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COVER NOTE

From: Secretary-General of the European Commission,
signed by Mr Jordi AYET PUIGARNAU, Director

date of receipt: 30 October 2018

To: Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of
the European Union

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Subject: COMMISSION DELEGATED REGULATION (EU) .../... of 30.10.2018
amending Delegated Regulation (EU) No 807/2014 supplementing
Regulation (EU) No 1305/2013 of the European Parliament and of the
Council on support for rural development by the European Agricultural
Fund for Rural Development (EAFRD) and introducing transitional
provisions

Delegations will find attached document C(2018) 7044 final.

Encl.: C(2018) 7044 final



Brussels, 30.10.2018
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COMMISSION DELEGATED REGULATION (EU) .../...

of 30.10.2018

amending Delegated Regulation (EU) No 807/2014 supplementing Regulation (EU) No 1305/2013 of the European Parliament and of the Council on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) and introducing transitional provisions

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE DELEGATED ACT

All simplification choices for support for rural development were made in the so-called “Omnibus Regulation”, Regulation (EU) 2017/2393 amending the EAFRD Regulation (EU) No 1305/2013. The purpose of this amendment is to align the following elements regulated in the Commission Delegated Regulation (EU) No 807/2014 with the “Omnibus Regulation”:

- **Young farmer:** according to the new definition of 'young farmer'¹ the setting up solely or jointly with other farmers is already embedded in the basic act. For simplification purposes and in order to avoid repetition with the basic act, an amendment of Article 2 is proposed.
- **Commercial loans to mutual funds:** in the “Omnibus Regulation” it was decided to add an income stabilisation tool, in the form of financial contributions to mutual funds, providing compensation to farmers of a specific sector for a severe drop in their income². Therefore, it is necessary to extend the scope of Article 12 to cover the support in the form of a commercial loan to that new income stabilisation tool for farmers of a specific sector.
- **Eligibility rules for investment measures under the European Agricultural Fund for Rural Development (EAFRD):** common eligibility rules are defined in Article 45 of Regulation (EU) No 1305/2013 on support for rural development by EAFRD and in Article 13 of Commission Delegated Regulation (EU) No 807/2014. However, experience has shown that certain measure-specific eligibility rules, and in particular those for investment measures, limit the uptake of financial instruments in the rural development programmes as well as the flexible use of financial instruments by fund managers. Therefore, it was decided to provide that certain measure-specific eligibility rules do not apply to financial instruments.

2. CONSULTATIONS PRIOR TO THE ADOPTION OF THE ACT

In line with the Communication from the Commission to the European Parliament and the Council on the implementation of Article 290 of the Treaty on the Functioning of the European Union [COM(2009) 673], the Expert Group for Rural Development was consulted on 25 April 2018. The amendment was welcomed by Member States, who either raised no further substantial comments, or raised comments that could be addressed by the Commission.

3. LEGAL ELEMENTS OF THE DELEGATED ACT

This Regulation amends the following provisions of Commission Delegated Regulation (EU) No 807/2014:

- Article 2 *Young farmer* to take into account the new definitions of 'young farmer' and 'date of setting up'.

¹ Article 2(1)(n) of Regulation (EU) No 1305/2013

² Article 39a of Regulation (EU) No 1305/2013.

- Article 12 *Commercial loans to mutual funds* to extend the scope to the support through income stabilisation tool for farmers of a specific sector.
- Article 13 *Investments* to align with the derogations for financial instruments from the EAFRD measure-specific rules for investments. For financial instruments, the general eligibility rules under Article 42 of Regulation (EU) No 1303/2013³ shall apply.

³ Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006 (OJ L 347, 20.12.2013, p. 320–469)

COMMISSION DELEGATED REGULATION (EU) .../...

