Commission Regulation (EC) No 718/2007 of 12 June 2007 implementing Council Regulation (EC) No 1085/2006 establishing an instrument for pre-accession assistance (IPA)

# PART II

# **SPECIFIC PROVISIONS**

# TITLE IV

# RURAL DEVELOPMENT COMPONENT

# CHAPTER I

# **Object of assistance and eligibility**

# Section 1

# **Object of assistance**

## Article 170

## Additional definitions for the rural development component

For the purposes of this Title, in addition to the definitions laid down in Article 2, the following definitions shall apply:

- 1. 'Community standards': the standards laid down by the Community in the fields of environmental protection, public health, animal and plant health, animal welfare and occupational safety;
- 2. 'Mountain areas': the areas referred to in the first subparagraph of Article 50(2) of Council Regulation (EC) No 1698/2005<sup>(1)</sup>;
- 3. 'Young farmer': a farmer under 40 years of age at the time when the decision to grant support is taken, possessing adequate occupational skills and competence.

# Article 171

## Areas and forms of assistance

1 Assistance under this component shall contribute to achieving the following objectives:

- a improving market efficiency and implementation of Community standards;
- b preparatory actions for implementation of the agri-environmental measures and local rural development strategies;
- c development of the rural economy.

2 Assistance covering the objective set out in point (a) of paragraph 1, hereinafter referred to as 'priority axis 1', shall be granted through the following measures:

- a investments in agricultural holdings to restructure and to upgrade to Community standards;
- b support for the setting-up of producer groups;
- c investments in the processing and marketing of agriculture and fishery products to restructure those activities and to upgrade them to Community standards.

3 Assistance covering the objective set out in point (b) of paragraph 1, hereinafter referred to as 'priority axis 2', shall be granted through the following measures:

- a actions to improve the environment and the countryside;
- b preparation and implementation of local rural development strategies.

4 Assistance covering the objective set out in point (c) of paragraph 1, hereinafter referred to as 'priority axis 3', shall be granted through the following measures:

- a improvement and development of rural infrastructure;
- b diversification and development of rural economic activities;
- c improvement of training.

# Section 2

# General requirements on eligibility and aid intensities

## Article 172

# Eligibility of expenditure

1 In addition to the costs mentioned in Article 34(2), the costs referred to in paragraph 3(c) shall be considered eligible under this component.

The technical assistance measures eligible under Article 34(2) are those referred to in Article 182.

2 In addition to the provisions of Article 34(3), the following expenditure shall not be eligible under this component:

- a the purchase of agricultural production rights, animals, annual plants and their planting;
- b any maintenance, depreciation and rental costs;
- c any cost incurred by public administration in managing and implementing assistance.
- Notwithstanding the provisions of Article 34(3), in the case of investment:
  - a eligible expenditure shall be limited to the construction or improvement of immovable property;
- b the purchase or lease-purchase of new machinery and equipment, including computer software up to the market value of the asset shall be considered as eligible; other costs connected with the leasing contract, such as lessor's margin, interest refinancing costs, overheads and insurance charges, shall not be eligible;
- c general costs linked to expenditure referred to in points (a) and (b), such as architects', engineers' and other consultation fees, feasibility studies, the acquisition of patent rights and licences shall be eligible up to a ceiling of 12 % of the costs referred to in points (a) and (b).

3

Detailed provisions for the implementation of this paragraph shall be set out in sectoral agreements as defined in Article 7 or financing agreements as defined in Article 8.

4 Investment projects shall remain eligible for Community financing provided they do not, within five years from the final payment by the operating structure, undergo a substantial modification.

# Article 173

## Aid intensities and rate of Community contribution

1 For the purposes of this component, the eligible expenditure as referred to in Article 38(1) shall be calculated on the basis of the public expenditure as defined in Article 2.

2 Public expenditure shall in principle not exceed a ceiling of 50 % of the total eligible cost of the investment. However, that ceiling shall be raised up to:

- a 55 % for investments in agricultural holdings made by young farmers;
- b 60 % for investments in agricultural holdings in mountain areas;
- c 65 % for investments in agricultural holdings in mountain areas made by young farmers;
- d 75 % for investments referred to in paragraph 4(d) and for investments in agricultural holdings to implement the Council Directive 91/676/EEC<sup>(2)</sup>, subject to the existence of a national strategy for its implementation;
- e 100 % for investments in infrastructure not of a nature to generate substantial net revenue;
- f 100 % for measures referred to under in Article 182.

