



EUROPEAN COMMISSION
DIRECTORATE-GENERAL FOR AGRICULTURE AND RURAL DEVELOPMENT

The Director-General

Brussels,

Subject: Observations on the proposal by Portugal for a CAP Strategic Plan 2023-2027 - CCI: 2023PT06AFSP001

Your Excellency,

I hereby acknowledge receipt of the proposal for the 2023-2027 CAP Strategic Plan of Portugal, submitted via SFC2021 on 30 December 2021.

An assessment by the Commission services of the proposed CAP strategic plan has identified a number of issues that require further clarification and adaptation. The enclosed annex sets out the relevant observations, which are communicated pursuant to Article 118(3) of Regulation (EU) 2021/2115.

I invite Portugal to submit a revised proposal of the CAP strategic plan for approval, taking into account these observations.

In accordance with Article 121 of Regulation (EU) 2021/2115, the time limit of 6 months for the Commission decision to approve your CAP Strategic Plan does not include the period starting on the day following the sending of these observations and ending on the date on which Portugal responds to the Commission and provides a revised proposal.

The Commission is committed to a continued structured dialogue with national authorities in the further approval process of your CAP Strategic Plan. The Commission is open to receiving your written reaction on the key elements of the observations within 3 weeks and intends to publish them subsequently alongside our observations on all the CAP Strategic Plans received in time, unless you would object to publication of your reaction. I invite your services in charge to engage in bilateral exchanges as soon as possible in order to discuss the observations set out in the Annex.

Yours faithfully,

Wolfgang BURTSCHER

His Excellency Ambassador Nuno BRITO
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ANNEX

Observations on the CAP Strategic Plan submitted by Portugal

The Russian invasion of Ukraine and the ongoing generalised commodity price surge bring to the forefront in the strongest possible way the integral link between climate action and food security. This link is recognised in the Paris Agreement and has been incorporated in the new legislation for a Common Agricultural Policy (Regulation (EU) 2021/2115) and the Farm to Fork Strategy (COM/2020/381 final) with a view to ensuring sufficient food supply of affordable food for citizens under all circumstances while transitioning towards sustainable food systems.

In this context, and in the context of the climate and biodiversity crises, Member States should review their CAP Strategic Plans to exploit all opportunities:

- to strengthen the EU's agricultural sector resilience;
- to reduce their dependence on synthetic fertilisers and scale up the production of renewable energy without undermining food production; and
- to transform their production capacity in line with more sustainable production methods.

This entails, among other actions, support for carbon farming, support for agro-ecological practices, boosting sustainable biogas production¹ and its use, improving energy efficiency, extending the use of precision agriculture, fostering protein crop production, and spreading through the transfer of knowledge the widest possible application of best practices. The Commission assessed the Strategic Plans of Member States with these considerations of the sector's economic, environmental and social viability in mind.

The following observations are made pursuant to Article 118(3) of Regulation (EU) 2021/2115. Portugal is asked to provide the Commission with any necessary additional information and to revise the content of the CAP Strategic Plan taking into account the observations provided below.

¹ Sustainable biogas production means the production of biogas that respects the sustainability and greenhouse gas emissions saving criteria laid down in Article 29 of Directive (EU) 2018/2001 (Renewable Energy Directive).

Key issues

Observations with regard to the strategic focus of the CAP strategic plan

- 1) The Commission welcomes the CAP Strategic Plan submitted by Portugal (the Plan), the consideration given to its recommendations of 18 December 2020, and the exchanges in the framework of the structured dialogue leading up to its submission. The Commission takes note of the public consultations conducted in preparing the Plan and invites Portugal to strengthen the partnership principle during the implementation phase.
- 2) The Commission notes that the Plan includes a solid identification of the challenges to be addressed while the intervention logic needs to correspond better to the identified needs on a number of objectives.
- 3) The Commission recalls the importance of the targets set for result indicators as a key tool to assess the ambition of the Plan and monitor its progress. The Commission requests Portugal to revise the proposed target values, by improving their accuracy and taking into account all the relevant interventions, and by defining an adequate ambition level in line with the identified needs.

Observations with regard to fostering of a smart, competitive, resilient and diversified agricultural sector that ensures long-term food security

- 4) The Commission considers that the Plan shows the potential to contribute effectively to the general objective of fostering of a smart, competitive, resilient and diversified agricultural sector that ensures long-term food security.
- 5) The Commission welcomes the important efforts to advance towards a fairer distribution of the support in Portugal (with the use of capping, total convergence, complementarity redistributive income support for sustainability and specific support to small farmers) and notes the interventions supporting competitiveness of Portuguese farms. Meanwhile, in light of the Russian war on Ukraine, the Commission urges Portugal to consider interventions that will help reduce dependence on fossil fuels and other externally sourced inputs to preserve the production capacity and viability of farms.
- 6) The coupled direct payments aim at improving competitiveness and sustainability in certain sectors in difficulty. However, most interventions proposed seem to provide only additional income support for the duration of the Plan, and therefore, it should be better justified how they would lead to the improvement of the competitiveness of the sectors in the longer term. The Commission welcomes the efforts to address the import dependency in some sectors, such as protein crops.

Observations with regard to the support for and strengthening of environmental protection, including biodiversity, and climate action and to contribute to achieving the environmental and climate-related objectives of the Union, including its commitments under the Paris Agreement

- 7) The Commission has doubts about the effective contribution of the Plan to this general objective, requiring for its approval the modifications specified in this letter.

- 8) Portugal is requested to better demonstrate the increased ambition of the planned green architecture as regards environmental and climate related objectives using qualitative and quantitative elements such as financial allocation and indicators.
- 9) The Plan should deliver more ambition, especially in relation to water management (quantity and quality), nutrient use efficiency, ammonia emissions, sustainable forest management and fire prevention. The Commission requests Portugal to revise its Plan accordingly. This would deliver an enhanced environmental ambition (as required by Article 105 of Regulation (EU) 2021/2115 (Strategic Plan Regulation - SPR).
- 10) Portugal should also ensure contribution to and consistency with EU environmental and climate legislation as listed in Annex XIII to the SPR, and the planning tools arising from that legislation.
- 11) The Plan properly identifies most of the challenges of Portuguese agriculture in relation to climate change and environment and it makes an effort to align the instruments to the existing environmental legislation. However, Portugal is requested to ensure that the proposed interventions respond better to the identified needs and diagnosis stemming from the situation in terms of strengths, weaknesses, opportunities and threats (SWOT) analysis.
- 12) The contribution of the Plan to climate change adaptation is limited, for example with regard to forest fire prevention, water management, enhancing water retention of the landscape, floods and drought prevention. Portugal is invited to make adaptation interventions more visible and strengthen them or add adequate climate change adaptation measures in line with its Adaptation Strategy.
- 13) Portugal is strongly encouraged to revise the Plan in order to take into account the national targets that will be laid down in the revised Regulation (EU) 2018/842 (the Effort Sharing Regulation) and Regulation (EU) 2018/841 (the Regulation for the Land Use, Land Use Change and Forestry (LULUCF)) (revisions which are currently being discussed by the EU co-legislators) in view of the legal requirement in Article 120 of the SPR to review the Plan after their application.
- 14) The Commission requests Portugal to clarify or amend certain Good agricultural and environmental condition (GAEC) so they fully comply with the regulatory framework (see detailed comments below).
- 15) Portugal should also make an effort to increase the potential for water saving and focus on the effective reduction in water use in areas of higher water pressures. Portugal is requested to further elaborate on how the interventions linked to water management will significantly contribute to achieving the objectives of good status of Directive 2000/60/EC (the Water Framework Directive (WFD)) by 2027, notably reducing the water demand, as well as their coherence with other measures supported under the Plan beyond irrigation. Further explanations on how the Plan interplays with other national or EU funding and legislation to address the needs which are considered relevant are also needed.
- 16) Portugal should increase efforts regarding the efficiency in nutrient use by adapting the proposed interventions that can contribute to reducing the nutrient surplus and

thereby reduce ground and surface water pollution and specifying more clearly the commitments in order to identify their contribution to this objective.

- 17) Portugal is requested to better cover ammonia emissions in the scope of the interventions, and to include proper safeguards against ammonia volatilisation.
- 18) The Commission invites Portugal to justify the sharp decrease of funding for the intervention on prevention of biotic and abiotic agents in forests.
- 19) The Commission welcomes the efforts proposed concerning renewable energy production and strongly encourages Portugal to fully benefit from possibilities for CAP interventions by using them to increase sustainable domestic generation and use of renewable energy, including biogas, thereby strengthening what has already been programmed in their National Energy and Climate Plan. Moreover, the Commission calls on Portugal to support interventions that improve nutrient use efficiency, circular approaches to nutrient use, including organic fertilising as well as further steps to reduce energy consumption.
- 20) Portugal is requested to take better account of the PAF and further align the proposed interventions with it.

Observations with regard to the strengthening of the socio-economic fabric of rural areas

- 21) The Commission considers that the Plan shows the potential for contributing to the general objective of strengthening the socio-economic fabric of rural areas. The Commission welcomes the efforts in favour of generational renewal and new farmers.
- 22) The Commission invites Portugal to better explain how various EU and national funds are used to tackle the high number of needs identified in relation to rural areas.
- 23) In the current version of the Plan, LEADER/CLLD (community-led local development) is the only tool used for covering rural areas (except for some small infrastructures in the Azores). Thus, Portugal could consider using complementary non-LEADER interventions (e.g. investments in basic rural infrastructure) or increasing LEADER financial allocations to a level appropriate to the needs, taking also into account the complementarities with other Funds active in rural areas. In addition, LEADER interventions are broadly designed and many sections of the intervention are empty or incomplete. Portugal is requested to revise and complement accordingly.

Observations with regard to fostering and sharing of knowledge, innovation and digitalisation in agriculture and rural areas

- 24) The transition to more resilient and sustainable agriculture will require efforts on advice, coaching and training to help farmers face the most pressing challenges, and foster synergies in the Agricultural Knowledge and Innovation Systems (AKIS). For these reasons, the Commission invites Portugal to strengthen the use of and support to advice, innovation support and the sharing of knowledge and good practices in line with the assessment of needs.
- 25) The Commission identifies weaknesses in terms of coordination and fragmentation of AKIS and encourages Portugal to address such issues in the Plan's strategy,

considering also possible synergies with other funding instruments such as Horizon Europe.

Information with regard to the contribution to and consistency with Green Deal targets

- 26) The Commission regrets that Portugal does not make use of the possibility to provide information regarding national values for the Green Deal targets contained in the Farm to Fork Strategy and the Biodiversity Strategy. The Commission underlines the importance of the key Green Deal targets concerning anti-microbial resistance, pesticide use, nutrient loss, organic farming, high-diversity landscape features and rural broadband for the purpose of achieving the CAP's specific objectives. It requests Portugal to quantify the national contribution to each of the targets in their revised Plan.
- 27) The Commission welcomes Portugal's ambition to increase the organic area compared to current levels, and the foreseen 2027 target to reach 19% of the utilised agricultural area supported by the CAP for organic farming.
- 28) In relation to the target on high-diversity landscape features, the Commission welcomes the intention to increase the land with high-diversity landscape features.
- 29) With respect to the use and risk of pesticides, the Commission notes that Portugal has planned relevant support. Further efforts are needed in order to effectively reduce risks of transfer of pollutants in water and to use advisory services. The Commission invites Portugal to specify further what efforts and targets will be planned to reduce the use of more hazardous pesticides.
- 30) The Commission expresses concerns regarding the limited efforts on reducing the use of antimicrobials and requests that Portugal plans more targeted actions in this area. The Commission notes a low ambition on supporting 5.5% of livestock units and invites Portugal to clarify how the current situation will be improved.
- 31) With respect to the target on reducing nutrient losses, the Commission notes with concern insufficient efforts that require more ambition.
- 32) As regards the Green Deal targets concerning broadband, the Commission acknowledges that the Plan has a limited contribution and invites Portugal to provide further information on efforts outside the CAP.

Detailed observations

1. STRATEGIC ASSESSMENT

1.1. To foster a smart, competitive, resilient and diversified agricultural sector ensuring long term food security

1.1.1. Strategic assessment of Specific Objective 1

- 33) The SWOT summary should be consistent within itself and exhaustive with regard to the situation of the sectors targeted by specific support decisions so that it clearly

justifies the identification of needs and the support strategy. Also, the intervention logic should be strengthened to reflect the links between the SWOT, needs and interventions. In the needs assessment, Portugal should clearly identify farms with higher income support need in relation to fairer, more effective and efficient targeting of direct payments (Article 108(c) of the SPR).

Fairer distribution and targeting of support

- 34) The Commission acknowledges the efforts made by Portugal to address the aim of fairer distribution and better targeting of direct payments through a comprehensive set of tools. Thus, the proposal made to remove all the links to historical references by 2026 is welcome.
- 35) As regards the overview of how the aim of fairer distribution and more effective and efficient targeting of income support is addressed and besides the strategic key messages, Portugal is invited to further explain how the Small Farm Scheme and the Complementary Income Support for Sustainability (CRISS) are going to address the specific income support needs of small farms.

Coupled Income Support and relation to the Water Framework Directive

- 36) Portugal is invited to provide more details on how it will ensure that the Coupled Income Support (CIS) interventions will not conflict with the objectives of the WFD. Not only the individual interventions (e.g. maize grain which is planned to have a rise in output) but also their cumulative impact should be addressed.

Risk Management

- 37) Portugal presents an overview of the envisaged intervention logic explaining its comprehensive scope. A continuity of existent Rural Development Programme's interventions scope and logic is stressed. Portugal is asked to provide additional information on how the proposed intervention logic aims at further developing the existent risk management systems. In particular, whether interventions are expected to cover more holdings, risks and sectors if compared to existent insurance products and mutual funds funded by EU funds.
- 38) Agricultural risk management tools may address the growing risks that the changing climate represents in agriculture. Portugal is invited to consider incentives for farmers to take proactive measures reducing their vulnerability and increasing their adaptive capacity to climate change.

