

TITLE I
**SUBJECT MATTER, GENERAL PROVISIONS AND
DEFINITIONS**

Article 1
Subject matter and scope

1. This Regulation lays down rules on:
 - (a) general and specific objectives to be pursued through Union support financed by the European Agricultural Guarantee Fund (EAGF) and by the European Agricultural Fund for Rural Development (EAFRD) under the Common agricultural policy (CAP) as well as the related indicators;
 - (b) types of interventions and basic requirements for Member States to pursue these objectives as well as the related financial arrangements;
 - (c) CAP Strategic Plans to be drawn up by Member States, setting targets, defining interventions and allocating financial resources, in line with the specific objectives and identified needs;
 - (d) coordination and governance as well as monitoring, reporting and evaluation.
2. Under the scope of this Regulation Union support financed by the EAGF and the EAFRD shall be provided for interventions covered by an approved CAP Strategic Plan.

Article 2
General provisions

1. Regulation (EU) [New HZR] of the European Parliament and of the Council²⁶ and the provisions adopted pursuant to that Regulation shall apply to support provided under this Regulation.
2. Articles [...] of Regulation (EU) [new CPR] of the European Parliament and of the Council²⁷ shall apply to support financed by the EAFRD under this Regulation.

Article 3
Definitions

For the purposes of granting Union support under this Regulation, Member States shall use the following definitions:

- (a) "farmer" means a natural or legal person, or a group of natural or legal persons, regardless of the legal status granted to such group and its members by national law, whose holding is situated within the territorial scope of the Treaties, as defined in Article 52 TEU in conjunction with Articles 349 and 355 TFEU, and who exercises an agricultural activity as defined by Member States;

²⁶ Regulation (EU) [...] of the European Parliament and of the Council of [date] [full title] (OJ L).

²⁷ Regulation (EU) [...] of the European Parliament and of the Council of [date] [full title] (OJ L).

- (b) "holding" means all the units used for agricultural activities and managed by a farmer situated within the territory of the same Member State;
- (c) "intervention" means a support instrument as specified by the Member States in the CAP Strategic Plans based on a type of interventions as provided for in this Regulation and with a set of eligibility conditions;
- (d) "support rate" means the rate of public contribution to an operation. In the case of financial instruments it refers to the Gross Grant Equivalent of the support as defined in Article 2(20) of Commission Regulation (EU) No 702/2014²⁸;
- (e) "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 who experience economic losses.
- (f) 'operation' means:
 - a project, contract, action or group of projects selected under the programmes concerned;
 - in the context of financial instruments, a programme contribution to a financial instrument and the subsequent financial support provided to final recipients by that financial instrument;
- (g) 'intermediate body' means any public or private law body which acts under the responsibility of a managing authority, or which carries out duties on behalf of such an authority;
- (h) 'beneficiary' means:
 - (i) a public or private law body, an entity with or without legal personality or a natural person, responsible for initiating or both initiating and implementing operations;
 - (ii) in the context of public-private partnerships ("PPP"), the public law body initiating a PPP operation or the private partner selected for its implementation;
 - (iii) in the context of State aid schemes, the body which receives the aid;
 - (iv) in the context of financial instruments, the body that implements the holding fund or, where there is no holding fund structure, the body that implements the specific fund or, where the managing authority manages the financial instrument, the managing authority;
- (i) 'targets' mean pre-agreed values to be achieved at the end of the period in relation to the indicators included under a specific objective;
- (j) 'milestones' mean intermediate targets to be achieved at a given point in time during the programming period in relation to the indicators included under a specific objective
- (k) 'output indicator' means an indicator to measure the specific deliverables of the intervention;

²⁸ Commission Regulation (EU) No 702/2014 of 25 June 2014 declaring certain categories of aid in the agricultural and forestry sectors and in rural areas compatible with the internal market in application of Articles 107 and 108 of the Treaty on the Functioning of the European Union (OJ, L 193/1, 1.7.2014, p. 1).