3 In determining the rate of public expenditure for the purposes of paragraph 2, account shall not be taken of national aid to facilitate access to loans granted without any Community contribution provided under the IPA Regulation.

4 The Community contribution shall in principle not exceed a ceiling of 75 % of the eligible expenditure. However, that ceiling shall be raised up to:

- a 80 % for the measures covered by priority axis 2 referred to in Article 171(3);
- b 80 % in the case of activities covered by Article 182, where those activities are not taken at the initiative of the Commission;
- c 100 % in the case of activities covered by Article 182, where those activities are taken at the initiative of the Commission;
- d 85 % in the case of investment projects carried out in regions where the Commission determines that exceptional natural disasters have occurred.

### Section 3

## Eligibility and specific requirements for assistance under Priority Axis 1

# Article 174

## Investments in agricultural holdings

1 Assistance referred to in Article 171(2)(a) shall be granted for tangible or intangible investments in agricultural holdings to upgrade them to Community standards and to improve their overall performance.

2 Assistance under this measure may be granted to agricultural holdings:

- a for which a prospect of economic viability at the end of the realisation of the investment can be demonstrated;
- b which comply with national minimum standards regarding environmental protection, public health, animal and plant health, animal welfare and occupational safety at the time when the decision to grant support is taken.

3 By derogation from point (b) of paragraph 2, where national minimum standards based on Community standards have been newly introduced at the time the application is received, assistance may be granted regardless of non-compliance with those standard on the condition that the holding shall meet the new standards by the end of the realisation of the investment.

Furthermore, the Commission may, on the basis of duly substantiated request from the beneficiary country, allow derogation from point (b) of paragraph 2 in respect of non-compliance with national minimum standards based on Community standards introduced in the national law up to one year prior to date of submission of the application.

4 Assistance shall be granted on the condition that the investments comply with the relevant Community standards at the end of their realisation.

5 Beneficiary countries shall set limits for the total investment eligible for assistance. They shall lay down appropriate standards regarding farmers' occupational skill and competence which the farmers shall be required to comply with in order to be eligible for assistance.

## Article 175

## Support for the setting-up of producer groups

1 Assistance referred to in Article 171(2)(b) may be granted to facilitate the setting-up and administrative operation of producer groups, for the purposes of:

- a adapting the production and output of the members of producer groups to market requirements;
- b jointly placing goods on the market, including preparation for sale, centralisation of sale, and supply to bulk buyers;
- c establishing common rules on production information, with particular regard to harvesting and availability.

2 Assistance under this measure shall not be granted to producer groups which have been officially recognised by the relevant national authority of the beneficiary country before 1 January 2007 and/or before the approval of the programme referred to in Article 184.

Professional and/or inter-professional organisations representing one or more sectors do not qualify as producer groups.

3 Assistance shall be granted as a flat-rate aid in annual instalments for the first five years following the date on which the producer group was recognised. It shall be calculated on the basis of the group's annual marketed production and shall fulfil the following requirements:

- a amount for the first, second, third, fourth and fifth years to 5 %, 5 %, 4 %, 3 % and 2 % respectively of the value of marketed production up to 1 million euros,
- b amount for the first, second, third, fourth and fifth years, to 2,5 %, 2,5 %, 2,0 %, 1,5 % and 1,5 % respectively of the values of marketed production exceeding 1 million euros,
- c be subject to a ceiling for each producer organisation of:
  - EUR 100 000 for the first year
  - EUR 100 000 for the second year
  - EUR 80 000 for the third year
  - EUR 60 000 for the fourth year
  - EUR 50 000 for the fifth year.

### Article 176

# Investments in processing and marketing of agriculture and fishery products

1 Assistance referred to in Article 171(2)(c) shall be granted for tangible and intangible investments in processing and marketing of agricultural and fishery products, covered by Annex I to the Treaty. Such assistance shall be aimed at assisting enterprises in upgrading to Community standards and to improve their overall performance. Investments must contribute to improving the situation of the basic agricultural production sector in question.