1.1.2. Strategic assessment of Specific Objective 2

- 39) Portugal recognises the importance of technology to improve the competitiveness of Portuguese agriculture. However, the target for the result indicator on digitalising agriculture (R.3) lacks ambition with only a marginal share of farms to be reached. Portugal is invited to reflect on a possible setting of higher targets (and consequently increase of funding) since Portugal ranks this need highly. A higher ambition on digitalisation and precision farming would not only be good for competitiveness but would also contribute to reaching the environmental ambition.

1.1.3. Strategic assessment of Specific Objective 3

- 40) Portugal plans sectoral interventions in certain sectors only for fruits and vegetables, wine and for apiculture sectors, i.e. in sectors where sectoral interventions are compulsory, according to the SPR. There are elements in the Plan, including in the needs assessment (need to promote fair and balanced trade relations along the food chain) and in the SWOT (Weakness for specific objective (SO) 3: Poor bargaining power of agricultural producers within the agri-food value chain), which suggest that sectoral interventions could be used to improve the producers' position in the value chain. Portugal is invited to explain the reason for not including other sectoral interventions than fruits and vegetables, wine and apiculture in the Plan.
- 41) Portugal is invited to reflect on a comprehensive strategy for access to technology, digitalisation and innovation, including through incentivising sectoral aggregation where considerable gains of scale and dissemination would thus materialise.

Sector related interventions

- 42) Portugal is invited to fill in section 3.5, which is partially empty for example for animal interventions.
- 43) In section 3.5, Portugal should describe for each of the sectoral intervention, the consistency and complementarity between coupled income support, sectoral interventions and national support schemes, rural development interventions and state aid. The long-term strategy for these sectors should be explained, in particular in terms of concentration of supply and producer organisations.
- 44) Complementarity between interventions related to a sector should be assessed not only in a pure 'technical' sense (i.e. potential accumulation of support in case of interventions targeting the same sector), but in a broader, 'strategic' sense. Accordingly, Portugal should explain how the combination of the relevant interventions works toward the intended objective and thus fulfils the need(s) identified for the sector concerned, including the synergies and potential overcompensation concerning the interventions on silage maize and dairy.
- 45) On the protein crops sector, taking into account that several interventions refer to protein crops, Portugal is invited to complete the section 3.5.9 on the overview of interventions related the protein crops sector.

1.2. To support and strengthen environmental protection, including biodiversity, and climatic action and to contribute to achieving the environmental and climate-related objectives of the Union including its commitments under the Paris Agreement

1.2.1. Strategic assessment of Specific Objective 4

- 46) The overview of the SO4 should better clarify how Portugal will address the vulnerability to and the effects of climate change. Consistency with the National Adaptation Strategy should be improved, in particular as regards the role of highly diverse forests to prevent forest fires.
- 47) On climate change mitigation, Portugal is invited to provide an estimate of the mitigation potential under the concerned interventions. In addition, Portugal is

requested to design a more effective intervention strategy to address the need to reduce emissions from the livestock sector. The promotion of organic fertilisers can be an effective method to reduce the use of mineral fertilisers but additional safeguards like the obligations under the national legislation should be described, including if these obligations apply to all the potential beneficiaries.

- 48) Renewable energy is well targeted in the interventions. However, taking in account the SWOT, it would also be a relevant need for Madeira. Regarding energy efficiency, the SWOT and needs analysis are comprehensive and are coherent with the proposed intervention logic. In the SWOT, one of the opportunities identified is "MOE4OPT06 Increased use of firewood and agricultural and forestry plant waste in the production of electrical and thermal energy." Portugal should confirm that the firewood foreseen for the production of electrical and thermal energy follows the cascading principle as referred in Directive (EU) 2018/2001 (Renewable Energy Directive).
- 49) An explanation for the selected result indicators' targets should be provided. Portugal may want to consider being more ambitious as regards targets for indicators R.13 (livestock emissions) and R.16 (Investments related to climate). The description of the financial allocation should focus more on the interventions and targets set for SO4.

1.2.2. Strategic assessment of Specific Objective 5

- 50) The needs assessment reflects well the SWOT analysis. However, needs AOE5N3 (Ensure sustainability and efficient management of natural resources) and MOE5N8 (Improvement of livestock farming conditions) have a rather general description and would benefit from further specification. While an overview of the intervention logic is provided, the selection and coherence of interventions appears insufficiently connected to the needs, and could be better explained and improved. An explanation for the selected result indicators' targets should be provided. The description of the financial allocation should focus more on the interventions and targets set for this specific objective.
- 51) Nutrient losses and water related issues are identified in the SWOT analysis but the actual contribution of the proposed interventions (eco-schemes and rural development interventions) should be better described and reinforced.
- 52) The reduction of nutrient losses will require specific interventions targeting the efficient use of fertilisers. The proposed interventions, mainly eco-schemes, will promote the use of organic fertilisers but would require additional practices to spread out the adoption of nutrient management plans and ensure that the fertilisation doses are adapted to the actual crop requirements of nitrogen and phosphorus. The commitments should go beyond the baseline within the Nitrate Vulnerable Zones (NVZs). Outside NVZs, Portugal is encouraged to support the application of the Codes of Good Agricultural Practices. This horizontal approach could also be foreseen in rural development interventions, reflecting the necessary priority to be given to this issue, especially regarding the phosphorus surplus. A proper approach to nutrient management would also give a contribution to reducing ammonia and greenhouse gas emissions.

- 53) For water quantity, the Plan includes specific interventions to reduce the abstraction of water and the link with the revision of the River Basin Management Plan (RBMP). Portugal is however invited to better describe how the interventions will contribute effectively to the needs stemming from the national plans implementing the WFD. The ambition of the proposed interventions should be increased, including regarding the effective water savings, and the extension of the support provided to the establishment of water reuse schemes. Portugal is also invited to consider measures beyond irrigation, such as natural water retention and measures to reduce crop water demand.
- 54) Concerning chemicals, the Plan focuses on the promotion of low-tillage alternatives as a contribution to specific objectives but could result in potential conflicts with other objectives like the reduction in the use of chemicals such as herbicides. The Plan has to describe these conflicting objectives and the solutions envisaged.
- 55) Air quality and the reduction of ammonia emissions are not sufficiently emphasized in the needs assessment. There is no assessment in the SWOT regarding ammonia emissions in the Azores and no need was identified for this region. Interventions proposed for the reduction of ammonia emissions are, in general, indirect. Interventions with direct effect in the reduction of ammonia emissions like the eco-scheme should be better described in terms of obligations for the beneficiaries and other actions along the manure management process can be considered (like mitigation actions during the storage or direct injection).
- 56) The Commission encourages Portugal to explain the links with the Best Available Techniques (BAT) conclusions including BAT-associated emission level (BAT-AEL) notably in the context of reduce emissions of pollutants from installations (e.g. ammonia).

1.2.3. Strategic assessment of Specific Objective 6

- 57) In general, the needs were able to capture the main issues identified in the SWOT. However, in certain cases the needs can be better specified and directly mention efforts for the conservation status of habitats and species associated with agriculture and forestry areas in all regions. Portugal is invited to further specify the difference between needs AOE6N1 (Promoting biodiversity through sustainable management of genetic, animal, plant and forestry resources) and PTOE6N1 (Promote domestic biodiversity through sustainable management of animal and plant genetic resources including forestry) in the text. An explanation for the selected result indicators' targets should be provided. The description of the financial allocation should focus more on the interventions and targets set for SO6.
- 58) In the overview of the logic of intervention it could be better explained how each of the three components of the green architecture will contribute to enhance the preservation of habitats and landscapes. Furthermore, there is no reference to the enhanced conditionality.
- 59) Taking into account its point of departure compared to the EU average, Portugal is supporting conversion with only 3% of the organic budget, as opposed to using 97% for maintenance. Therefore, Portugal is invited to explain how the proposed target will be achieved with a comparatively small budget for conversion.

- 60) The Commission would appreciate having a view of the measures identified in the Prioritised Action Framework (PAF) that will be financed by the Plan and invites Portugal to explain how other EU or national instruments will be used to complement the Plan.
- 61) Portugal is invited to further address in the SWOT and, if appropriate, in the intervention strategy, the negative trend of pollinator populations.

1.2.4. Green Architecture and greater overall contribution

- 62) Interventions in the Azores and Madeira seem largely absent from the assessment on section 3.1. The description is of general character and fragmented at times. Tables are repeated from the specific objective assessments. In section 3.1.1., Portugal should make the explanations on the contribution of GAEC more precise, by explaining how the application of the GAEC shall contribute to addressing the environmental and climate needs identified in the Plan. Section 3.1.2 describes the complementarity between interventions related to soil and biodiversity only. Other baseline elements besides conditionality, described in Articles 31(5) and 70(3) of the SPR do not seem to be touched upon. Portugal is invited to ensure that the identified issues concerning complementary between commitments are clearly addressed to avoid double financing. Section 3.1.4 describes national strategies related to each specific objective (4, 5, 6), the needs that are associated and how the Plan contributes to them. It would be helpful to relate the contributions to the actual interventions, as some of them are easily identifiable while others are not.
- 63) As for European Agricultural Fund for Rural Development (EAFRD) co-financed interventions, without a complete description of baseline requirements and how commitments go beyond them, the Commission cannot assess their ambition. While Portugal proposed a number of new rural development interventions for the Mainland and Madeira compared with the Rural Development Programme 2014-2022, there seems to be little additional ambition for the Azores. In particular in the Azores, Portugal is invited to redesign, if necessary, and propose new interventions that reflect the environmental needs and trends identified.
- 64) With regard to agri-environmental interventions, the explanation states that these will both complement and increase the level of ambition of those established in the eco-schemes, but only two examples are given (soil conservation and water resource management). Portugal is invited to provide justifications of agri-environmental interventions going beyond the baseline and having a different coverage in comparison to the eco-schemes.
- 65) The Commission regrets that, while taking into account the overall reduced yearly EAFRD budget in the period 2023-2027 and the fact that the ring-fencing provisions of Article 93(1) of the SPR are complied with, yearly EAFRD spending relevant for environment and climate (excluding Areas under Natural Constraints (ANC) funding) will be reduced.
- 66) The target values for key relevant result indicators such as R.19 (Improving and protecting soils), R.20 (air quality), R.21 (water quality), R.23 (sustainable water use), R.26 (investment related to natural resources), R.30 (supporting sustainable forest management) and R.32 (Investments related to biodiversity) are lower than in

the current programming period. Portugal is requested to revise them, if necessary, to demonstrate the overall greater ambition.

- 67) Portugal is invited to clarify some aspects in relation to the greater overall contribution in line with Article 105(2) of the SPR. The Commission considers that some points could be improved in the Plan: the areas which the eco-schemes cover and that were previously uncovered; explain how measures taken from the CAP 2014-2020 were reinforced or how difficulties from the current period were taken into account, and exemplify how the interventions related to the cross-cutting objective contribute to specific objectives 4, 5 and 6.
- 68) The Plan should further demonstrate how the intervention strategy will effectively contribute to Portugal's national target of 11% reduction in emissions from agriculture by 2030, and achieving the climate targets under the Effort Sharing Regulation or the LULUCF Regulation.
- 69) Some measures of the Plan contribute to the long term objectives of the WFD with specific interventions addressing the needs proposed in the "*Plano Nacional Água - PNA2016 (DL n.º 76/2016)*" (more efficient infrastructures, more efficient irrigation management practices, water reuse, increment of the quantification of the volumes used in agriculture). Considering the proximity of the implementation of the next phase of the RBMP, it is recommended that Portugal includes the analysis of this plan when available.
- 70) The Plan should better identify the challenges related to water quality and necessary interventions emanating from other national instruments related to Directive 91/676/EEC (the Nitrates Directive), besides the national water plan.
- 71) Regarding the forest related interventions, some needs appear misplaced according to their SO, namely AOE8N8 (Stimulating afforestation and reforestation, with forest species well adapted to the soil and climate conditions of the seasons, contributing to the conservation of forest habitats, reducing the risks of erosion and increasing biodiversity and the formation of ecological corridors) and AOE4N2 (the second part of the need description, about "*increasing and improving the productive potential of the forest*"). The commitments and objectives of the interventions should be better described in order to clarify their relation and contribution to the associated needs.
- 72) Portugal is invited to provide relevant information justifying how it would ensure consistency in the selection of species eligible for investments with environmental and climate-related objectives, in line with sustainable forest management principles, as developed in the Pan-European Guidelines for Afforestation and Reforestation.

1.3. To strengthen the socio-economic fabric of rural areas

1.3.1. Strategic assessment of Specific Objective 7

- 73) The Commission considers that the Plan has potential to contribute to the general objective of strengthening the socio-economic fabric of rural areas in Portugal. In particular, the Commission notes the ambition regarding the support for young

farmers. However, the Commission encourages Portugal to use innovative approaches to address gender balance in the Portuguese rural areas.

- 74) Portugal is invited to strengthen the link between the needs assessment and intervention logic, by explaining more concretely how the access to land, capital, knowledge and higher income specifically to young farmers are addressed, to streamline the proposed interventions according to their contribution to SO7 and present the complementarity and the interplay with the existing national measures.

1.3.2. Strategic assessment of Specific Objective 8

- 75) A very limited number of interventions proposed by Portugal seem to address SO8 and the needs to strengthen the socio-economic fabric of rural areas and promote sustainable forestry. Additionally, LEADER interventions lack sufficient detail to assess the envisaged approach, synergies and linkages between the actions. The Commission invites Portugal to reflect on how to further address the existent challenges of depopulation trend, risk of poverty and gender employment gap in the rural areas, as well as of sustainable forestry, by targeting the relevant interventions towards these challenges.
- 76) The Commission welcomes the introduction of the social conditionality mechanism in 2024.

