support for other rural development measures shall be financed by the EAGGF:

- Guidance Section in areas covered by Objective 1,
- Guarantee Section in areas not covered by Objective 1.

3. Support for the measures referred to in the sixth, seventh and ninth indents of Article 33 shall be financed by the EAGGF in areas classified under Objectives 1 and 2 and areas in transition in so far as their financing is not provided by the European Regional Development Fund (ERDF).

▼B*Article 36*

1. With regard to support for the rural development measures referred to in Article 35(2):
 - in areas covered by Objective 1, Regulation (EC) No 1260/1999 shall apply as supplemented by specific rules contained in this Regulation,
 - in areas covered by Objective 2, Regulation (EC) No 1260/1999 shall apply as supplemented by specific rules contained in this Regulation and save as otherwise provided for under this Regulation.
2. With regard to support for rural development measures financed by the EAGGF Guarantee Section, the specific rules of ►C1 Regulation (EC) No 1258/1999⁽¹⁾ ◄ and the provisions adopted in implementation thereof shall apply save as otherwise provided for under this Regulation.

Subchapter II

Compatibility and consistency*Article 37*

1. Support for rural development shall be granted only for measures which comply with Community law.
2. Such measures shall be consistent with other Community policies and measures implemented thereunder.

In particular, no measure which falls within the scope of this Regulation shall be eligible for support under other Community support schemes if it is incompatible with any specific condition laid down in this Regulation.
3. Consistency shall also be ensured with measures implemented under other instruments of the common agricultural policy, and in particular between rural development support measures on the one hand and measures implemented under the common market organisations and agricultural quality and health measures on the other hand, as well as between the different rural development support measures.

Accordingly, no support under this Regulation may be granted for:

- measures falling within the scope of support schemes under common market organisations, with the exceptions, justified by objective criteria, that may be defined according to Article 50,

▼M1

- measures to support research projects or measures eligible for Community funding under Council Decision 90/424/EEC of 26 June 1990 on expenditure in the veterinary field⁽²⁾.

▼B

4. Member States may lay down further or more restrictive conditions for granting Community support for rural development provided that such conditions are consistent with the objectives and requirements laid down in this Regulation.

Article 38

1. Payments may not be made in respect of the same measure under both this Regulation and another Community support scheme.
2. Support for several measures under this Regulation may be combined only if such measures are consistent and compatible with each other. If necessary, the level of support shall be adjusted.

⁽¹⁾ See page 103 of this Official Journal.

⁽²⁾ OJ L 224, 18.8.1990, p. 19. Decision as last amended by Regulation (EC) No 806/2003.

▼B*Article 39*

1. Member States shall take all necessary steps to ensure the compatibility and consistency of rural development support measures pursuant to the provisions laid down in this Chapter.
2. The rural development plans submitted by Member States shall include an appraisal of the compatibility and the consistency of the support measures envisaged and an indication of the measures taken in order to ensure compatibility and consistency.
3. Support measures shall, where necessary, be subsequently revised to ensure compatibility and consistency.

CHAPTER II

PROGRAMMING*Article 40*

1. Rural development measures financed by the EAGGF Guidance Section shall form part of the programming for Objective 1 regions according to Regulation (EC) No 1260/1999.
2. Rural development measures other than those referred to in Article 35(1) may form part of the programming for Objective 2 regions in accordance with Regulation (EC) No 1260/1999.
3. Other rural development measures which do not form part of the programming in accordance with paragraphs 1 and 2 shall be subject to rural development programming in accordance with Articles 41 to 44.
4. With reference to appropriate rural development measures, Member States may also submit for approval general framework Regulations which form part of the programming in accordance with paragraphs 1 to 3, as far as it is appropriate with a view to maintaining uniform conditions.

Article 41

1. Rural development plans shall be drawn up at the geographical level deemed to be the most appropriate. They shall be prepared by the competent authorities designated by the Member State and submitted by the Member State to the Commission after competent authorities and organisations have been consulted at the appropriate territorial level.
2. Rural development support measures to be applied in one area shall be integrated, whenever possible, into a single plan. Wherever several plans need to be established, the relationship between measures put forward in such plans shall be indicated and their compatibility and consistency ensured.

Article 42

Rural development plans shall cover a period of seven years from 1 January 2000.