Investments at retail level shall be excluded from support.

- 2 Assistance under this measure may be granted for investments in enterprises:
  - a for which the prospect of economic viability at the end of the realisation of the investment can be demonstrated, and
  - b which comply with the national minimum standards regarding environmental protection, public health, animal and plant health, animal welfare and occupational safety at the time when the decision to grant support is taken.

3 By derogation from point (b) of paragraph 2, where national minimum standards based on Community standards have been newly introduced at the time the application is received, assistance may be granted regardless of non-compliance with those standard on the condition that the enterprise shall meet the new standards by the end of the realisation of the investment.

Furthermore, the Commission may, on the basis of a duly substantiated request from the beneficiary country, allow derogation from point (b) of paragraph 2 in respect of non-compliance with national minimum standards based on Community standards introduced in the national law up to one year prior to date of submission of the application.

4 Assistance maybe granted to investments in establishments which are part of enterprises:

a which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million,

Commission Regulation (EC) No 718/2007, TITLE IV. (See end of Document for details)

giving priority to investments aiming to align the establishment with all the relevant Community standards; or

b which employ fewer than 750 persons or have an annual turnover not exceeding EUR 200 million, where the purpose of the investments is to make the establishment comply with the relevant Community standards.

5 The Commission may, on the basis of a duly substantiated request from the beneficiary country, decide that assistance can also be granted to enterprises not covered by paragraph 4 for investments necessary to meet specific Community standards which involves especially costly investments. Such support may be granted only to enterprises identified in the national plan for upgrading to Community standards specifically intended to make the establishment compliant with the relevant Community standards in its entirety. In such cases assistance shall be granted at half of the aid rate available for the enterprises covered by paragraph 4.

6 Beneficiary countries shall set limits for total investment eligible for support under this measure.

7 Assistance to investments in the enterprises referred to in point (a) of paragraph 4 shall be granted on the condition that such investments will comply with the relevant Community standards at the end of their realisation.

# Section 4

### Eligibility and specific requirements under Priority Axis 2

## Article 177

## Preparation for implementation of actions relating to environment and the countryside

1 In order to prepare the beneficiary countries for the implementation of actions referred to in Axis 2 of Council Regulation (EC) No 1698/2005, assistance referred to in Article 171(3) (a), shall be granted to pilot projects covered by Articles 39 and 40 of Council Regulation (EC) No 1698/2005.

2 Such actions shall aim at developing practical experience of the implementation of actions to improve the environment and the countryside, at both the administrative and farm levels.

## Article 178

### Preparation and implementation of local rural development strategies

1 Assistance as referred to in Article 171(3)(b) shall be granted in accordance with Article 61 of Council Regulation (EC) No 1698/2005.

- 2 Assistance shall support:
  - a the implementation of cooperation projects in accordance with the priorities as referred to in Article 171(1) and within the meaning of Article 65 of Council Regulation (EC) No 1698/2005;
  - b the running of the local private-public partnerships, also referred as 'local action groups', acquisition of skills, awareness raising activities and promotional events in a view to achieving the objectives as referred to in Article 171(1).

3 Detailed provisions for the implementation of this measure shall be agreed with the beneficiary country. They shall be consistent with the relevant rules applicable to the European Agricultural Fund for Rural Development as set out in Council Regulation (EC) No 1698/2005.

### Section 5

### Eligibility and specific requirements under Priority Axis 3

# Article 179

### Improvement and development of rural infrastructure

1 Assistance referred to in Article 171(4)(a), may be provided to investments aimed at improving and developing rural infrastructure by:

- a addressing regional disparities and increasing the attractiveness of rural areas for private individuals and entrepreneurial activity;
- b providing conditions for the development of the rural economies.

2 Priority shall be given to investments in water and energy supply, waste management, local access to information and communication technologies, local access to roads of particular importance for local economic development, and, fire protection infrastructures where justified by the risk of forest fires.

3 Where local rural development strategies as referred to in Article 171(3)(b) have been established, the investments supported under this Article must be in line with those strategies.