1.3.3. Strategic assessment of Specific Objective 9

- 77) On the bioeconomy, the number of people employed in the sector has fallen year on year since 2008. In addition, Portugal has no Bioeconomy Strategy. It is therefore invited to consider developing such a Strategy in association with the Plan to reinforce the synergies between both policies, and to scale up the deployment of the circular and sustainable bioeconomy.
- 78) Portugal is encouraged to provide for sounder background analysis on use and associated risk of chemical pesticides and sales of antimicrobials, and display a better imbrication over these matters between SO9 and SO5 and the Green Deal Targets on Biodiversity. Moreover, Portugal is encouraged to revise the percentage attributed to the result indicator on limiting antimicrobial use, fixed at 0% in 2027 and 2028.
- 79) While the Plan acknowledges the need to increase awareness of healthy diets, interventions proposed seem to be limited. The Commission therefore invites Portugal to better explain how the shift towards healthy, more plant-based and sustainable diets will be achieved.
- 80) Concerning the reduction of food loss and waste, the Commission acknowledges that the Plan identifies such reduction as a priority need. The Commission notes that while no direct link to the investments are included in the Plan, an articulated and integrated response will be provided by the implementation of National Strategy to Combat Food Waste and Local Development Strategies (still to be developed) in the period of 2023-2027. The Commission invites Portugal to continue the coordination between the policies mentioned.
- 81) Portugal is invited to provide information on how the Commission policy to phase out cages in livestock could be achieved. Portugal is requested to address the tail

docking practises in pigs which are forbidden by EU rules (apart from in exceptional circumstances), and to encourage the keeping of animals in non-confined housing system for laying hens, calves and sows.

- 82) Portugal is invited to describe thoroughly its strategy to tackle animal welfare, including productive investments in modernisation as well as interventions in organic farming and antimicrobial use, and better indicating the Member State's state of play in the analysis.

1.4. Modernising the sector by fostering and sharing of knowledge, innovation and digitalisation in agriculture and rural areas, and encouraging their uptake by farmers, through improved access to research, innovation knowledge exchange and training

1.4.1. Strategic assessment of the cross-cutting objective

- 83) The Commission identifies weaknesses in terms of coordination and fragmentation of AKIS, which are not properly addressed by the needs identification and intervention logic. The transition to sustainable agriculture will require efforts on advice, coaching, innovation and training to equip farmers to embrace the necessary changes and to interlink the various AKIS interventions to create synergies. For that reason, support is needed to reinforce these AKIS interventions and the sharing of knowledge and good practices. Portugal is invited to reinforce financial allocations in line with the needs assessment.
- 84) Given the importance of Horizon Europe in tackling issues such as soil health, climate change, biodiversity, food systems and competitiveness, Portugal is invited to consider actions creating synergies between the Plan and Horizon Europe actions with specific attention to European Innovation Partnership Operational Groups (EIP OG) and Horizon Thematic Networks and Multi-actor projects. Portugal is invited to provide additional information on links of the Plan with the Horizon Europe Programme, Missions and the Partnerships.
- 85) Portugal is invited to explain how exactly the implementation of interventions under Article 78 of the SPR will be organised and coordinated by the AKIS Coordination Body, taking into account all obligations listed in Article 15(2), (3) and (4) of the SPR, including the implementation modes, the obligatory training of advisors, and the inclusion of all public and private advisors in the AKIS.
- 86) The table under section 8.4 is well developed and presents relevant information regarding the AKIS, but some elements need clarification to ensure feasibility and coherence. Portugal should follow up whether all elements listed in the table relate to interventions, which can function as foreseen and have sufficient budget to do so. Portugal should take initiative to improve and adapt/add interventions where needed, including the related indicators.
- 87) The interventions include the current M1 (Training), M2 (Advisory Services) and EIP OG interventions. Portugal should complete the needed linkages within the AKIS, notably all kind of knowledge exchange interventions, exchange visits, support for demonstration farms, innovation support to develop grassroots innovative ideas into EIP OG projects, encouraging advisors to join those projects, etc.

- 88) The Commission invites Portugal to: (a) further elaborate on the linkage between SWOT, needs and interventions; (b) show ambition for R.3 and elaborate on R.40 and R.41 result indicators; (c) define specific EU and national funding instruments and certain factors enabling people to deploy digital technologies; (d) allocate budget specifically for the digital interventions.
- 89) The Commission invites Portugal to provide further details on the intervention strategy of the identified need EG3 (calendar of milestones, targets, objectives and planned investments) to reach the EU connectivity objectives in 2025 and 2030 in all rural areas. Portugal should also provide some details on the quality of service of rural 4G mobile, and to share how the target of 5G in all populated areas in 2030, in particular rural populated areas, will be reached.
- 90) Although section 8 presents good strategic ideas to achieve the objectives, the Commission encourages Portugal to describe how it envisages to encourage farmers and farmers' organisation to join the initiatives and get their innovative ideas to development in an EIP OG. Moreover, this strategy is not sufficiently and coherently transposed into the AKIS related interventions: interlinkages and synergies as described in section 8 are often missing and should be added in the description, eligibility conditions and selection principles of the interventions.
- 91) Portugal is also invited to define more clearly the concrete actions aimed to foster the digitalisation strategy in the AKIS related interventions and to allocate sufficient budget to the pursued objectives.

1.5. Simplification and reducing administrative burden

- 92) The Commission recognises the efforts made by Portugal to elaborate a coherent Plan covering Mainland Portugal and the outermost regions of the Azores and Madeira. Portugal does not seem to have exploited fully the possibilities offered by Article 104 of the SPR that allows presenting a plan combining national and regional elements, thus reducing the administrative burden and contributing to a simpler and more straightforward plan. The current version of the Plan has more than one hundred interventions, several of which could have been merged as they share the same objectives, beneficiaries, eligible costs and indicators.
- 93) The Commission would like to have more information on how Portugal plans to allow beneficiaries to modify or withdraw declarations of agricultural parcels in the geo-spatial application system. Although it is clear that Portugal plans to promote and improve communication channels with beneficiaries, in the point on the geo-spatial application, there is no information provided on how this will be done, namely on sending alerts on potential non-compliances during the submission process.
- 94) Portugal is invited to supply information on how applicants are informed about the Farm Advisory System and accessing it, and to clarify if Portugal intends to use the area monitoring system to assess/verify force majeure cases and to clarify the cycle for updating the Land Parcel identification System (LPIS) and if these updates are also fed into the geo-spatial application system.

1.6. Target plan

Portugal is requested to revise the target plan, notably in relation to the following result indicators:

- 95) For result indicators linked to direct payments, it is expected that for 2023 and 2029 the values are zero since table 2.3.1 is to be filled-in by financial year. The same applies for the sectoral interventions. On the contrary, for rural development interventions, values are expected across the whole period (including 2023 and 2029 financial year).
- 96) R.4 (Linking income support to standards and good practices): the target value (3.4 million ha) is the same as the planned output for O.4, Portugal is requested to confirm that they used the determined area before entitlements for planning R.4.
- 97) R.8 (Targeting farms in specific sectors) it should also be linked to SO2.
- 98) R.15 (Green energy from agriculture and forestry): for C3.1.1 and C.3.1.2, the target generation capacity in MW should be specified per type of renewable (biomass, etc.).
- 99) R.28 (Environmental or climate performance related through knowledge): the target value is 36 071. However, the value of R.1 (Knowledge and information), which includes R.28 is very similar: 39 476. Portugal should confirm that the persons included under R.28 are also accounted under R.1 and that the interventions linked to R.28 aim effectively to increase the environmental or climate-related performance of farms.
- 100) R.30 (Sustainable forest management): Support under Article 73 of the SPR (Area-specific disadvantages resulting from certain mandatory requirements) cannot be linked to this target. It should be linked to R.7 (Support for farms in areas with specific needs) only.
- 101) The targets seem too high for R.31 (Preserving habitats and species), R.33 (Improving Natura 2000 management) and R.35 (Preserving beehives). Portugal should confirm that these values include only measures that are directly linked to the targets.
- 102) R.34 (Landscape Features): the indicator appears very high (41.8%), given that the utilised agricultural area (UAA) under high-diversity landscape features is 7.6%. While the Commission welcomes an intense effort in this area, Portugal is invited to clarify that only features (and not whole landscapes), are encompassed in the definition of landscape features.
- 103) R.41 (Connecting rural Europe) is missing, while Portugal planned interventions to support infrastructure in rural areas (for example “E.5.2 - Infrastructure agricultural roads”, “E.5.3 - Electrification Infrastructures”). Thus, the indicator should be added.
- 104) R.43 (Antimicrobial use): the overall target value is not provided in the Plan. Based on the planned output, it could be around 5%. Portugal should complete this indicator.

- 105) For investments in irrigation, Portugal should revise the result indicators as following: (a) if by farmers and improvement of existing irrigation systems, it should be linked to R.26 (Investments related to natural resources); (b) if by farmers and creation of new irrigation systems, it should be linked to R.9 (Farm modernisation); (c) if not by farmers and improvement of existing irrigation infrastructure, it should be linked to R.27 (Environmental or climate-related performance through investment in rural areas); (d) if not by farmers and creation of new irrigation infrastructure, it should be linked to R.39 (Developing the rural economy).
- 106) In the current version of the Plan, the explanation of the strategy related to some indicators is missing, which makes it hard to assess the contribution of the interventions and their ambition. Portugal is invited to check and if necessary correct accordingly the values as well as the financial allocations.

2. OPERATIONAL ASSESSMENT

2.1. Minimum ring-fencing

- 107) Based on financial data from section 5.3, 47% of the total EAFRD contribution have been ring-fenced for environment and climate objectives. Should some interventions be considered as not eligible policy-wise, this ring-fencing would need to be recalculated since several interventions seem to be wrongly marked to contribute to environmental ring-fencing while others that could have counted were not taken into account. Portugal is invited to revise the ring-fencing classification according to the main specific objective of the intervention.
- 108) Ring-fencing for young farmers is respected but it should be noted that interventions under Article 78 of the SPR are not eligible for the generational renewal ring-fencing (e.g. intervention C.5.2) according to Article 95 (1) and (2) of the SPR.
- 109) Concerning fruit and vegetables, Portugal should specify in the Plan that at least 15% of the costs of the operational programme of the producer organisation must be earmarked for environmental and climate measures (Article 50(7)(a) of the SPR). The Plan does not provide any indication that minimum 15 % is actually foreseen for such measures.
- 110) Portugal should ensure that at least 2% of expenditure under operational programmes for fruits and vegetable covers the intervention linked to the objective referred to in point (d) (research, development and innovation) of Article 46 of the SPR (see Article 50(7)(c) of the SPR).
- 111) Portugal should ensure that the expenditure for interventions within the types of interventions referred to in Article 47(2), points (f), (g) and (h) of the SPR, do not exceed one third of the total expenditure under operational programmes (see Article 50(7)(d) of the SPR).

2.2. Definitions and minimum requirements

- 112) In section 4.1.1.2, Portugal should provide further criteria for maintenance of agricultural area. As regards permanent crop, the maintenance criteria should be indicated also on the crops not only on the land.

- 113) The definitions of agricultural areas should be placed under Sections 4.1.2.2 (arable land), 4.1.2.3 (permanent crops) and 4.1.2.4 (permanent grassland).
- 114) In section 4.1.2.1, Portugal should provide information on elements of agroforestry, such as on type of trees, their size, number, distribution depending on pedoclimatic conditions or management practices (whether or not differentiated per type of agricultural area).
- 115) In section 4.1.2.1.3, as a reduction of permanent grassland area limits the scope of the definition laid down in Article 4(3)(c) of the SPR, Portugal is advised to investigate the possibility of obtaining a similar result by implementing the territorialisation of BISS.
- 116) In section 4.1.3.2, Portugal should explain how they intend to verify that the land is actually and lawfully used by the farmer.
- 117) In section 4.1.3.5, Portugal should provide for the characteristics for other landscape features, such as size.
- 118) In section 4.1.4.1, Portugal should set out objective criteria to identify active farmers. Moreover, Portugal should confirm that the criteria to identify the active farmers do not penalise the farmers who do not perform productive activities.
- 119) In section 4.1.4.3, based on qualitative and quantitative information, Portugal should also provide a justification other than the continuation of the old scheme, e.g. Portugal should quantify the number of farmers excluded.
- 120) In section 4.1.5.2 and 4.1.6.1, the element of ownership of the holding as part of the notion of the “head of the holding” seems too restrictive and should be re-considered in light of EU law (free movement of capital and right of establishment) as well as the freedom of contract. In addition, the share of 25% for young farmer who is member of legal entity does not seem sufficient for having control over that entity and qualify as “head of holding”.
- 121) In section 4.1.6.2, the requirement for new farmer to be head of holding “for the first time” should be re-considered. “First time” should mean that the person controls and leads an agricultural holding for the first time ever.
- 122) In section 4.1.7.2, based on qualitative and quantitative information, Portugal should also provide a justification in terms of decreasing administrative burden and contributing to the objective to support ‘viable farm income’. Continuity of previous framework is not an acceptable justification.

2.3. Elements related to direct payments

- 123) In section 4.2.1.3 on internal convergence, Portugal indicates a highest payment entitlement value of EUR 97 and a minimum value of 88,7% of the average planned unit amount in the target year, while, on the other hand it is indicated that a flat rate value of EUR 80,7 will be reached by 2026. Portugal is invited to correct this inconsistency.
- 124) In section 4.2.1.4 on the management of the reserve, the production-related eligibility criteria like minimum livestock density are not acceptable as a condition for allocations from the reserve. In addition, more information is needed as regards

the non-priority categories that will be served under the reserve, also in view of their World Trade Organization (WTO) compliance.

125) Portugal is invited to explain why the activation of payment entitlements is limited to only certain types of eligible hectares on the Mainland. It is to be recalled that payment entitlements cannot be linked to a specific area or parcel. In this context, it is recalled that, based on Article 22(2) of the SPR, the Member State have the possibility to differentiate the basic income support by groups of territories with similar socio-economic or agronomic characteristics. Based on the information provided it seems Portugal de facto wants to implements such differentiation/territorialisation. In that case, Portugal should notify the relevant elements of this territorialisation in the Plan.

126) Portugal is invited to explain the reasons for prohibiting temporary transfers without land.

2.4. Technical Assistance

127) Although Portugal maintains the same objectives as in the current programming period, it has not indicated the scope, the indicative planning of activities or the beneficiaries, contrary to what is foreseen by the SPR. Moreover, based on data entered in section 5.3 and on the Overview Table, the technical assistance amounts do not match with the 3,04% indicated in section 4.3.2.