- (l) 'result indicator' means an indicator to measure the short term effects of the interventions supported, with particular reference to the direct addressees, population targeted or users of infrastructure;
- (m) 'financial instruments' means a structure through which financial products are provided;
- (n) 'financial product' means equity or quasi equity investments, loans and guarantees as defined in the Financial Regulation;
- (o) 'final recipient' means a legal or natural person receiving support from the Funds through a beneficiary of a small project fund or from a financial instrument;
- (p) 'holding fund' means a fund set up by a managing authority under one or more programmes, to implement financial instruments through one or more specific funds;
- (q) 'specific fund' means a fund, set-up by a managing authority or a holding fund, to provide financial products to support final recipients;
- (r) 'leverage effect' means the amount of reimbursable financing provided to final recipients divided by the amount of the contribution from the Funds;
- (s) 'multiplier effect' means the amount of investment by final recipients divided by the amount of the contribution from the Funds;
- (t) 'multiplier ratio' in the context of guarantee instruments, means a ratio between the value of the underlying disbursed new loans, equity or quasi-equity investments, and the amount of the programme contribution set aside as agreed in guarantee contracts to cover expected and unexpected losses from these new loans, equity or quasi-equity investments;
- (u) 'management costs' means direct or indirect costs reimbursed against evidence of expenditure incurred in the implementation of financial instruments;
- (v) 'management fees' means a price for services rendered, as determined in the funding agreement between the managing authority and the body implementing a holding fund or a specific fund; and, where applicable, between the body implementing a holding fund and the body implementing a specific fund;

Article 4

Elements to be defined in the CAP Strategic Plans

Member States shall provide in their CAP Strategic Plan the definitions of agricultural activity, agricultural area, eligible hectare genuine farmer and young farmer.

- (a) "Agricultural activity" shall be defined in a way that it includes both the production of agricultural products listed in Annex I to the Treaty on the European Union (TEU) and to the Treaty on the Functioning of the European Union (TFEU) including cotton and short rotation coppice, and maintenance of the agricultural area in a state which makes it suitable for grazing or cultivation, without preparatory action going beyond usual agricultural methods and machineries.
- (b) "Agricultural area" shall be defined in a way that it is composed of arable land, permanent crops and permanent grassland. The terms "arable land", "permanent crops" and "permanent grassland" shall be further specified by Member States within the following framework:

- (i) "arable land" shall be land cultivated for crop production or areas available for crop production but lying fallow, and include areas set aside in accordance with Articles 22, 23 and 24 of Regulation (EC) No 1257/1999, with Article 39 of Regulation (EC) No 1698/2005, with Article 28 of Regulation (EU) No 1305/2013 and with Article 65 of this Regulation.
 - (ii) "permanent crops" shall be non-rotational crops other than permanent grassland and permanent pasture that occupy the land for five years or more, which yield repeated harvests, including nurseries and short rotation coppice;
 - (iii) "permanent grassland" shall be defined as land not included in the crop rotation of the holding for five years or more, used to grow grasses or other herbaceous forage naturally (self-seeded) or through cultivation (sown). It may include other species such as shrubs and/or trees which can be grazed or produce animal feed.
- (c) For the purpose of direct payments interventions, "Eligible hectare" shall be defined in a way that it includes any agricultural area of the holding,
- (i) that, during the year for which support is requested, is used for an agricultural activity or, where the area is also used for non-agricultural activities, is predominantly used for agricultural activities, and which is at the farmer's disposal. Where duly justified for environmental reasons, eligible hectares may also include certain areas used for agricultural activities only every second year.
 - (ii) which gave a right to payments under Title III Chapter 2, Sub-section 1 of this Regulation or under the basic payment scheme or the single area payment scheme laid down in Title III of Regulation (EU) No 1307/2013, and which:
 - no longer complies with the definition of 'eligible hectare' under point (a) as a result of the implementation of Directive 92/43/EEC, Directive 2000/60/EC and Directive 2009/147/EC;
 - for the duration of the relevant commitment by the individual farmer, is afforested pursuant to Article 31 of Regulation (EC) No 1257/1999 or to Article 43 of Regulation (EC) No 1698/2005 or to Article 22 of Regulation (EU) No 1305/2013 or under a national scheme the conditions of which comply with Article 43(1), (2) and (3) of Regulation (EC) No 1698/2005 or Article 22 of Regulation (EU) No 1305/2013 or Articles 65 and 67 of this Regulation.
 - for the duration of the relevant commitment of the individual farmer, is set aside pursuant to Articles 22, 23 and 24 of Regulation (EC) No 1257/1999, to Article 39 of Regulation (EC) No 1698/2005, to Article 28 of Regulation (EU) No 1305/2013 or to Article 65 of this Regulation.

Areas used for the production of hemp shall only be eligible hectares if the varieties used have a tetrahydrocannabinol content not exceeding 0,2 %.

The Commission is empowered to adopt delegated acts in accordance with Article 129 laying down rules making the granting of payments conditional upon the use of certified seeds of certain hemp varieties and the procedure for the determination of hemp varieties and the verification of their tetrahydrocannabinol content referred to in the previous sentence to preserve public health.