### Article 180

### Diversification and development of rural economic activities

1 Assistance referred to in Article 171(4)(b), may be provided to investments aimed at diversification and development of rural economic activities by:

- a raising of the economic activity;
- b creation of employment opportunities;
- c diversification into non-agricultural activities.

2 Priority shall be given to investments for the creation and development of micro and small enterprises, crafts and rural tourism, with a view to promoting entrepreneurship and developing the economic fabric.

3 Where local rural development strategies as referred to in Article 171(3)(b) have been established, the investments supported under this Article must be in line with those strategies.

## Article 181

### **Improvement of training**

1 Assistance may be granted to contribute to the improvement of the occupational skills and competence of persons engaged in the agricultural, food, and forestry sectors and other economic actors operating in the fields covered by this component. Commission Regulation (EC) No 718/2007, TITLE IV. (See end of Document for details)

Assistance shall not be granted to courses of instruction or training which form part of normal programmes or systems of education at secondary or higher levels.

 $[^{F1}2]$  Beneficiary countries shall elaborate a training strategy for the implementation of the operations envisaged under paragraph 1. The strategy shall include a critical assessment of the existing training structures, an analysis of the training needs and objectives. It shall also establish a set of criteria for the selection of training providers. A description of the training strategy shall be included in the programme.]

### **Textual Amendments**

**F1** Substituted by Commission Regulation (EU) No 80/2010 of 28 January 2010 amending Regulation (EC) No 718/2007 implementing Council Regulation (EC) No 1085/2006 establishing an instrument for pre-accession assistance (IPA).

### Section 6

## Technical assistance

### Article 182

### Scope and implementation

1 Assistance may be granted for activities related to the preparation, monitoring, evaluation, information and control activities which are necessary for the implementation of the programme. These activities shall include in particular:

- a meetings and other activities necessary to discharge the responsibilities of the sectoral monitoring committee for this component, such as studies contracted and realised via expert assistance;
- b information and publicity campaigns;
- c translation and interpretation at the request of the Commission, not including those required pursuant to the application of the framework, sectoral and financing agreements;
- d visits and seminars;
- e activities related to the preparation of measures in the programme to ensure their effectiveness, including those measures whose application is foreseen at a later stage;
- f the interim evaluation of the programme;
- g the establishment and operation of a national network to coordinate activities developed under Article 178 as well as of a future national rural development network consistent with Article 68 of Council Regulation (EC) No 1698/2005.

 $[^{F1}2$  The sectoral monitoring committee for this component shall be consulted on the technical assistance activities. It shall approve each year an annual action plan for the implementation of technical assistance activities.]

3 Each visit and seminar referred to in paragraph 1(d) not made at the initiative of the Commission shall require the submission of a written report to the sectoral monitoring committee for this component.

#### **Textual Amendments**

F1 Substituted by Commission Regulation (EU) No 80/2010 of 28 January 2010 amending Regulation (EC) No 718/2007 implementing Council Regulation (EC) No 1085/2006 establishing an instrument for pre-accession assistance (IPA).

## Article 183

### **European Network for Rural Development**

Beneficiary countries and organisations established in the beneficiary countries and administrations of beneficiary countries active in the field of rural development shall have access to the European Network for Rural Development established by Article 67 of Council Regulation (CE) No 1698/2005. Relevant detailed provisions shall be agreed with beneficiary countries.

### CHAPTER II

## Programming

### Article 184

### Programmes

1 Measures under the rural development component shall be the subject of a programme to be drawn up at national level for agriculture and rural development (hereinafter referred to as 'the programme') covering the entire period of IPA implementation. The programme shall be prepared by the relevant authorities designated by the beneficiary country and shall be submitted to the Commission after consulting the appropriated interested parties.