2.5. CAP Network

128) The summary of the objectives and tasks envisaged for the National CAP Network are clearly described. The summary includes as an important objective of the CAP Network specific activities to support knowledge flows within the AKIS, which is positive. However, among the actions envisaged there is no specific reference to activities across the full breadth of the Plan, including Pillar I. Moreover, there is no indication of the timeframe for the new National CAP Network to be established and become operational and the monitoring and evaluation activities and work with LEADER/other territorial initiatives are missing. Portugal is invited to consider revision of the text to include further details on these elements.

2.6. Overview of the coordination, demarcation and complementarities between the EAFRD and other Union funds active in rural areas

129) The Commission invites Portugal to describe the coordination, synergies and complementarities with other funds, including Regulation (EU) 2021/1060 (Common Provisions Regulation (CPR)) funds, Regulation (EU) 2021/241 (Recovery and Resilience Facility (RRF)), Regulation (EU) 2021/695 (Horizon Europe), Regulation (EU) 2021/694 (Digital Europe Programme (DEP)) and Regulation (EU) No 1316/2013 (Connecting Europe Facility), Regulation (EU) 2021/783 (LIFE) and national funds, in addressing certain identified needs, especially those related to the development of rural areas, social inclusion, environment and climate and innovation.

130) Knowing that the drafting of the Partnership Agreement and some of the other relevant programmes is on-going, the Commission invites Portugal to complement this section ensuring that EU funds are implemented in a coherent and coordinated

way among the EU and national funds. This should be done by including state aid, adding relevant details on complementarity, synergy and demarcation between the Plan and the other funds mentioned above, avoiding funding gaps, preventing possible overlaps and double funding.

- 131) Portugal should also provide appropriate details and explanations about the coordination between the different funds in case it proposes to implement the strategies linked to the Community-Led Local Development (CLLD) with support from several funds.
- 132) Portugal should provide information on the complementarity and demarcation with European Social Fund Plus (ESF+) in relation to social inclusion of disadvantaged groups including women. To this end, Portugal shall indicate what measures will be adopted to enhance employment of rural women.

2.7. Interventions and baseline

Observations common to several interventions

- 133) For interventions concerned by Article 31(7)(b) (eco-schemes), and particularly Article 70 (AECC), Article 71 (ANC) and Article 72 (Natura 2000/WFD) of the SPR, Portugal is invited to provide a brief description of the method for calculating the amount of support in section 7 of each intervention concerned. Moreover, the certified method of calculation (when carried out by an independent body) and in case it has been carried out by the managing authority, the certification by an independent body is to be provided in an annex to the Plan.
- 134) Portugal is also encouraged to improve the intervention logic overview to include only interventions with direct and significant contribution to the SO and the relevant selected result indicators. Portugal is also asked to review the needs, result indicators and financial allocations linked to each intervention and include the ones with a direct and justified link.
- 135) Portugal is asked to include information on compliance of interventions with WTO requirements in the relevant sections for each intervention.

2.7.1. Conditionality

GAEC 1

- 136) As provided for in Implementing Regulation (EU) 2021/2289, Portugal is required to include the value of the reference ratio and the calculation method.

GAEC 2

- 137) Portugal is required to elaborate the justification for the application of the GAEC in 2025 by indicating the steps needed to put in place the management system needed as laid down by footnote 1 to GAEC 2 in Annex III to the SPR. In light of the importance of wetlands and peatlands for the protection of carbon-rich soils, the Commission invites Portugal to envisage not to delay the GAEC application to 2025.

138) Rice parcels that are systematically used for rice should not be excluded from the GAEC application, and appropriate requirements should be set for these areas, which are often within or very close to wetlands.

GAEC 3

139) The two additional standards (2 and 3) on managing the burning of shrub vegetation in permanent pastures and control of shrub vegetation in areas with oak trees intended for the cork production are outside the scope of this GAEC that covers arable stubble as laid down by Annex III to the SPR. Portugal is required to remove these two standards from GAEC 3. Portugal could envisage to include these requirements in an additional GAEC if these relate to agricultural areas, as laid down in Article 13(2) of the SPR.

GAEC 4

140) Portugal is asked to include an explanation of the IQFP (*“Índice de Qualificação Fisiográfica da Parcela”*) classification as this is used for setting the requirements for several GAECs. The strips width standards for Madeira and the Azores need also to be indicated. The Commission asks Portugal to state explicitly that, within NVZs, the stricter rule prevails (i.e., 3 meters in cases the National Action Programme (NAP) stemming from the Nitrates Directive currently still allows less than this width, or those of the NAP when they go beyond 3 meters). This should also ensure that if the NAP rules are strengthened in the future, the latter would apply without an amendment of the Plan. Portugal is asked to more explicitly state that pesticide and fertiliser application is forbidden in the buffer strips also for the Azores.

GAEC 5

141) It would be appropriate to set standards on tillage management for IQFP 2 (10-15%) as parcels with this gradient are prone to a significant erosion risk. The prohibition of scrub clearance should be greater than the radius of the cork oak canopy for the sake of protecting biodiversity.

GAEC 7

142) The Commission welcomes that the Plan envisages, as national standard for this GAEC, the alternation of the main crop on the same plot between consecutive years. However, according to footnote 4 of Annex III to the SPR, the standards on crop diversification cannot be set as being an alternative to the main standard on crop rotation. As an exception to the general rule of crop rotation, the possibility to allow crop diversification should be interpreted narrowly. The diversification can only be applied to specific regions according to their specific farming methods and agro-climatic conditions on the basis of an appropriate justification. In light of this, Portugal is requested to bring the Plan in line with the Regulation and provide the necessary justifications for crop diversification in the concerned regions.

143) The specific treatment of non-irrigated areas (two years rotation) should be justified. Article 13 of the SPR lays down that, when setting the standards, Member States shall take into account, where relevant, the specific characteristics of the areas concerned, including soil and climatic condition, existing farming systems, land use such as farming practices, farm size and farm structures, land use and the specifics of outermost regions. Based on these criteria, it might be considered applying the

standards to a part of the arable land on the farm. However, it should be ensured that all arable parcels undergo the growing of different crops in succession across a sequence of two or three growing years. The Commission considers that summer and winter varieties of the same gender are not distinct crops.

GAEC 8

- 144) The areas afforested and agroforestry areas indicated under “other” are not eligible. Agroforestry are “productive areas” and they are not covered by the notion of non-productive areas and landscape elements. However, the area occupied by tree rows (from the canopy) and hedgerows in agroforestry parcels can be accounted as well as the woody areas at the edge of agricultural parcels, provided they are not productive. The area of “woods” should be qualified to assess their eligibility. Small wooded areas surrounding the parcels or located in the parcels can be considered landscape features.
- 145) In line with the requirements laid down in Implementing Regulation (EU) 2021/2289, Portugal is requested to provide some indication about the minimum/maximum size of the landscape features as well as the conversion and weighting factors used for the calculation of the biodiversity areas’ share in coherence with the eco-scheme A.3.6 (Biodiversity-promoting practices).
- 146) Portugal is encouraged to extend the list of features eligible for fulfilling the minimum share of the total arable land dedicated to non-productive areas and features, such as stone walls and terraces.

GAEC 9

- 147) Portugal should provide some elements concerning the designation of environmentally sensitive permanent grasslands (ESPG) as well as an indication of the estimated area of ESPG, as requested by the Implementing Regulation (EU) 2021/2289. Portugal should consider a large definition of these areas taking into account the current grassland status and trends in the recent report of ‘The state of nature in the European Union - Report on the status and trends 2013-2018 of species and habitat types by the Birds and Habitats Directives (European Commission Report, October 2020)’ on the conservation of grasslands protected habitats, and the objective to achieve a good conservation status of these valuable grasslands.

2.7.2. For direct income support

2.7.2.1. BISS (Articles 21-28 of the SPR, section 5 of the Plan)

- 148) For intervention A.1.1 (Basic income support), the planned unit amount cannot be justified as resulting from the payment entitlement value. The unit amount should primarily be justified on the basis of the analysis of the income needs. Subsequently, the payment entitlement values should be adjusted based on this unit amount. Portugal is requested to reconsider the variation of the unit amount provided for BISS.
- 149) For A.2.1 (Payment to small farmers), Portugal is requested to reconsider the variation of the unit amount provided for payment for small farmers.

150) For A.1.1 and A.2.1, the variation percentages are considered to be very high and are not adequately justified. The justification of the unit amount, on the one hand, and of minimum and maximum unit amounts, on the other hand, should be linked. These justifications should primarily be based on data related to the needs which the relevant intervention wants to address. Elements of uncertainty leading to a risk of unspent funds can be added to justify the variation. However, these elements must also be explained and where possible based on data, e.g. related to past experience related to under-execution.

151) Furthermore for A.2.1, the output indicator for the clearance should be based on the unit 'by beneficiaries'. As three different lump sums are foreseen, the Commission suggests to Portugal to indicate three separate unit amounts for this intervention rather than an average to ease their management/monitoring.

2.7.2.2. CRISS (Article 29 of the SPR, section 5 of the Plan)

152) Portugal is invited to reconsider the variation of the unit amount provided for CRISS. The variation percentage appears to be very high and not adequately justified. The justification of the unit amount on the one hand, and of minimum and maximum unit amounts on the other hand should be linked and these justifications should primarily be based on data related to the needs which the relevant interventions aim to address. Elements of uncertainty leading to a risk of unspent funds can be added to justify the variation. However, these elements must also be explained and where possible based on data, e.g. related to past experience related to under-execution.

2.7.2.3. Eco-schemes (Article 31 of the SPR, section 5 of the Plan)

153) The Commission draws the attention of Portugal to the need to clearly differentiate eligibility conditions and commitments. Eligibility conditions are the criteria (on type of agricultural area, holding features) a beneficiary has to fulfil in order to be able to subscribe to the eco-scheme, while commitments are the practices that the beneficiary has to carry out for getting the support. Eligibility conditions should not be accounted for in the calculation of additional costs and income foregone (and transaction costs).

154) In A.3.1 (Organic Farming), having specific training approved in organic farming or alternatively a contract for specific training is set out as eligibility criteria to subscribe for the eco-scheme, while an increase of the premium is proposed in those cases. This should be reviewed as paying for an eligibility condition is not possible, pursuant to Article 31(5) of the SPR. The training and technical assistance can be included in the unit amount as transaction cost if this is a commitment. The maximum number of years for conversion and maintenance support should be indicated.

155) While Article 102 of the SPR provides the option to establish an average amount for IACS-based interventions, this possibility should be restricted to cases where it is not possible to set uniform amounts. This does not seem to be the case of this eco-scheme for which 10 unit amounts have been set out for conversion and maintenance respectively. A single average unit amount covering conversion and maintenance and all the different production categories does not seem justifiable.

- 156) Therefore, for transparency and clarity reasons, Portugal is invited to revise table 11 and include unit amounts for the different categories of support (conversion and maintenance) and types of crops, for which payments are different. This will also allow monitoring the areas supported for conversion and for maintenance. The output can be set at the level of the unit amount or at the level of the intervention. Finally, it is noted that the line total of the financial table is not correct as it is not possible to sum outputs expressed in different units.
- 157) In A.3.2 (Integrated Production (PRODI) - Agricultural crops), Portugal should provide an indication of main commitments in the relevant heading (some information is included in section 6 about “baseline”) as these commitments must go beyond the requirements imposed under conditionality as well as other mandatory requirements laid down in Union law, and provide sufficient added value to qualify as an eco-scheme. It also needs to be recalled that this additionality needs to be maintained throughout the validity period of this scheme (a reference to national legislation that may change is not sufficient to provide this reassurance).
- 158) The allocation of a bonus for having specific training or for having a contract for specific technical assistance is unclear, as this is an eligibility criterion to subscribe for the eco-scheme. Portugal is invited to reconsider the approach of unit amounts in table 12 and to envisage setting uniform amounts.
- 159) In A.3.3.1 (Soil management - Permanent pasture management), it would be appropriate to indicate in the commitments if farmers are required to hold and comply with a grazing and fertilisation plan and to provide further elements on the minimum content expected of these two plans (that can be further detailed in the national implementation documents). As in NVZs a fertilization plan is mandatory under article 8 of the Portuguese NAP (Portaria n°259/2012), either other commitments should be added for farmers within NVZs or compensation levels should be reduced accordingly.
- 160) For A.3.3.2 (Soil Management - Promotion of Organic Fertilisation), the explanation regarding how the obligation of holding a livestock effluent and a fertilisation plan goes beyond the baseline is not relevant as these are eligibility conditions (conditions for access). The enhanced commitment of having 50% of organic fertilisation should also be mentioned in the heading commitments and the premium (10% higher than certified unit amounts) should draw on a calculation of costs incurred and income foregone. Moreover, the level of support should be adapted for farmers in NVZs as some of the commitments are binding measures for farmers in NVZs stemming from the Portuguese NAP.
- 161) Portugal should reinforce this eco-scheme with provisions to reduce and prevent nutrient pollution, including ammonia volatilisation. More concretely, the intervention should be improved with additional commitments to assess the efficiency in the use of phosphorus (due to the well-known imbalance of nitrogen and phosphorus in organic fertilisers) and additional commitments to reduce the ammonia volatilisation after application. Portugal is invited to, outside the NVZs, envisage adding commitments supporting the voluntary measures within the Code of Good Agricultural Practice that Portugal has adopted under the Nitrates Directive.