Article 43

1. Rural development plans shall include:
 - a quantified description of the current situation showing disparities, gaps and potential for development, the financial resources deployed and the main results of operations undertaken in the previous programming period with regard to the evaluation results available,
 - a description of the strategy proposed, its quantified objectives, and rural development priorities selected, and the geographical area covered,
 - an appraisal showing the expected economic, environmental and social impact, including employment effects,

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- an indicative overall financial table summarising the national and Community financial resources provided for and corresponding to each rural development priority submitted in the context of the plan and, where the plan covers rural areas in Objective 2, identifying the indicative amounts for rural development measures under Article 33 in these areas,
 - a description of the measures contemplated for implementing the plans, and in particular aid schemes, including the points necessary for assessing the rules of competition,
 - where appropriate, information on the needs for any studies, demonstration projects, training or technical assistance operations relating to the preparation, implementation or adaptation of the measures concerned,
 - the designation of competent authorities and bodies responsible,
 - provisions to ensure the effective and correct implementation of the plans, including monitoring and evaluation, a definition of quantified indicators for evaluation, arrangements for controls and sanctions and adequate publicity,
 - the results of consultations and designation of associated authorities and bodies as well as the economic and social partners at the appropriate levels.
2. In their plans, Member States shall:
- provide for agri-environment measures throughout their territories, and in accordance with their specific needs,
 - ensure the necessary balance is kept between the different support measures.

Article 44

1. Rural development plans shall be submitted not later than six months after the entry into force of this Regulation.
2. The Commission shall appraise the proposed plans to determine whether they are consistent with this Regulation. On the basis of the plans, it shall approve rural development programming documents in accordance with the procedure referred to in Article 50(2) of Regulation (EC) No 1260/1999 within six months after the submission of the plans.

CHAPTER III

ADDITIONAL MEASURES AND COMMUNITY INITIATIVES

Article 45

1. Pursuant to Article 21(2) of Regulation (EC) No 1260/1999, the Commission, following the procedure laid down in Article 50(2) of that Regulation, may extend the scope of assistance from the EAGGF Guidance Section beyond that provided for in Article 35(2) of this Regulation and the financing of measures eligible under Council ►C1 Regulations (EC) No 1783/1999 ⁽¹⁾, (EC) No 1784/1999 ⁽²⁾ and ◀ (EC) No 1263/1999 ⁽³⁾ with a view to implementing all the measures in the rural development Community initiative.
2. The EAGGF Guarantee Section may, on the initiative of the Commission, finance studies related to rural development programming.

⁽¹⁾ OJ L 213, 13.8.1999, p. 1.

⁽²⁾ OJ L 213, 13.8.1999, p. 5.

⁽³⁾ OJ L 161, 26.6.1999, p. 54.

▼B

CHAPTER IV

FINANCIAL PROVISIONS*Article 46*

1. Community support for rural development from the EAGGF Guarantee Section shall be subject to financial planning and accounting on an annual basis. The financial planning shall form part of rural development programming (Article 40(3)) or of programming related to Objective 2.

2. The Commission shall make initial allocations to Member States, broken down on an annual basis and using objective criteria which take into account particular situations and needs, and efforts to be undertaken especially for the environment, job creation and maintenance of the landscape.

3. Initial allocations shall be adjusted on the basis of actual expenditure and revised expenditure forecasts submitted by the Member States taking into account programme objectives, and be subject to the funds available and as a rule be consistent with the aid intensity for rural areas covered by Objective 2.

Article 47

1. The financial provisions laid down in Articles 31, 32 (except for the fifth subparagraph of paragraph 1 thereof), 34, 38 and 39 of Regulation (EC) No 1260/1999 shall not apply to support for rural development measures in relation to Objective 2.

The Commission shall take the necessary action to ensure efficient and coherent implementation of these measures which shall attain at least the same standards as those laid down in the provisions referred to in the first subparagraph, including the principle of a single management authority.

2. For measures covered by rural development programming, the Community shall contribute to financing pursuant to the principles laid down in Articles 29 and 30 of Regulation (EC) No 1260/1999.