[<sup>F1</sup>2 Each programme shall include:

- a a quantified description of the current situation showing disparities, shortcomings and potential for development, the main results of previous operations undertaken with Community and other bilateral or multilateral assistance, the financial resources deployed and the evaluation of results available;
- b a description of the national rural development strategy proposed, based on an analysis of the current situation in the rural areas;
- c a description of the strategic priorities of the programme, based on the national rural development strategy and on an analysis of the sectors concerned, involving independent expertise. It shall also include quantified objectives, indicating for each priority axis set out under Article 171(1) the appropriate monitoring and evaluation indicators;
- d an explanation of how the overall strategic approach and sectoral strategies identified in the multiannual indicative planning document of the beneficiary country are translated into specific actions within the rural development component;
- e an indicative overall financial table summarising the national, Community and, where appropriate, the private financial resources provided for and corresponding to each rural development measure, as well as the EU co-financing rate by axis;
- f a description of the measures chosen from Article 171 including:

- the definition of final beneficiaries,
- the geographic scope,
- the eligibility criteria,
- the ranking criteria for selecting projects,
- monitoring indicators,
- quantified target indicators;
- g a description of the operating structure for the implementation of the programme, including monitoring and evaluation;
- h the names of the authorities and bodies responsible for carrying out the programme;
- i the results of consultations and provisions adopted for associating the relevant authorities and bodies as well as appropriate economic, social and environmental partners;
- j the results and recommendations of the *ex-ante* evaluation of the programme, including the description of the follow-up undertaken by the beneficiary countries on recommendations.]

3 In their programme, beneficiary countries shall ensure that priority is given to measures to implement the Community standards and to improve market efficiency, and measures to create new employment opportunities in rural areas.

4 In their programme, beneficiary countries shall ensure compliance with the provisions of the multi-annual indicative planning document.

5 Unless otherwise agreed with the Commission, beneficiary countries shall submit their programme proposals no later than six months after the entry into force of this Regulation.

### **Textual Amendments**

**F1** Substituted by Commission Regulation (EU) No 80/2010 of 28 January 2010 amending Regulation (EC) No 718/2007 implementing Council Regulation (EC) No 1085/2006 establishing an instrument for pre-accession assistance (IPA).

## Article 185

## Adoption and amendments of programmes

1 The programmes under the rural development component shall be adopted by the Commission within six months of submission of the proposal of the programme, provided that all relevant information is available. In particular, the Commission shall appraise the proposed programme to determine whether it is consistent with this Regulation.

2 The programme may, if necessary, be amended to take due account of:

- a relevant new information and results relating to the implementation of the actions concerned, including the results of monitoring and evaluation, as well as the need to adjust the amounts of aid available,
- b the beneficiary country's progress towards accession as indicated in the main accession documents, including the multi-annual indicative planning document.

3 Any proposal for amendments shall be submitted to the Commission by the beneficiary country and shall be duly substantiated, and shall include the following information:

a the reasons for the proposed amendment;

- b the expected effects of the amendment;
- c amended financial and measure tables, where the proposed amendments are of a financial nature.

4 Substantial changes with the meaning of Article 14(4) of the IPA Regulation include amendments which involve changes of financial breakdowns among priority axes as referred in Article 171(1) or the co-financing rate by axis or the inclusion of new measures.

5 The Commission may request beneficiary countries to present a proposal for amending the programme where relevant Community legislation has been amended.

# CHAPTER III

### Implementation

## Section 1

## Principles and financial management

### Article 186

### Implementing principles

1 Implementation of this component shall be carried out by the beneficiary countries on the basis of decentralised management without *ex ante* controls as referred to in Article 18.

2 Further provisions may be set out in the sectoral and financing agreements, referred to in Articles 7 and 8.

The provisions shall be consistent with the relevant rules applicable to rural development programmes in the Member States.

# Article 187

### **Calculation of payments**

By way of derogation from Article 44, the Community contribution to the programmes under this component shall be calculated by applying the co-financing rate laid down for each priority axis in the financing decision to the eligible expenditure certified in each expenditure declaration, subject to the maximum Community contribution attached to each priority axis.

## Article 188

### Pre-financing

 $[^{F_2}]$  For the purposes of this component, pre-financing payments may amount to 30 % of the European Union contribution for the three most recent years of the programme concerned. Subject to the availability of budgetary appropriations, pre-financing may be paid in two or more instalments.]

2 In cases where the amounts paid for pre-financing referred to in paragraph 1 are not sufficient to ensure timely payment of claims from final beneficiaries, these amounts may be increased according to the provisions laid down in the sectoral or financing agreements during the period of implementation to cover such needs, provided that the cumulative amount of payments for pre-financing does not exceed 30 % of the Community contribution for the three most recent years as established in the financing decision adopting the multi-annual programmes.