- 162) As regards the unit amounts, the Commission draws the attention of Portugal that in the case of planning an average unit amount based on Article 31(7)(b) of the SPR, it is expected that underlying certified amounts per commitment are complied with (despite that the average may vary). Portugal should also clarify that the beneficiary of the compensation of the transport costs is the farmer and not the operator that produced the organic fertiliser.
- 163) In A.3.4 (Improve animal feed efficiency), regarding the title of the intervention, it could be appropriate to add “to reduce greenhouse gas and ammonia emissions”. Concerning the access conditions and commitments, specifically the access conditions for beef cattle, it should be clarified who is responsible for preparing the feeding plan for the beef herd. The effect of livestock dietary manipulation techniques (diet formulation and feed additives) on greenhouse gas and ammonia emissions varies greatly between different techniques. Therefore, techniques need to be carefully selected to achieve the expected reduction. While the measure seems targeted at reducing greenhouse gases, the contribution to animal welfare seems unclear and limited. Portugal should either refocus the activity on greenhouse gas and ammonia emissions or make it clearer which action is going to improve animal welfare (on the current description, animal welfare seems to be an expected collateral effect of measures intended to address the emissions’ issue). Furthermore, the commitments of this eco-scheme as currently described appear insufficient to bring ammonia reduction benefits and therefore contribute to need COE65N4 on air quality.
- 164) Depending on the level of payments for different herd sizes, this eco-scheme could encourage intensification and could result in a negative backlash by incentivising higher livestock numbers without appropriate safeguards to keep emissions down.
- 165) For A.3.5 (Animal Welfare and Rational Use of Antimicrobials), on animal welfare, Portugal should explain how the certification schemes are going to work. The proposed measures for antimicrobials should be clarified, regarding how they contribute to a reduction of use of antimicrobials.
- 166) In A.3.6 (Biodiversity-promoting practices), the specific commitments (share of ecological and environmental focus areas and list of eligible areas ecological or environmental focus areas) have been indicated in the heading “eligibility conditions”. For coherence and simplification reasons, the minimum/maximum dimension and weighting factors for the different landscape features and ecological areas indicated should be the same as those for GAEC 8.
- 167) Regarding the form of support, Portugal is requested to specify whether the support is granted to all eligible areas of the holding or to the specific area occupied by landscape features and ecological areas. It should also be indicated that the arable areas that account for the calculation of the minimum share under GAEC 8 are not eligible to support. In line with Article 31(8) of the SPR, Portugal is requested to justify how the planned unit amount has taken into account the level of ambition of the eco-scheme. This low amount does not seem to be sufficiently rewarding to trigger a high uptake of this important eco-scheme for biodiversity.

2.7.2.4. CIS (Article 32-35 of the SPR, section 5 of the Plan)

- 168) In order to address efficiently difficulties and improve the competitiveness and sustainability of the sector and to avoid that the proposed CIS interventions lead to a deterioration of the environmental and climate situation (e.g. resulting from intensification of livestock farming), Portugal is requested to clarify the interplay between CIS and other support decisions under the Plan and to improve, if relevant, the CIS interventions' targeting (e.g. eligibility conditions for specific types of farming within a sector and CIS adapted to different local context).
- 169) If an intervention is mentioned to contribute to a specific objective (e.g. intervention on goats and sheep to SO5), the connection should be clear and be reflected in targeting and eligibility criteria. In this specific intervention, Portugal should introduce specific requirements going beyond conditionality to allow linking to SO5.
- 170) Though lower profitability compared to another agricultural sector, or other economic sector or lower market prices compared to other EU Member States helps to put the targeted sector's situation into perspective, these per se do not justify economic difficulty of the sector concerned. Similarly, increasing input costs and/or income volatility may justify the difficulty in extreme cases, but only if the impact on average profitability risks decrease/abandonment of production. The justification of the interventions concerned should be reinforced accordingly (e.g. on the basis of low/negative profitability and/or declining production trend based on relevant and recent data).
- 171) While EU eligibility conditions (active farmer, minimum requirements, compliance of supported area with the definition of eligible hectare, compliance of supported animals with identification and registration requirements) do not need to be spelled out in the Plan, it would be necessary to see a justification for any minimum or maximum criteria introduced, be it the number of ha or heard size.
- 172) The Commission should inform Member States about reduction coefficients, if any, related to the EU WTO schedule on oilseed in the observation letter. However, the Commission has not received all the information needed yet. Once all Member States have submitted their Plans, the Commission will inform Member States, if such coefficient is needed.
- 173) The Commission takes note of the fact that unit range and rate are set according to the prevailing needs and costs. Nevertheless, additional details would be needed in terms of costs, losses/ profitability of the respective sector to explain why that range and rate are seen as adequate.

2.7.3. *For interventions in certain sectors*

2.7.3.1. Fruit and vegetables

- 174) The Commission notices the absence of the key link to specific objective SO3 (Improvement of farmers' position in the value chain) and the fruit and vegetable interventions and, therefore, it requests Portugal to add it.

175)The Commission would like to invite Portugal to verify and demonstrate that all additional requirements set out in Delegated Regulation (EU) 2022/126 like the percentage for minimum water saving (Article 11(4)(a) of Delegated Regulation (EU) 2022/126) are properly described in the Plan.

176)The Commission invites Portugal to check and harmonise the level of details of their Plan. The Commission believes that part of the current description of types of interventions could form part of the national legislation.

2.7.3.2. Apiculture

177)Portugal is invited to complete section 3.5.2 with an analysis of the sector which leads to the needs identified and justification of the interventions, explain how the sectoral interventions contribute to the related specific objectives and to improve the description of eligible expenditure providing a more comprehensive explanation including a few examples where relevant. Moreover a clearer demarcation with rural development interventions should be provided, particularly with F.8.11 (Support for beekeeping) and F.2.2 (Investment and maintenance of agroforestry systems).

2.7.3.3. Wine

178)Portugal plans to spend less than 1% of the total wine budget in organic restructuring. In view of the types of interventions proposed, Portugal is invited to explain how the planned strategy will achieve the minimum of 5% of environmental expenditure, in line with the provisions of Article 60(4) of the SPR.

179)In addition, Portugal should complete the innovation and/or research strategy for the wine sector.

2.7.4. For rural development

Observations common to several rural development interventions

180)The Commission asks that information about the baseline elements and an explanation as to how the commitments go beyond the mandatory requirements is added to the interventions under Articles 70 and 72 of the SPR.

181)For interventions under Articles 71 and 72 of the SPR, Portugal is asked to indicate if the compensation will cover partly or fully the costs incurred and income forgone. This is an important aspect influencing the uptake of these interventions.

182)Where applicable, Portugal should add the principles of selection according to Article 79 of the SPR.

183)For investments, Portugal is asked to explain how the durability of the investments is addressed.

184)In several interventions, Portugal does not indicate information regarding the State Aid assessment. Portugal should check if the intervention (or in the case of mixed activities) is an intervention (or an activity) falling outside the scope of Article 42 of the Treaty on the Functioning of the European Union (TFEU) and, in this case, they should indicate the type of state aid instrument to be used for clearance.

185)For the interventions (e.g. E.16 - LEADER) where Portugal indicates the support to be in line with Commission Regulation (EU) No 1407/2013 on *de minimis* aid,

Portugal needs to ensure that the maximum cumulative amount per beneficiary granted for a period of 3 fiscal years does not exceed EUR 200.000.

186) For activities falling outside the scope of Article 42 TFEU, there must be an exclusion of companies in difficulty or companies still having a pending recovery order following a Commission decision declaring an aid illegal and incompatible with the internal market, except in the cases mentioned in the applicable State aid rules.

187) For interventions where Portugal indicates that the support would be in line with Regulation (EU) No 651/2014 (General Block Exemption Regulation), Portugal should ensure that the eligible beneficiary (with the exception of Article 1(4)(c) of the same regulation) is not an undertaking in difficulty according to the definition in Article 2(18) of the same regulation. Since Regulation (EU) No 702/2014 (Agricultural Block Exemption Regulation), General Block Exemption Regulation and State Aid agricultural and forestry Guidelines are currently under revision, Portugal is invited to undertake any appropriate measures to adjust the existing schemes with the relevant State Aid rules applicable once they are adopted.

2.7.4.1. Management commitments (Article 70 of the SPR, section 5 of the Plan)

Agri-environmental and climate commitments (AECC)

188) Portugal should make sure all relevant GAECs, Statutory Management Requirements (SMRs) and national standards are identified in the interventions.

189) Compliance with the rules of conditionality should not be added as a commitment but as an eligibility condition. Since payments should be made for commitments which go beyond the baseline requirements, the justification for the associated needs to an intervention should not be based solely on compliance with conditionality.

190) For AECC, it is recalled that one or more uniform unit amounts are the default option, depending on the (various) commitments included. Average unit amounts should be exceptional and justified. Variations according to fluctuations in uptake to the interventions are not possible. Degressivity of payments would not be in line with AECC since the premia should be based on costs incurred and income foregone.

191) In the interventions for the Azores, additional explanation should be given besides the tables presented under section 5.3.9.

192) Portugal is requested to include a revision clause according to Article 70(7) of the SPR in all relevant interventions under this Article in section 4.7.3 (elements common to several interventions), or for all Article 70 interventions in section 5. Portugal is also asked to ensure the requirements of Article 70(9) are addressed for interventions under this Article.

193) For C.1.1.1.1.1 (Direct seeding) and C.1.1.1.1.2 (Lawn), the rationale mentions the need to maintain plant cover of permanent crops all year round, but this is not repeated in the commitments. Portugal is invited to indicate if these interventions will also follow a fertilisation plan as C.1.1.1.1.3.

- 194) For C.1.1.1.1.3 (Biodiverse pastures), Portugal is invited to include in the commitments explicitly that the fertilisation plan should be followed (this can however not be compensated for within NVZs). Portugal is invited to either reconsider the inclusion of the commitment on 25% leguminous crops or lower the threshold in order to ensure a significant contribution of this intervention to biodiversity or the transformation of pasture into productive crops. Mowing practices (e.g. delayed first mowing date) are key for biodiversity. Could Portugal explain if they are mentioned in the management plan? Portugal is invited to specify that reseeded is aimed at increasing grass species richness.
- 195) In C.1.1.1.2 (Efficient use of water), Portugal is invited to clarify how the bonuses (reclaimed water and for belonging to a Renewable Energy Community) are calculated, on the basis of costs incurred and income foregone. Commitments involving the fertilisation and irrigation plans should be clear and elaborated in a way that shows they go beyond the mandatory baseline requirements. Portugal could potentially consider increasing the ambition of this intervention, for example regarding the proposed savings and amount of water reuse to reflect the water needs of the country. Portugal is also invited to take account of water availability in areas already prone to water stress.
- 196) In C.1.1.2.1 (*Montados* and *Lameiros*), the Commission asks Portugal to ensure the stocking densities are compatible with the management requirements of the habitat types, for example as indicated in Natura 2000 management plan or by nature authorities. Regarding “montados”, a justification for the decrease in support would be welcome.
- 197) The Commission suggests that Portugal considers separating the unit amounts per commitment or sets of commitments, in interventions C.1.1.2.1, C.1.1.2.2 and C.1.1.3.
- 198) For C.1.1.3 (Agroforestry Mosaic), in the commitment for meadows and permanent pastures, Portugal should clarify the livestock density involved in the control of vegetation.
- 199) Regarding intervention D.2.1 (Agro-environmental zoning plan), the Commission asks for a justification of the removal of the top up for active shepherding in Peneda-Gerês, compared to the previous programming period as this is an important element of the conservation management of the area.
- 200) In D.2.2 (Management of *Montados* by Results), Portugal is invited to indicate if target values for the indicators will be set, in order to better clarify the classification process for the payments. The calculation of the unit amount should be based on costs incurred and income foregone. In that sense, the Portugal is asked to identify hypothetical practices to provide a basis for the calculation of the premia.
- 201) Regarding D.2.3 (Integrated Management in Critical Areas), in case both top ups apply to beneficiaries of the associated interventions, these should be included in the eligibility conditions. The Commission would ask for clarifications on the reason for the 10% top up. Commitments may overlap with the associated interventions. In that case, this should be solved.

- 202) Regarding D.2.4 (Protection of species in relation to agricultural area), while under Article 70 of the SPR, agri-environmental commitments cannot be paid per unit of livestock, support could be granted in duly justified cases as lump sum for maintenance of a cattle protection dog. The ratio of livestock units per dog should be double checked, as it is much higher for cattle than for sheep and goats. The increase of the premia in case the beneficiary is a non-governmental organisation (NGO) working in the field of action needs further explanation. Portugal is invited to justify the length of contracts for the protection of the *Circus pygargus*. Additionally, it is suggested that Portugal reconsiders the minimum eligible parcel, since these birds have been identified in parcels of less than 0.5 ha. This intervention combines two operations of different nature, one conceived as payment per livestock unit, the other as payment per hectare of land, comparable to other nature conservation commitments. The Commission would ask Portugal to clarify this choice.
- 203) Under E.10.5 (Conservation of Live Hedges for the Protection of Vegetable Fruit, Vegetable and Medicinal Plants), cutting and pruning at least twice a year and cleaning of the surrounding space, may limit the use by fauna. Furthermore, Portugal should confirm if the use of fertilisers or pesticides are excluded in the conservation of the hedges.
- 204) For E.10.4 (Conservation of Traditional Orchards) and E.10.6 (Maintenance of extensification of livestock production), the commitments should be clarified regarding the application of fertilisers and plant protection products. They should be elaborated in a way that goes beyond the mandatory baseline requirements.
- 205) In E.10.3 (Stone walls for wine cultivation) it should be clarified what is involved in the commitments for keeping vine plants in production and good vegetative condition, and control of weeds. Portugal is reminded to ensure the requirement of Article 70(3)(c) of the SPR is respected.
- 206) The commitment of F.8.7 (Maintenance of *bardos em urze*) to keep good vegetative condition of the heather walls should also be clarified.
- 207) On intervention E.10.8 (Compensation for Agricultural Areas Included in the River Basin Management Plans) Portugal should clarify whether the commitments stem from mandatory requirements of the RBMP. If so, this intervention should be placed under Article 72 of the SPR. The output indicator O.14 represents a small proportion of the UAA (0.6%) in the Azores. The Commission would strongly encourage Portugal to extend this area.
- 208) On F.8.5 (Protection and enhancement of biodiversity), the commitments do not seem to include the “maintenance of ground support systems and rainwater drainage systems” indicated in the description. The name of this intervention could be modified, since it focuses on the control of invasive species. Portugal should clarify if the use of plant protection products is foreseen. Portugal is asked to clarify if this intervention also covers Laurisilva forests or to consider covering these forests.
- 209) In F.8.11 (Support for beekeeping), Article 70(8) of the SPR lays down that agri-environment-climate commitments shall be per hectare. Compensation per beehives is therefore not possible. Portugal is invited to revise these commitments accordingly by defining a payment per hectare (or ranges of payments per hectare).