In this connection:

- the Community contribution shall not exceed 50 % of the total eligible cost and, as a general rule, shall be equal to at least 25 % of eligible public expenditure in areas not covered by Objective 1 and Objective 2,
- for revenue-bearing investment, the rates laid down in Article 29(4)(a)(ii) and (iii) and (b)(ii) and (iii) of Regulation (EC) No 1260/1999 shall apply. Agricultural and forestry holdings and businesses involved in the processing and marketing of agricultural and forestry products are businesses in that respect within the meaning of Article 29(4)(b)(iii),

▼M1

- the Community contribution to the programming for measures laid down in Articles 22 to 24 of this Regulation shall not exceed 85 % in areas covered by Objective 1 and 60 % in the other areas.

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The fifth subparagraph of Article 32(1) of Regulation (EC) No 1260/1999 shall apply to such payments.

3. Payments of financial assistance from the EAGGF Guarantee Section may take the form of advances for programme implementation and of payments in respect of expenditure incurred.



CHAPTER V

MONITORING AND EVALUATION

Article 48

1. The Commission and the Member States shall ensure effective monitoring of implementation of rural development programming.
 2. Such monitoring shall be carried out by way of jointly agreed procedures.
- Monitoring shall be carried out by reference to specific physical and financial indicators agreed and established beforehand.
- Member States shall submit annual progress reports to the Commission.
3. Where appropriate, monitoring committees shall be established.

Article 49

1. Evaluation of measures covered by rural development programming shall be carried out on the basis of the principles laid down in Articles 40 to 43 of Regulation (EC) No 1260/1999.
2. The EAGGF Guarantee Section may, within the framework of the financial resources allocated to programmes, participate in the financing of evaluations relating to rural development in the Member States. The EAGGF Guarantee Section may also, on the initiative of the Commission, finance evaluations at Community level.

CHAPTER VI

IMPLEMENTING RULES

Article 50

Detailed rules for the application of this Title shall be adopted in accordance with the procedure laid down in Article 50(2) of Regulation (EC) No 1260/1999.

These rules may in particular define the details of:

- the presentation of rural development plans (Articles 41 to 44),
- the revision of rural development programming documents,
- financial planning, in particular to ensure budgetary discipline (Article 46), and participation in financing (Article 47(2)),
- monitoring and evaluation (Articles 48 and 49),
- how to ensure consistency between rural development measures and the support measures introduced by the market organisations (Article 37).

TITLE IV

STATE AID

Article 51

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

However, Articles 87 to 89 of the Treaty shall not apply to financial contributions provided by Member States for measures subject to Community support within the scope of Article 36 of the Treaty in accordance with the provisions of this Regulation.

2. Aid for investment in agricultural holdings which exceeds the percentages referred to in Article 7 shall be prohibited.

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

- investments undertaken predominantly in the public interest related to the conservation of traditional landscapes shaped by agricultural and forestry activities or relocation of farm buildings,

▼B

- the protection and improvement of the environment,
- improvement of the hygiene conditions of livestock enterprises and the welfare of animals.

3. State aid granted to farmers to compensate for natural handicaps in less-favoured areas shall be prohibited if it does not satisfy the conditions laid down in Articles 14 and 15.

4. State aid to support farmers who give agri-environmental commitments which fail to satisfy the conditions laid down in Articles 22 to 24 shall be prohibited. However, additional aid exceeding maximum amounts fixed according to Article 24(2) may be granted if justified under paragraph 1 of that Article. In duly justified exceptional cases derogation may be permitted in respect of the minimum duration of these commitments as laid down in Article 23(1).

▼M1

5. State aid to support farmers who adapt to demanding standards based on Community legislation in the fields of the environment, public, animal and plant health, animal welfare and occupational safety shall be prohibited if it does not satisfy the conditions provided for in Articles 21a, 21b and 21c. However, additional aid exceeding the maximum amounts fixed in accordance with Article 21c may be granted to help farmers to comply with national legislation which exceeds Community standards.

In the absence of Community legislation, state aid to support farmers who adapt to demanding standards based on national legislation in the fields of the environment, public, animal and plant health, animal welfare and occupational safety shall be prohibited if it does not satisfy the relevant conditions provided for in Articles 21a, 21b and 21c. Additional aid exceeding the maximum amounts fixed in accordance with Article 21c may be granted if justified under paragraph 1 of that Article.

▼B*Article 52*

Within the scope of Article 36 of the Treaty, State aid intended to provide additional financing for rural development measures for which Community support is granted shall be notified by Member States and approved by the Commission in accordance with the provisions of this Regulation as part of programming referred to in Article 40. The first sentence of Article 88(3) of the Treaty shall not apply to aid thus notified.