3 The first instalment of pre-financing shall be paid by the Commission when the conditions laid down in Article 42(1) are fulfilled. Additional instalments may be paid following a request of the beneficiary country in accordance with the requirements provided for in paragraphs 1 and 2.

### **Textual Amendments**

**F2** Substituted by Commission Implementing Regulation (EU) No 1292/2011 of 9 December 2011 amending Regulation (EC) No 718/2007 implementing Council Regulation (EC) No 1085/2006 establishing an instrument for pre–accession assistance (IPA).

# Article 189

### **Clearance of accounts**

Detailed provisions for the clearance of accounts shall be set out in the sectoral and financing agreements, respectively referred to in Articles 7 and 8. They shall be consistent with the relevant rules applicable to the European Agricultural Fund for Rural Development as set out in Council Regulation (EC) No 1290/2005<sup>(3)</sup> and the regulations laying down detailed rules for its application. They may in particular provide for consultation of the Committee on the Agricultural Funds.

## Article 190

## **Criteria for financial corrections**

By way of derogation from Article 51(2), the Commission shall apply, depending on the findings, either flat-rate corrections, or punctual corrections or corrections based on an extrapolation of the findings.

## Section 2

## Evaluation and monitoring

## Article 191

## *Ex ante*, interim and *ex post* evaluations

1 In accordance with Article 57, the programme shall be subject to *ex ante, ex post* and, where appropriate, interim evaluations carried out by independent evaluators under the responsibility of the beneficiary country.

2 The evaluations shall assess the implementation of the programme towards the achievement of objectives set out in Article 12 of the IPA Regulation.

3 Detailed modalities of these evaluations may be set out in the sectoral or financing agreements, respectively referred to in Articles 7 and 8. These modalities shall be consistent with the relevant rules applicable to rural development programmes in the Member States.

## Article 192

## Sectoral monitoring committee

1 In accordance with the provisions of Article 59, a sectoral monitoring committee shall be set up by the beneficiary country.

2 The sectoral monitoring committee shall be composed of representatives of relevant authorities and bodies, and appropriate economic, social and environmental partners. The sectoral monitoring committee shall draw up and approve its rules of procedure.

3 The sectoral monitoring committee shall be chaired by a representative of the beneficiary country. The Commission shall participate in the work of the sectoral monitoring committee.

4 The progress, efficiency and effectiveness of the programme in relation to its objectives shall be measured by means of indicators relating to the baseline situation as well as to the financial execution, outputs, results and impact of the programmes.

## Article 193

## Sectoral annual reports

 $[^{F1}1]$  Under this component, the sectoral annual reports referred to in Article 61(1) shall be submitted to the Commission, the national IPA coordinator and the national authorising officer within six months of the end of each full calendar year of programme implementation.]

- a Such reports shall contain information regarding the implementation progress, covering in particular, the attainment of set objectives, the problems encountered in managing the programme, and the measures taken, financial execution, as well as monitoring and evaluation activities carried out.
- b The sectoral annual reports shall be examined by the sectoral monitoring committee prior to their submission.

2 A sectoral final report shall, after examination by the sectoral monitoring committee, be submitted to the Commission and the national IPA coordinator, at the latest six months after the final date of eligibility of expenditure under the programme.

### **Textual Amendments**

**F1** Substituted by Commission Regulation (EU) No 80/2010 of 28 January 2010 amending Regulation (EC) No 718/2007 implementing Council Regulation (EC) No 1085/2006 establishing an instrument for pre-accession assistance (IPA).

Commission Regulation (EC) No 718/2007, TITLE IV. (See end of Document for details)

## Article 194

## Further provisions for monitoring and reporting

Further provisions for monitoring and reporting may be set out in the sectoral and financing agreements referred to in Articles 7 and 8. They shall be consistent with the relevant rules applicable to the rural development programmes in the Member States.

- (1) OJ L 277, 21.10.2005, p. 1.
- (**2**) OJ L 375, 31.12.1991, p. 1.
- (**3**) OJ L 209, 11.8.2005, p. 1.

# Changes to legislation:

There are currently no known outstanding effects for the Commission Regulation (EC) No 718/2007, TITLE IV.