Organic Farming

- 210) Portugal is asked to separate commitments from conditions to access to support. Based on the recognised contribution of organic farming Portugal should link this intervention also to R.19 (soil) and R.31 (habitat and species), but not to R.33 (improvement of Natura 2000), or only in case the farms supported are in Natura 2000 sites. In case the support is for farming systems including livestock husbandry, also indicators R.43 and R.44 could be relevant.
- 211) Table 12 and 13 in the case of the Azores interventions need to be revised and include unit amounts for the different categories of support, in case payments are different. It is recalled that uniform amounts are the default option to be used for interventions under Article 70 of the SPR. A single average unit amount covering conversion and maintenance (in the case of Madeira) and all the different production categories is hardly justifiable.
- 212) As to the combination of support for organic farming (in the case of the Azores), further explanation is needed and alignment should be done not according to the number of single interventions which can be combined, but on complementarities and potential overlaps in line with the obligation to avoid double funding. The reference to the maximum amounts of support provided for in the current rules should be deleted, as this does not apply under the SPR.

Forest interventions

- 213) As a general comment, Portugal refers in most forest-relevant interventions to the applicable regional forest management plans (PROFs), therefore it is requested to provide details how these planning documents satisfy the contribution to the several objectives and needs.
- 214) The maintenance support after restoration or other investments (other than afforestation or agroforestry establishment) should be formulated as forest-environmental voluntary commitments going beyond the legal obligations. All investments should be programmed under Article 73 of the SPR, and not Article 70. Portugal should meet the provisions of Article 73(3)(g) of the SPR concerning afforestation.
- 215) Portugal is also strongly invited to consider refocusing these interventions by adding the necessary conditions to respond to the Forest Strategy, including payment for ecosystem services of forests. On the type of support, there is a need to clarify what is covered under the support for income loss.
- 216) The Commission recommends to Portugal to include actions for the proper management of rural vegetation including existing forestry, agroforestry and shrub land areas to decrease the fire risk and avoid the carbon loss.
- 217) Regarding the interventions in the Azores, Portugal should clarify the commitments in the different interventions related to forestry, and clarify if ‘good forestry practice’ is part of the obligatory commitments. More details are needed, besides referring to forest management plans. “*Restoration of forest affected by biotic and abiotic agents or catastrophic events*” needs a better justification in order to avoid eligibility questions.

218) Regarding the interventions in Madeira, Portugal is invited to review the objectives and the level of ambition of the commitments.

219) Regarding the interventions in Mainland, Portugal should add the missing information as the text provided in the Plan is not complete.

Genetic resources

220) All genetic resources interventions should comply with the relevant provisions of Article 45 of Delegated Regulation (EU) 2022/126.

221) In C.1.1.4 (Maintenance of autochthonous breeds), Portugal is asked to specify the minimum number of animals per herd for each breed to ensure adequate support for the aims of the intervention. It should explain why no activity is planned for 2028 and 2029. In addition, it is also unclear whether the length of commitments is 2 or 5 years; if 2 years, Portugal is requested to justify this choice.

222) In E.10.7 (Protection of autochthonous breeds), Portugal is requested to convert the unit of support for donkeys and ponies to livestock units, and to include the unit amount corresponding to breeds “*poney da Terceira*” and “*burro da Graciosa*”. The action to keep good sanitary state of animals should be clarified.

223) For C.1.1.5 (Conservation and Improvement of Genetic Resources), commitments and eligible conditions are mixed and not differentiated. Exotic animal breeds should be excluded from the intervention. Exhibitions and competition activities should also be removed from the eligible expenditure part in section 5.

224) In E.10.9 (Conservation and Improvement of Animal Genetic Resources), exotic breeds should not be supported (included in the objectives).

Natural or other area-specific constraints (ANC)

225) Interventions should be attributed to objectives to which their contribution can be considered substantial, significant and direct. In this regard, ANC payments contribute more logically to SO1, which is missing for the Azores. Portugal is invited to correct.

226) For all ANC interventions, a short explanation and justification related to the average unit amount is expected, since the support is subject to degressivity and differentiation based on farming systems or severity of constraint. The financial table with outputs should be revised since information is missing.

227) In relation to the ANC intervention in Mainland, the Commission would like to recall that support under Article 71 of the SPR does not have a commitment nature. Further clarifications are needed concerning the proposed commitments. It seems to be more a criterion related to the differentiation of payments based on farming systems. A single average unit amount covering all ANC categories and the differentiation based on farming systems or severity of constraint is not justifiable. An average unit amount should be provided for each ANC category.

228) For the Outermost Regions ANC interventions, it should be clearly stated in the eligibility conditions that ANC payments can only be granted to active farmers and cover only ANC designated areas (Article 71(2) of the SPR). The link to the list of the designated local administrative units and to the ANC map must be provided for

each category of areas referred to in Article 32(1) of Regulation (EU) No 1305/2013.

229) In the ANC intervention of the Azores (E.12.1), an ANC category should be selected as eligible area. The contribution rate for intervention F.6.2 should be corrected as it cannot be higher than 85% according to Article 91(2)(a) of the SPR (100% in the current version of the Plan).

Area-specific disadvantages resulting from certain mandatory requirements

230) Portugal is invited to justify these interventions as a compensation for respecting mandatory requirements (Article 72(5) of the SPR) established under the respective environmental legislation and which lead to additional disadvantages in farming for those farmers who are concerned by these requirements and disadvantages in comparison to other farmers not affected by these requirements and adjust accordingly needs and specific objectives (specific objective 1 as the main objective).

231) Portugal is invited to refer to the sources of the requirement restrictions to be supported, for example PAF, management plans or equivalent instruments.

232) In C.1.2.2 (Payment Natura Network), beneficiaries must be farmers, forest holders and their associations, or other land managers (Article 72(2) of the SPR). It is not clear from the current drafting whether the commitments include only limitations of stocking density or also limitations of afforestation of agricultural land and of intensification of agricultural activity. The average planned unit amount proposed is not clear and would need further explanations.

233) For F.7.1 (Natura 2000 Payments and Water Framework Directive) and E.13.1 (Compensation in Natura 2000 Forest areas), Portugal is invited to double check whether this is applicable to Natura 2000 interventions for forestry sites. Concerning the planned unit amount, Portugal should clarify the difference between the amounts mentioned in section 7 and section 13 of intervention E.13.1.

234) For Azores and Madeira, Portugal is invited to consider introducing an intervention on Natura 2000 payments for agricultural areas given that agriculture remains the main pressure and there is a need to ensure non-deterioration of habitats and to prevent disturbance of species in the sites.

2.7.4.2. Investments, including investments in irrigation (Article 73-74 of the SPR, section 5 of the Plan)

Productive Investments

235) Investments in energy efficiency do not qualify as investments aimed at increasing renewable energy production capacity (under R.15). Portugal should streamline interventions for the three regions, reinforce the links to research, innovation, and digitalisation and consider increasing the values of the output indicators in particular in outermost regions.

236) For forest interventions, in case of Natura 2000 areas, Portugal should include explicit references to the need of Habitats Directive Appropriate Assessment.

- 237) Portugal is invited to ensure a better connection between the planned productive forestry investments and the environmental and climate related considerations.
- 238) In C.2.1.1 (Agricultural Productive Investment - Modernisation), Portugal is invited to review the intervention to reinforce the synergies with research, innovation and digital solutions.
- 239) To qualify as a green investment (investments as referred to in Article 73(4)(a)(i) of the SPR) counting towards the environmental ring-fencing and benefiting from a higher support rate, it has to be assured that the eligible investments are directly linked to climate and environment/animal related indicators with a clear and direct benefit for the environment and climate or animal welfare. The investments should go beyond mandatory requirements. Portugal is invited to elaborate more on a clear targeting of the intervention, including more details on the eligible investments. When establishing the different support rates to be applied, it is recommended to take also into account the economic return of the investment.
- 240) In C.3.1.1 (Productive investment bioeconomy – modernisation), the section on complementarity with the European Regional Development Fund should be expanded upon to explain synergies. The rate of support from EUR 50,000 to 150,000 indicated is 80% without justification. How does Portugal plan to have the same number of supported investments per year?
- 241) Furthermore, in C.3.1.1, a reference is made to the obligation for the beneficiary to comply with the legislation and mandatory standards for carrying out the activity related to the nature of the investment, including licencing. This statement is far too general and undefined, notably in the case of productive investments related to agro-industrial and forestry industries, where legislation and standards are particularly sensitive. For the sake of clarity and efficiency, at least the most important applicable body of legislation and standards ought to be clearly indicated or referred to in the Plan.
- 242) The difference with C.3.1.2 (Investment in bioeconomy to improve environmental performance) and C.3.1.1 should be more clearly described. It is unclear how these interventions contribute to the bioeconomy development; the description should be changed to provide more clarity on their scope, for example, the type of machinery to be purchased. Both interventions should refer to and comply with the Renewable Energy Directive.
- 243) For C.3.2.6 (Improving the economic value of forests), Portugal is invited to specify the conditions under which it is allowed not to present a forestry management plan.
- 244) For C.3.2.6 and other interventions where “certification costs” are mentioned: the necessary investments which are required to improve the forest management standard to be eligible to receive the certification can be supported, but not the administrative costs of the certification. The same applies to C.3.2.5 (promotion of ecosystem services).
- 245) For C.4.1.2 (Prevention of disasters and natural disasters), E.6.1 (Preventive actions) and E.6.2 (Restoration actions), the eligible investments under these interventions focus on preventive and restoration actions for agricultural production and are mainly linked to SO1 and therefore do not qualify for the environmental ring-

fencing. Preventive investments could only be linked to the climate objective if these measures clearly strengthen the resilience of the agro-ecosystem and help to reduce the present and future impacts of climate change.

- 246) For several interventions concerning the Azores, including E.8.5 (Improvement of the Economic Value of Forests) there is a need for some more concreteness on what they are going to support. Portugal should consider harmonising the intervention description with interventions in Madeira, for example.
- 247) In E.3.1 (Improvement of hygiene conditions on livestock holdings and animal welfare), Portugal is invited to develop on access conditions for beneficiaries requesting self-sufficiency in 60% of fodder and compatibility with fertiliser use and residues.
- 248) Portugal is invited to explain what is being supported under E.3.4 (Renewable energy installation), and how this will link to R.15 (MW generation capacity).
- 249) For E.4.1 (Support for Processing, Marketing and Development of Agricultural Products), Portugal is requested to give structure to the list of eligibility requirements. The Net Current Value is a complex tool and would need some explanations. The referred support rates, and in particular the additional complement of 5%, do not seem to fall under cases provided in Article 73(4) of the SPR. Portugal is requested to further explain and justify the support rates. It should refer to the EAFRD contribution rate, not the rate of support (90%).
- 250) Further to E.4.1, it seems to have productive elements related to the increase of competitiveness and enhancement of market orientation. These investments cannot qualify for the environmental and climate ring-fencing.
- 251) In F.1.3 (Investments in the Processing, Marketing and Development of Agricultural Products), Portugal is invited to elaborate more on the aim of both actions of the intervention. It should provide a reason for the inclusion of the fencing and preparation of land in the list of eligible costs. It should define priority criteria among potential beneficiaries. It should also correct the contribution rate for the intervention. While 85% is the applicable rate, the data return a 17% contribution rate.
- 252) Regarding C.4.1.4 (Rural Emergency Fund), in the type of payment, a reimbursement of eligible costs actually incurred by a beneficiary is foreseen, while in the range of support, the use of Simplified Cost Option (SCO) is referred to. It is also stated that the “*fixed amount per beneficiary is indexed up to six times the maximum amount of payment to small farmers*”. Portugal should clarify the envisaged type of support and provide additional information on the envisaged type of SCO. It should provide additional information on the envisaged appropriate mechanisms to avoid possible overcompensation with other EU funds and/or national risk management schemes.

The following observations are put forward as regards non-productive forest investments for prevention and restoration (Mainland, Madeira and the Azores):

- 253) Regarding C.3.2.3 (Forest prevention against biotic and abiotic agents), the intervention is perceived as green non-productive. Portugal has selected O.24 (number of supported off-farm productive investment operations or units). For non-

productive interventions O.23 (number of supported off-farm non-productive investment operations or units) should be selected. The section on eligible type of support and non-eligible investments is not filled in.

254) Additionally, Portugal is encouraged to reflect on the possibility to use SCO as a way of simplification. It should provide additional elements to better understand the scope of the distinction and the rationale for identifying the respective beneficiaries (distinction is made between “*intervention at forest and agroforestry holding level*” and “*intervention with a relevant territorial scale*”).

255) Furthermore, regarding C.3.2.3, in some cases the potential beneficiaries have to prove they are located in “*in territories classified with high or very high rural fire hazard classes*”. It should provide the main criteria on the basis of which these territories will be defined. Portugal is invited to justify the decrease of funding for this intervention.

256) On C.3.2.4 (Restoring forestry potential following natural disasters, adverse climatic events or catastrophic events), the intervention is perceived as a green non-productive. Portugal has selected O.24 (number of supported off-farm productive investment operations or units). For non-productive interventions O.23 (number of supported off-farm non-productive investment operations or units) shall be selected. Type of interventions are identified according to the territorial scope, one of which being “*interventions with relevant territorial scale*” which shall be “*in areas identified by the competent authorities*”. Portugal should provide additional information to understand the criteria used to define those areas. The section on the form of support and on non-eligible investments is not filled in. The use of SCO is recommended.

257) For E.8.3 (Improved resilience and of the environmental value of forest ecosystems) and E.8.4 (Improved resilience and of the environmental value of forest ecosystems – Non-productive), the description of the interventions should be clarified regarding the aim of the interventions.