TITLE V

TRANSITIONAL AND FINAL RULES

Article 53

1. Should specific measures be necessary to facilitate the transition from the system in force to the one established by this Regulation, such measures shall be adopted by the Commission in accordance with the procedures laid down in Article 50(2) of Regulation (EC) No 1260/1999.

2. Such measures shall in particular be adopted for the integration of existing Community support actions, approved by the Commission for a period ending after 1 January 2000 or without any time limit, into the rural development support provided for by this Regulation.

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Article 54

1. Article 17 of Council Regulation (EEC) No 1696/71 of 26 July 1971 on the common organisation of the market in hops ⁽¹⁾ shall be replaced by the following:

'Article 17

1. The Regulations on the financing of the common agricultural policy shall apply to the market in the products referred to in Article 1(1) from the date of implementation of the arrangements laid down herein.
 2. The aid referred to in Article 8 shall be subject to part financing by the Community.
 3. Member States shall pay the aid referred to in Article 12 to the producers between 16 October and 31 December of the marketing year in respect of which the aid is applied for.
 4. The Commission shall, following the procedure laid down in Article 20, adopt rules for the application of this Article'.
2. Article 6 of Council Regulation (EEC) No 404/93 of 13 February 1993 on the common organisation of the market in bananas ⁽²⁾ shall be replaced by the following text:

'Article 6

1. For the five years following the date of recognition, the Member States shall grant recognised producer organisations assistance to encourage their establishment and assist with their administrative operation.
2. Such aid:
 - shall be, for the first, second, third, fourth and fifth years respectively, 5 %, 5 %, 4 %, 3 % and 2 % of the value of production marketed under the auspices of the producer organisation,
 - shall not exceed the actual cost of formation and administrative operation of the organisation concerned,
 - shall be paid in annual instalments for a maximum of seven years following the date of recognition.

The value of each year's production shall be calculated on the basis of:

- the annual volume actually marketed,
- the average producer prices obtained.

3. Producer organisations deriving from organisations which already comply to a large extent with the conditions of this Regulation shall qualify for aid under this Article only if they are formed as the result of a merger enabling the objectives referred to in Article 5 to be achieved more effectively. However, in such a case, the aid shall be granted only in respect of the cost of formation of the organisation (expenditure incurred in connection with the preparatory work and the drawing up of the memorandum and articles of association).

4. The aid referred to in this Article shall be notified to the Commission in a report from the Member States at the close of each financial year'.

3. Council Regulation (EC) No 2200/96 of 28 October 1996 on the common organisation of the market in fruit and vegetables ⁽³⁾ is hereby amended as follows:

(a) Article 15(6) shall be replaced by the following:

⁽¹⁾ OJ L 175, 4.8.1971, p. 1. Regulation as last amended by Regulation (EC) No 1554/97 (OJ L 208, 2.8.1997, p. 1).

⁽²⁾ OJ L 47, 25.2.1993, p. 1. Regulation as last amended by Regulation (EC) No 1637/98 (OJ L 210, 28.7.1998, p. 28).

⁽³⁾ OJ L 297, 21.11.1996, p. 1. Regulation as last amended by Regulation (EC) No 857/1999 (OJ L 108, 27.4.1999, p. 7).

▼B

‘6. In regions of the Community where the degree of organisation of producers is particularly low, Member States may be authorised, on a duly substantiated request, to pay producer organisations national financial assistance equal to a maximum of half the financial contributions of producers. This assistance shall be additional to the operational fund.

For Member States where producer organisations market less than 15 % of the fruit and vegetable production and whose fruit and vegetable production represents at least 15 % of their total agricultural output, the assistance referred to in the first subparagraph may be partly reimbursed by the Community at the request of the Member State concerned’.

(b) Article 52 shall be replaced by the following:

‘Article 52

1. Expenditure relating to the payment of the Community withdrawal compensation and to Community financing of the operational fund, the specific measures referred to in Article 17 and Articles 53, 54 and 55 and checks by experts of the Member States made available to the Commission in application of Article 40(1) shall be deemed to be intervention to stabilise agricultural markets within the meaning of Article 1(2)(b) of ►C1 Regulation (EC) No 1258/1999 (*) ◄.