- (d) “Genuine farmers” shall be defined to ensure that no income support is granted to those whose agricultural activity forms only an insignificant part of their overall economic activities or whose principal business activity is not agricultural, while not precluding from support pluri-active farmers.

Member States shall define which farmers are not considered genuine farmers, based on conditions such as income tests, labor inputs on the farm, company object and/or inclusion in registers.

- (e) The definition of “young farmer” shall include:
- (i) a maximum age limit that may not exceed 40 years,
 - (ii) the conditions for being “head of the holding”,
 - (iii) the appropriate training and/or skills required.

TITLE II

OBJECTIVES AND INDICATORS

Article 5

General objectives

Support from the EAFG and EAFRD shall aim to further improve the sustainable development of farming, food and rural areas and shall contribute to achieving the following general objectives:

- (a) to foster a smart, resilient and diversified agricultural sector ensuring food security;
- (b) to bolster environmental care and climate action which contributes to the environmental and climate objectives of the Union;
- (c) to strengthening the socio-economic fabric of rural areas.

Those objectives shall be complemented by the cross-cutting objective of modernising the sector by fostering knowledge, innovation and digitalisation in agriculture and rural areas.

Article 6

Specific objectives

1. The achievement of the general objectives shall be pursued through the following specific objectives:
 - (a) Support viable farm income and resilience across the Union to support food security;
 - (b) increase competitiveness and enhance market orientation;
 - (c) improve the farmers' position in the value chain;
 - (d) contribute to climate change mitigation and adaptation;
 - (e) foster sustainable development and efficient management of natural resources;
 - (f) preserve nature and landscapes;
 - (g) attract young farmers and facilitate business development;
 - (h) promote employment, growth, social inclusion and local development in rural areas, including bio-economy and sustainable forestry;
 - (i) address societal expectations on food and health.
2. When pursuing the specific objectives Member States shall ensure simplification and performance of the CAP support.

Article 7

Indicators

Achievement of the objectives referred to in Articles 5 and 6 shall be assessed on the basis of the common set of indicators related to output, result, impact and context. Those indicators shall include:

- (a) output indicators relating to the realised output of the interventions supported;

- (a) result indicators relating to the specific objectives concerned and used for the establishment of quantified milestones and targets in relation to those specific objectives in the CAP strategic plans and assessing progress towards the targets;
- (b) impact indicators related to the general and specific objectives referred to in Articles 5 and 6 and used in the context of the CAP strategic plans and of the CAP;
- (c) context indicators related to relevant aspects of the general contextual trends in the economy, environment and society which are likely to have an influence on performance.

The common output, result and impact indicators are set out in Annex 1.

TITLE III COMMON REQUIREMENTS AND TYPES OF INTERVENTIONS

CHAPTER – 1 COMMON REQUIREMENTS

SECTION 1 GENERAL PRINCIPLES

Article 8 Selection of interventions

Member States shall pursue the objectives set out in Title II by specifying interventions based on the types of interventions set out in Chapters 2 to 4 of this Title in accordance with the common requirements set out in Chapter 1 of this Title.

Article 9 General principles

Member States shall design the interventions of their CAP Strategic Plans in accordance with the Charter of Fundamental Rights and the general principles of Union law.

Member States shall ensure that interventions are set out on the basis of objective and non-discriminatory criteria, are compatible with the internal market and do not distort competition.

Member States shall establish the legal framework governing the granting of Union support to beneficiaries on the basis of the CAP Strategic Plan and in accordance with the principles and requirements set out in this Regulation.

Article 10 WTO domestic support

1. Member States shall ensure that the interventions based on the types of interventions which are listed in Annex II to this Regulation, including the definitions referred to in Article 3 and the elements to be defined in the CAP Strategic Plans referred to in Article 4, respect the provisions of paragraph 1 of Annex 2 to the WTO Agreement on Agriculture.

They shall also respect the provisions of the additional paragraph of that Annex as set out in Annex II to this Regulation. Interventions belonging to types of interventions other than the basic income support, the redistributive income support, the complementary income support for young farmers and the voluntary schemes for the climate and the environment “eco-schemes” may instead respect a different paragraph of that Annex if that is justified in the CAP support plan.

2. Member States shall ensure that the interventions based on the crop-specific payment for cotton provided for in Chapter 2, Section 2, Sub- of this Title respect the provisions of paragraph 5 of Article 6 of the WTO Agreement on Agriculture.