258) In F.2.3 (Forest prevention against biotic and abiotic agents), the use of SCO is foreseen, which is encouraged. The Commission would however appreciate that the concerned types are clearly identified in the text. The non-eligible investments section should be completed. The maximum unit amount for the planned unit amount is 50% higher than the reference level. Portugal should provide a justification to better understand the rationale of the chosen value.

259) The above comments for F.2.3 are all relevant to F.2.4 (Investment in forest restoration).

The following observations are put forward as regards investments on afforestation and agroforestry (Mainland, Madeira and the Azores):

260) The selection of species, varieties, ecotypes and provenances of trees shall take account of the need for resilience to climate change and to natural disasters and the biotic, pedologic and hydrologic condition, as well as of the potential invasive character of the species as defined by the EU and Member States under local conditions of the area concerned. In the case of afforestation operations leading to the creation of forests the operation shall consist of the exclusive planting of

ecologically adapted species and/or species resilient to climate change in the biogeographical area concerned, which have not been found, through an assessment of impacts, to threaten biodiversity and ecosystem services, or to have a negative impact on human health..

- 261) In C.3.2.2 (Installation of agroforestry systems), Portugal is invited to explain the support rates. Top ups are referred to in section 5.3.7 but the justification for the 70% support rates should be added. Likewise, non-eligible support should be included.
- 262) Regarding E.8.2 (Implementation, regeneration or renewal of agroforestry systems), The Commission requests Portugal to provide a description of the intervention. The different sets of eligible criteria make it difficult to assess the eligibility conditions. However, Portugal is asked to further clarify in its description that this intervention gives support to the establishment of agroforestry systems. An explanation of the range of support and a justification for the selected average unit amount are also welcome. It is unclear which is the maximum support rate as different information is provided.
- 263) In F.2.1 (Investment in forestry and afforestation), the intensity aid is 100% for public and 90% for private beneficiaries. An explanation about this differentiation is needed.
- 264) For F.2.2 (Investment and maintenance of agroforestry systems), the Commission reminds that operational costs and maintenance costs are not eligible under Article 73 of the SPR, and therefore it is asked that the title of the intervention and eligible costs are adapted, ensuring this intervention does not involve profitability. The different sets of eligible criteria make it difficult to assess the eligibility conditions. Portugal is invited to clarify the use of unit costs. Further explanations on the range of support, non-eligible costs, justification for the selection of the average unit amount are also welcome. For F.2.1 and F.2.2, Portugal could clarify how it will strengthen carbon storage and sequestration for example through soil analysis to track soil organic matter and its changes over time.
- 265) It is unclear how investments under E.4.1, E.8.1, E.8.2, E.8.3, E.8.4, and E.8.5 (interventions related to agricultural products, forests and agroforestry) are specifically related to improving energy efficiency.

The following observations are put forward as regards non-productive and productive green investment interventions in Mainland, Azores and Madeira:

- 266) In C.2.1.2 (Agricultural investments to improve environmental performance), animal welfare is included. Considering that the SPR contains a dedicated specific objective, could a separate intervention not be considered for this? The eligibility conditions should be clearly defined (currently there are examples of projects and their purpose is unclear). Consistency between intervention descriptions should be ensured.
- 267) In C.2.1.2 and C.2.1.3, for investments regarding use of natural biomass, sludge, manure, and by-products, Portugal is invited to ensure that such sludge/manure management and use has zero pollution impact and thus can achieve a net impact in terms of reducing ammonia and methane emissions.

- 268) Regarding C.2.1.3 (Non-productive investments), in case SCO are to be applied under this intervention (e.g. in the restoration of stone walls), Portugal has to put in place a fair, equitable, verifiable calculation method, that is based on objective information and statistical data (Article 83(2) of the SPR). Such calculation method should be indicated in the Plan and made available to possible beneficiaries. Since the list of beneficiaries is very succinct, how does Portugal plan to ensure the funding is allocated to the relevant target groups? For each of the eligibility conditions, Portugal includes “*other operations defined by the PEPAC managing authority*”. These should be specified. Unit amounts should be better justified.
- 269) To qualify for a non-productive green investment counting for the environmental and climate ring-fencing, it is crucial that investments should be limited to non-remunerative investments linked to the delivery of purely environmental and climate benefits. Portugal should provide more information on the eligible investments foreseen (this applies also to F.1.7). The link of this investment with maintenance commitments under Article 70 or 31 of the SPR is strongly recommended. It should take into account that all eligible investments should be covered by the description in the Plan.
- 270) Regarding C.3.2.5 (Promotion of ecosystem services), in practice, eligibility conditions based on proof of a prior notification under a national law of the year 2013 (RJAAR, Article 5 of Decree-Law no 96/2013 of 19 July 2013, as amended), will significantly limit the number of possible beneficiaries for the new CAP period. Portugal is invited to consider this and provide a justification. Furthermore, while the objectives are clear and pertinent, it is not clear which objective is the eligibility condition “reforestation after cutting” linked to.
- 271) In C.3.2.7 (Wildlife Management), the principles to be applied to the selection criteria for this intervention are scant and undefined; they need to be further developed and clarified by Portugal for the benefit of potential beneficiaries and to ensure an adequate implementation of the intervention and its sound financial management. The support for the Iberian lynx is welcome but details on what this measure entails as regards hunting activities (species concerned, which game populations are being targeted, and how this will benefit the lynx) could be included. In addition, the conditions and limitations of the envisaged support to be granted for the preparation of the application and other studies prior to the implementation of the project should be defined in the Plan so as to optimise the available maximum of funding for the actual implementation of the said projects. Also, it should be clarified whether the support to be granted for the preparation of the application and other studies prior to the implementation of the project are to be taken into account towards the set ceiling of 200.000 EUR/beneficiary for the 3 year period.
- 272) Regarding C.4.1.2 (Prevention of disasters and natural disasters), the intervention sets no limits or ceilings to the amount of support to be granted for prior studies and advertising campaigns. Though such prior studies and advertising campaigns may fall within the category of preventive measures, in order to avoid excesses, it would seem appropriate to set limits against the actual expense dedicated to tangible or intangible investments under this intervention.

- 273) In E.3.2 (Improvement of the environment on livestock farms), as regards the range of support at beneficiary level, the concept and items that fall under the broad category “Overheads”, that will receive a support of 50% of the eligible costs, should be clearly defined to be considered as eligible costs. These comments also apply to E.3.4 (Renewable energy installation).
- 274) For E.6.1 (Preventive actions), the eligible type of support should be clearly defined and indicated in the text of the Plan. Portugal should provide a justification to better understand the rationale of the chosen value for maximum unit amount.
- 275) In E.6.2 (Restoration of agricultural potential damaged by natural disasters), the information in the rationale of the intervention seems to be missing and a reference stating “non-applicable” seems to be wrongly included. Portugal should revise and include the information on eligible type of support in the point specified to this end providing additional information on the envisaged investments to be supported. It should clarify the envisaged support rate in compliance with the applicable legal framework (Article 73(4) of the SPR). It should also provide a justification in order to better understand the rationale of the chosen value for maximum unit amount.
- 276) In F.1.6 (Restoring agricultural production potential), in case simplified costs are to be applied under this intervention, a calculation method that needs to be fair, equitable, verifiable and based on the use of objective information and statistical data, is to be put in place (Article 83(2) of the SPR). The calculation method should be indicated in the Plan and made available to possible beneficiaries. This comment also applies to F.1.7 (Non-productive investments).
- 277) Further to F.1.7, Portugal should reflect if it is realistic to expect 20 applications per year.
- 278) F.2.5 (Investment in improving the resilience and environmental value of forests). The comment to F.1.6 on simplified costs applies here. The support level indicated for this intervention establishes 100% in the case of public promoters and just 85% in the case of private promoters. Insofar as Article 73 of the SPR makes no difference as regards investments made by public or private promoters, a justification from Portugal is welcome.

Observations common to all irrigation and water infrastructures interventions:

- 279) Portugal supports seven different irrigation and water infrastructure interventions. C.2.1.1 on-farm productive investment in Mainland (existing and new irrigation); C.2.1.2 on-farm agricultural investment for environmental performance improvement in Mainland (existing irrigation and reservoirs); D.3.1 off-farm collective productive investment in Mainland (new irrigation); D.3.2 off-farm collective in Mainland (existing irrigation); E.3.3 on farm water abstraction and/or storage in the Azores; E.5.1 off farm water infrastructure in the Azores; F.1.4: off farm investment in collective water infrastructure in Madeira. In general, the strategic logic of the interventions is not aligned with the specific objectives, environment ring fencing, needs, output indicators and the result indicators. Moreover, principles of selection are missing and eligible costs of D.3.1 and D.3.2 need to be revised. The respect of the conditions of Article 74 of the SPR should be clearly included in all of them.

- 280) For irrigation in C.2.1.1 and C.2.1.2, the interventions include investments in the improvement of existing irrigation installations; the creation or expansion of reservoirs can also be supported. The investments in irrigation should be presented as a separate intervention due to the specific set of eligibility conditions attached to them. Investments in improvements of existing installations need to be clearly distinguished from those leading to a net increase of irrigated area. This will have implications for the adequate choice of specific objectives and result indicators
- 281) E.5.1 and E.3.3 have the potential to increase the use of water resources for agricultural purposes, particularly in the livestock sector, and there do not appear to be any safeguards regarding water use or water savings or monitoring requirements. Portugal should explain how these interventions will improve resilience as the focus of these interventions appear to fulfill objectives related to the modernization of the agricultural sector.
- 282) As regards the reduction of losses in irrigation water distribution, these are not only specific needs identified for Madeira, but also for the entire territory of Portugal. Portugal should ensure that this applies to all regions.
- 283) For investments in the modernisation of irrigation, the eligibility criteria of a minimum potential water saving of 7.5% and of an effective 5 % reduction in water consumption for water bodies in less than good status appears insufficient to address water scarcity related issues. It is therefore strongly recommended to significantly increase those minimum requirements to achieve the highest possible water savings technically feasible and to results which will significantly contribute to the reduction of water abstraction and the achievement of the WFD objectives by 2027.
- 284) In general, investments in dams or reservoirs should include an assessment to ensure the absence of significant adverse effects on water and to ensure that all requirements of the WFD are met. Such assessment should take into account the cumulated impacts of other infrastructures in the river basin.
- 285) For the support to infrastructures related to sustainable irrigation in the Mainland, there is a need to better identify the scope of the intervention and its links to specific objectives and result indicators; as well as to clarify beneficiaries, adequacy of proposed support rate and choice of output indicator. It should be noted that when the creation of a reservoir is linked to a net increase in irrigated area the provisions of Article 74(6) of the SPR apply. The links to needs, targeting of the intervention, consistency with other interventions and coherence with relevant Annex XII to the SPR and planning tools (WFD, RBMP (upcoming 3rd)) should be completed. Portugal should also add targets to this intervention, which intends to support uses of reclaimed water resources.
- 286) For the “Improving the sustainability of existing irrigation intervention”, the “increased storage” is mentioned and the eligibility conditions also refer to “investments that lead to the net increase of the watered area”. The latter investments cannot be included under the ring fencing for environment and would rather fit under the intervention for the development of sustainable irrigation.

287)The Commission invites Portugal to revise all the irrigation and water infrastructure interventions to improve consistency, to avoid overlapping and to ensure they are consistent with the need to secure good water status under the WFD.

288)On rural infrastructures in the Azores and Madeira, the interventions are linked to different SOs, despite the apparent common rationale. Interventions should be attributed to objectives to which their contribution can be substantial, significant and direct. Portugal should provide additional elements justifying the contribution of the proposed interventions in particular to environmental specific objective. Correspondent output and result indicators should be adjusted where relevant.

289)Some sections are not filled in. Portugal should complete the information and fill in all relevant chapters.

2.7.4.3. Installation aid (Article 75 of the SPR, section 5 of the Plan)

290)The gender gap is still to be recognized between farm managers, in particular among young farmers. Based on these facts, Portugal is invited to put more focus on gender gaps in interventions C.2.2.2, E.7.1, F.1.2 and F.4.1.

291)Portugal is invited to provide more information on the content and timeline of the business plan for the interventions where this is missing. Portugal also needs to provide the justification of the unit amount for the interventions where this is missing and justify the application of certain conditions which are no longer entailed by the legal framework. Portugal is also invited to consider whether an intervention on the business start-up could be relevant in the national context to address the identified needs.

292)Concerning the installation of young farmers in Mainland, Azores and Madeira, the obligation to be setting up for the ‘first time’ is no longer included in the legal context. The same goes for the obligation to be ‘active farmer’; does Portugal want to include these two conditions? Portugal should change the type of payment from costs incurred to ‘lump-sum’ (Article 75(4) of the SPR). More information should be provided on the content/timeline of the business plan.

2.7.4.4. Risk management (Article 76 of the SPR, section 5 of the Plan)

293)The risk management interventions’ link to specific objectives differs depending on the concrete interventions. Interventions should be attributed to objectives to which their contribution can be substantial, significant and direct. Portugal should justify the contribution of the proposed interventions in particular to environmental specific objectives. The correspondent output and result indicators should be adjusted where relevant.

294)On the concrete design of the interventions, Portugal is requested to indicate the coverage of single or multi-peril losses and explain the reasoning behind the differentiation of support rates. Portugal should also indicate whether the lists of eligible crops are exhaustive or exclude any possible crops, and how this is justified.

295)Finally, Portugal should provide additional information on the productivity indexes and their data sources to be used in the framework of methodology for calculation of losses and triggering factors for compensation.

2.7.4.5. Cooperation (Article 77 of the SPR, section 5 of the Plan)

LEADER/CLLD

296) The intervention logic of SO8, including the LEADER/CLLD intervention, is not clear and needs further explanation, especially the needs (related to SO8) and their link with the interventions. The current text version on the designed interventions is extremely generic and abstract which makes it very difficult to assess the expected added value of the envisaged LEADER/CLLD approach. Portugal is requested to provide additional elements justifying the interventions' objectives aimed at allowing to understand the intervention's rationale; the method and the objectives of the intervention. Other necessary information to be supplied includes eligibility conditions, rates intensity, functions of Local Action Groups (LAGs), output and result indicators. The Commission encourages Portugal to make use of multi-fund also in the Azores and Madeira.