2. Expenditure relating to the aid granted by the Member States in accordance with Article 14 and the second subparagraph of Article 15(6) shall be deemed to be intervention to stabilise agricultural markets within the meaning of Article 1(2)(b) of ►C1 Regulation (EC) No 1258/1999 ◄. It shall be eligible for part financing by the Community.

3. The Commission shall, following the procedure laid down in Article 46, adopt rules for the application of paragraph 2 of this Article.

4. The provisions of Title VI shall apply without prejudice to the application of Council Regulation (EEC) No 4045/89 of 21 December 1989 on scrutiny by Member States of transactions forming part of the system of financing by the Guarantee Section of the European Agricultural Guidance and Guarantee Fund and repealing Directive 77/435/EEC (**).

(*) OJ L 160, 26.6.1999, p. 103.

(**) OJ L 388, 30.12.1989, p. 17. Regulation as last amended by Regulation (EC) No 3235/94 (OJ L 338, 28.12.1994, p. 16)’

Article 55

1. The following Regulations are hereby repealed:

- Regulation (EEC) No 4256/88,
- Regulations (EC) No 950/97, (EC) No 951/97, (EC) No 952/97 and Regulation (EEC) No 867/90,
- Regulations (EEC) No 2078/92, (EEC) No 2079/92, (EEC) No 2080/92,
- Regulation (EEC) No 1610/89

2. The following provisions are hereby deleted:

- Article 21 of Regulation (EEC) No 3763/91 ⁽¹⁾,
- Article 32 of Regulation (EEC) No 1600/92 ⁽²⁾,
- Article 27 of Regulation (EEC) No 1601/92 ⁽³⁾,
- Article 13 of Regulation (EEC) No 2019/93 ⁽⁴⁾.

⁽¹⁾ OJ L 356, 24.12.1991, p. 1.

⁽²⁾ OJ L 173, 27.6.1992, p. 1.

⁽³⁾ OJ L 173, 27.6.1992, p. 13.

⁽⁴⁾ OJ L 184, 27.7.1993, p. 1.

▼B

3. The Regulations repealed and provisions deleted under paragraphs 1 and 2 respectively shall continue to apply to actions approved by the Commission under the Regulations before 1 January 2000.

4. Council and Commission Directives adopting lists of less-favoured areas or amending such lists in accordance with Article 21(2) and (3) of Regulation (EC) No 950/97 shall remain in force unless further amended in the framework of programmes.

Article 56

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

It shall apply in relation to Community support as from 1 January 2000.

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

▼M1

ANNEX

TABLE OF AMOUNTS

Article	Subject	Euro	
8(2)	Setting-up aid	25 000	
12(1)	Early retirement	15 000 (*) 150 000 3 500 35 000	per transferor and year total amount per transferor per worker and year total amount per worker
15(3)	Minimum compensatory allowance	25 (**)	per hectare of areas used for agriculture
	Maximum average compensatory	200	per hectare of areas used for agriculture
	Maximum average compensatory allowance	250	per hectare of areas used for agriculture
16	Maximum payment Initial maximum payment	200	per hectare
	Initial maximum payment	500	per hectare
21c	Maximum payment	10 000	per holding
21d	Farm advisory services	1 500	per advisory service
24(2)	Annual crops	600	per hectare
	Specialised perennial crops	900	per hectare
	Other lands uses	450	per hectare
	Local breeds in danger being lost to farming	200 (***)	per livestock unit
	Animal welfare	500	per livestock unit
24c	Maximum payment	3 000	per holding
31(4)	Maximum annual premium to cover loss of income from afforestation		
	— für Landwirte for farmers of associations thereofoder deren Vereinigungen	725	per hectare
	— for any other private-law person	185	per hectare
32(2)	Minimum payment	40	per hectare
	Maximum payment	120	per hectare

(*) Subject to the total maximum per transferor, the maximum annual payments may be increased up to twofold taking account of the economic structure of holdings in territories and the objective of speeding up the adjustment of the agricultural structures.

(**) This amount may be reduced to take account of the particular geographical situation or economic structure of holdings in certain territories and in order to avoid overcompensation and in accordance with the second indent of Article 15(1).

(***) This amount may be increased in exceptional cases taking account of specific requirements of certain breeds, which should be justified in the rural developments plans.