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amending Delegated Regulation (EU) No 807/2014 supplementing Regulation (EU) No 1305/2013 of the European Parliament and of the Council on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) and introducing transitional provisions

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) No 1305/2013 of the European Parliament and of the Council of 17 December 2013 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) and repealing Council Regulation (EC) No 1698/2005⁴, and in particular Article 2(3), Article 36(5) and Article 45(6) thereof,

Whereas:

- (1) Commission Delegated Regulation (EU) No 807/2014⁵ supplements Regulation (EU) No 1305/2013. Regulation (EU) 2017/2393 of the European Parliament and of the Council⁶ has amended Regulation (EU) No 1305/2013 by simplifying the general rules governing the European Agricultural Fund for Rural Development (EAFRD). Therefore, the non-essential elements supplementing these general rules should be amended accordingly.
- (2) Rules on the joint setting up of young farmers have been introduced in Article 2(1)(n) of Regulation (EU) No 1305/2013 and a definition of 'date of setting up' has been added in Article 2(1)(s) of that Regulation.
- (3) In Regulation (EU) No 1305/2013, a new Article 39a has been inserted, providing for support to farmers through a sector specific income stabilisation tool.

⁴ OJ L 347, 20.12.2013, p. 487.

⁵ Commission Delegated Regulation (EU) No 807/2014 of 11 March 2014 supplementing Regulation (EU) No 1305/2013 of the European Parliament and of the Council on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) and introducing transitional provisions (OJ L 227, 31.7.2014, p. 1)

⁶ Regulation (EU) 2017/2393 of the European Parliament and of the Council of 13 December 2017 amending Regulations (EU) No 1305/2013 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD), (EU) No 1306/2013 on the financing, management and monitoring of the common agricultural policy, (EU) No 1307/2013 establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy, (EU) No 1308/2013 establishing a common organisation of the markets in agricultural products and (EU) No 652/2014 laying down provisions for the management of expenditure relating to the food chain, animal health and animal welfare, and relating to plant health and plant reproductive material (OJ L 350, 29.12.2017, p. 15).

- (4) The rules on financial instruments have been simplified with the objective to harmonize sector eligibility rules for investment projects supported from EAFRD with the common rules applicable to all European Structural and Investment Funds. In particular, a derogation from certain general eligibility rules applicable to EAFRD investments operations, laid down in Article 45(1) to (3) of Regulation (EU) No 1305/2013, has been introduced, while the relevant environmental legislation remains applicable.
- (5) Delegated Regulation (EU) No 807/2014 should therefore be amended accordingly.
- (6) Given that Regulation (EU) No 2017/2393 has amended Regulation (EU) No 1305/2013 as from 1 January 2018, it is appropriate to make applicable as from the same date the corresponding amendments to the Delegated Regulation (EU) No 807/2014,

HAS ADOPTED THIS REGULATION:

Article 1

Delegated Regulation (EU) No 807/2014 is amended as follows:

- (1) Article 2 is replaced by the following:

'Article 2

Young farmer

1. The conditions for access to support for a young farmer, within the meaning of Article 2(1)(n) of Regulation (EU) No 1305/2013, setting up in an agricultural holding as head of that holding jointly with other farmers shall be equivalent to the conditions required for a young farmer setting up as sole head of a holding. In all cases, young farmers shall hold control over the holding as defined by the provisions in force in the Member State.

2. Where the application for support concerns a holding owned by a legal person, a young farmer within the meaning of Article 2(1)(n) of Regulation (EU) No 1305/2013 shall exercise control over the legal person as defined by the provisions in force in the Member State. Where several natural persons, including person(s) who are not young farmer(s), participate in the capital or management of the legal person, the young farmer shall be capable of exercising such control either solely or jointly together with other farmers.

Where a legal person is solely or jointly controlled by another legal person, requirements laid down in the first subparagraph shall apply to any natural person having control over that other legal person.

3. A grace period not exceeding 36 months from the date of the individual decision granting support, may be allowed to the beneficiary, in order to meet the conditions relating to the acquisition of the occupational skills specified in the rural development programme.'

- (2) Article 12 is replaced by the following:

'Article 12

Commercial loans to mutual funds

Where the source of the funds for the financial compensation to be paid by the mutual funds referred to in Articles 38, 39 and 39a of Regulation (EU) No 1305/2013 is a commercial loan, the duration of the loan shall be of between one and five years.'

- (3) In Article 13, the introductory phrase is replaced by the following:

'For the purposes of Article 45 of Regulation (EU) No 1305/2013, where the support is provided in the form of grants, the following rules shall apply:'

Article 2

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

It shall apply from 1 January 2018.

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

Done at Brussels, 30.10.2018

For the Commission
The President
Jean-Claude JUNCKER