Quality schemes

297) The scope of the three interventions related to quality schemes and the intervention logic should be strengthened and more focused on cooperation purposes related to the promotion of EU and/or national recognised quality schemes, taking into account the assessment of needs. The interventions should include the minimum requirements laid down in Article 77(2) of the SPR such as the indication of a cooperation between at least two parties, the new forms of cooperation and the new activities involved.

298) Concerning the support for the promotion of quality products in Mainland, Portugal is invited to provide a clear differentiation between the objective of promoting the transfer towards healthy, sustainable diets in Portugal (need COE9N7) and the promotion of EU quality schemes, as well as to align the calendar of the relevant aspects of this intervention with that of Regulation (EU) No 1144/2014 (Promotion of Agricultural Products).

299) Portugal is invited to confirm that the interventions concerning quality schemes in the Azores and Madeira support only EU recognized quality schemes and to distinguish the various quality schemes. Portugal is also requested to add the following missing information: principles of selection, the complementarities with sectoral interventions and/or other rural development interventions, and to propose a result indicator of the intervention which is missing.

300) The interventions should contribute directly and significantly to one or more SOs. To this purpose, Portugal should revise the proposed SO related to the proposed quality schemes and reconstruct the possible link with SO3 and related Output and Result Indicators.

Cooperation

301) For all cooperation interventions except LEADER/CLLD, Portugal is invited to describe explicitly all the minimum requirements laid down by Article 77 of the SPR, such as new forms of cooperation, including existing ones if starting a new activity, the duration of the cooperation scheme and the involvement of actors.

- 302) The use of simplified cost options is not contemplated in the majority of cooperation interventions. In order to streamline the administrative procedures following the simplification objective, their use should be considered.
- 303) Concerning the setting-up of producer groups and organisations, although degressivity of payments is contemplated throughout a duration of 5 years, the table contained in section 13 only provides for public support for years 2025 and 2026. According to Article 93 of the SPR, cooperation interventions do not contribute to EAFRD environmental ring-fencing requirements, Portugal should correct the environmental targeting.
- 304) In the intervention C.4.3.3 concerning technical assistance and other forms of cooperation, the intervention logic, the explicit purpose of the proposed cooperation schemes, the activities carried out by the partnerships, the expected outcomes and the added value of the collaborative approaches should be further developed and clarified according to the identified needs and the SO to which the intervention contributes directly and significantly.
- 305) For the intervention on EIP OG Innovation projects in the Mainland, the full support per project is allocated through a lump sum. Moreover, expenditure related to the creation of the OG as well as expenditure related to the implementation of the OG project are mentioned. In this case, Portugal should design different (sub) interventions for the preparation and for the implementation. Preparation costs can easily be covered with lump sums. The cost of the project however will vary, depending on the project plan. Furthermore, it should clarify how bottom-up innovative ideas, collected through innovation support (Article 15(4) of the SPR), will be handled, as the themes seem to be fixed already.
- 306) For the interventions concerning EIP OG in the Azores and Madeira, the amounts per project budgeted are less than EUR 35.000. It should be noted that the maximum amount is below EUR 350,000, therefore they may automatically profit from the proposed exemption in the General Block Exemption Regulation, and 100% support for projects on all nine CAP objectives is possible. Portugal is invited to consider the needs in each of the regions and align the budget in conformity to be able to fund effective innovation projects.
- 307) Portugal should include a clear encouragement or an obligation to have trusted advisors joining the EIP OG projects. Any advisor can bring in practical knowledge, which helps improving the outcomes and are a perfect means to communicate broadly on the project and disseminate the outcomes widely after the project ended. The interactive innovation model in the selection criteria should be used.

2.7.4.6. Knowledge exchange and advice (Article 78 of the SPR, section 5 of the Plan)

- 308) These interventions should be able to start as from 2023, since training and advice are not new measures, and a gap between this and the following period is not appropriate. Overall, the budget seems insufficient to have an impact.
- 309) Knowing there is a big motivation to participate, the Commission would like to invite Portugal to explain how the provision of advice and training will be aligned with the specific demands for knowledge and innovation of agricultural holdings.

- 310) How exactly will the implementation of this intervention be organised and coordinated by the AKIS Coordination Body, taking into account all obligations listed in Article 15(2),(3) and (4) of the SPR, including the implementation modes such as public procurement and the obligatory training of advisors?
- 311) Portugal is invited to reflect how the creation of a back-office of specialist advisors, who collect practice oriented knowledge in close contact with research and up-to-date knowledge and innovation through the CAP network EIP database with the latest OG and Horizon projects, could support all services to be put in place, advisors, trainers, as well as education.
- 312) In C.5.2 (Training and information), although SO4 is supposed to be related to this intervention, the needs addressed are not related to it. Portugal is asked to revise the intervention logic, as well as the coherence of the identified needs on section 3 with the needs mentioned in this section. The eligibility conditions related to the specific intervention “Drenagem e estruturação fundiária” is missing. Portugal is requested to include it. The use of simplified cost options is envisaged. However, the calculation methods are not available. Portugal is requested to include a detailed explanation on the methodology to be provided.
- 313) For C.5.3 (Advice), Portugal is requested to illustrate whether the advisory services for Portugal match the obligations concerning coverage of all three fields of sustainability, integration of advisors in the AKIS and impartiality of advice. Will a back-office be organised to ensure efficiency? Overall, the intervention needs further clarification. The use of simplified cost options is contemplated. However, the calculation methods are not available. Portugal is requested to include a detailed explanation on the calculation method.
- 314) In C.5.4 (Agro-environmental and climate knowledge), the rationale of the intervention is quite vague and does not describe the concrete actions that would be supported and how these actions would be implemented. This measure seems more an EIP Operational Group type of measure (“experimenting/testing”) supporting environmental objectives than an advisory measure: it does not fit well in the conditions of Article 78 of the SPR. Portugal should further develop the intervention and add R.2. The risk of double funding for the beneficiaries of this intervention is high as the potential beneficiaries already receive support in the framework of the direct payments (SIGPAC). The demarcation between the funding received from the direct payments and in the context of the intervention should be clearly explained. Portugal should also ensure that the beneficiary does not receive aid in the context of the cooperation group using the holding as part of its project.
- 315) In E.1.1 (Vocational training and skills acquisition), Portugal is requested to clarify what are the approval and certification criteria for beneficiaries. The link with the description of the envisaged AKIS in section 8 is not clear, in particular how the integration and/or contacts with the other training actions foreseen at national level will be ensured.
- 316) Regarding E.2.1 (Creation of Farm Advisory Services), the link with the description of the AKIS is not clear, in particular how the integration and/or contacts with the other knowledge exchange actions foreseen at national level will be done. Delimitation with similar actions provided by other public bodies should be ensured.

On the basis of the detected needs, Portugal should clearly define the list of wanted thematic areas. The consistency of the table in section 13 should be revised. For years 2027 onwards, there is no total public expenditure foreseen while there are unit amounts planned for these years.

- 317) In E.2.2 (Creation of Forest Advisory Services), the link with the description of the AKIS is not clear, in particular how the integration and/or contacts with the other training actions foreseen at national level will be done. Delimitation with similar actions provided by other public bodies should be ensured. On the basis of the detected needs a list of wanted thematic areas should be defined. Portugal foresees degressivity of payments. Given the fact that such payments should be available throughout the duration of the Plan, Portugal is invited to justify the proposed degressivity.
- 318) Regarding E.2.3 (Provision of farm advisory services), the link with the description of the AKIS is not clear, in particular how the integration and/or contacts with the other knowledge exchange actions foreseen at national level will be done. Delimitation with similar actions provided by other public bodies should be ensured. The list of thematic areas is very short and does not include the minimum provided for in Article 15(4) of the SPR.
- 319) In E.2.4 (Provision of Forest Counselling Services), the link with the description of the AKIS is not clear, in particular how the integration and/or contacts with the other training actions foreseen at national level will be done. Delimitation with similar actions provided by other public bodies should be ensured. On the basis of the detected needs a list of wanted thematic areas should be defined.
- 320) In F.11.1 (Vocational training), Portugal is requested to inform of the criteria to be approved as training organisation and why is public procurement needed. Portugal should explain the link with the description of the AKIS, in particular how the integration and/or contacts with the other knowledge exchange actions foreseen at national level will be ensured.
- 321) In E.1.1, F.11.1, and F.12.2, the use of simplified cost options is contemplated. However, the calculation methods are not available. Portugal is requested to include a detailed explanation on the calculation method.
- 322) In F.11.2 (Information actions), Portugal should clarify the different elements between F.11.1 and F.11.2. For simplification, both interventions may be merged, or in any case they should work more with more synergy and profit from other AKIS actions. The Commission advises Portugal to focus this intervention on demonstrations on genuine farms working under real production conditions.
- 323) Regarding F.12.2 (Use of Advice Services), the scope of the intervention is not well described. A more detailed explanation on the concrete areas of advice would be useful. The description of the intervention addresses both advice to farmers and the training of advisors, but it is not clear how the budget will be distributed between the two sub-interventions. The link with the description of the AKIS is not clear, in particular how the integration and/or contacts with the other actions foreseen at national level will be ensured. The mentioned eligibility conditions are not in the EU rules anymore. Portugal is asked to justify why it is keeping them, since they may

limit the effectivity of the intervention. Adding result indicator R.2 would be suitable for this kind of intervention, aiming at the provision of advice and the training of advisors.

324) Portugal is asked to check the amounts entered in section 5.3 for year 2029 for interventions C.5.2 and C.5.3. There might be a typo as they return different contribution rates from other years.

2.7.4.7. Financial instruments (Article 80 of the SPR, section 4.6 of the Plan)

325) It is the Commission's understanding that the financial instruments planned will be only operational in the Madeira region. There is no justification for this limited scope of implementation. Portugal is requested to clarify until when the current Financial Instruments under the Rural Development Programme of Mainland 2014-2022 will be implemented and whether a new one is foreseen under the Plan afterwards (alongside all necessary information about its strategic use and contribution, interventions to be covered, etc.). Portugal should summarize the justification for using financial instruments, i.e. main challenges in access to finance, as currently under justification in section 4.6 there is only a list of objectives and targeted projects. In this context the strategy for competitiveness needs to be improved as Financial Instruments are omitted from it.

326) Moreover, Portugal has to provide a reasonable explanation why financial instruments are planned to finance only 10% of the supported projects' costs or whether the 10% rate relates to the applicable support rate under financial instruments, which also needs to be justified, because it is too low.

327) In case of interventions F.1.1, F.1.2, F.1.3, F.2.6 Portugal should complete and revise the information on the use of the financial instrument including eligibility conditions, types of final recipients and support rates which are not differentiated for financial instruments, the same detailed rules apply as defined currently in general. The general principles and specificities for controlling financial instruments has to be defined in section 7.3.

3. FINANCIAL OVERVIEW TABLE

328) Concerning the financial plan, in accordance with Article 156 of the SPR, the sum of all payments made during a given financial year for a sector, cannot exceed the financial allocations referred to in Article 88 of the SPR for that given financial year for that sector. As regards the type of interventions in certain sectors defined in Article 42 of the SPR, expenditure that will be paid in 2023 or in the subsequent financial years relating to measures implemented under Regulation (EU) No 1308/2013 for these same sectors shall not be entered in the Annual indicative financial allocations under section 5 or in the Financial Overview table under Section 6 of the Plan.

329) Although the flexibility transfer from the EAFRD to Pillar I for financial year 2023 has been correctly included in line 24 of the financial overview table in SFC, Portugal should include in line 26 the transfer of the estimated product of reduction from Pillar I to EAFRD, for financial year 2023, as notified to the Commission by 1 August 2021 (EUR 80 000).

- 330) The Commission takes note that there is no amount foreseen for wine for financial year 2023 in the financing plan. It should be noted that the possibility to include an amount for wine for 2023 will be available in SFC with the subsequent submissions.
- 331) Finally, concerning the wine sector and the outermost regions (total and environment amounts), the annual indicative financial allocations under section 5 of the Plan as well as total environmental and climate ring-fencing and Article 73 and 74 of the SPR in the Mainland, do not correspond to the planned amounts in the Financial Overview table under section 6 of SFC. Therefore, Portugal is invited to revise the financial plan in section 6 of the Plan.

4. CAP PLAN GOVERNANCE, EXCLUDING CONTROLS AND PENALTIES

- 332) In section 7.1 (Identification of governance and coordination bodies), as regards the monitoring and evaluation bodies, Portugal is invited to complete the description of the set up and organisation of the Competent Authority as defined by the applicable Regulations, in particular identifying the role played by each of the bodies in obtaining and processing the indicators needed for the required reports and the IT systems used.
- 333) Portugal is reminded to ensure a balanced representation of the relevant bodies in the monitoring committee concerning women, youth and the interests of people in disadvantaged situations.
- 334) Portugal is invited to identify the composition of the Monitoring Committee, along with how it will ensure its independence from the Managing Authority as well identify the role of the delegated and intermediate bodies of the Control Bodies. Moreover, a description of the set-up of the Competent Authority and of how it will carry out its ongoing supervision of the work of the Paying Agency as well as a description and its compliance with the accreditation criteria should be provided.
- 335) In section 7.2 (Description of the monitoring and reporting structure), Portugal is invited to describe the IT systems and databases developed for the extraction, compilation and reporting of data to be used for performance reporting, reconciliation and verification purposes, along with the controls in place to ensure the reliability of the underlying data.
- 336) With regard to sections 7.3, 7.4 and 7.5, comments will be delivered by the Commission services in a separate communication.

5. ANNEXES

- 337) In Annex I, Portugal is invited to include the main recommendations of the strategic environmental assessment (SEA) taking into account the results of the public consultation and provide the link to the complete and finalised SEA report.
- 338) In Annex II, Portugal is invited to complete the SWOT analysis.
- 339) In Annex III concerning the consultation of the partners, given the strong feedback from environmental and climate Portuguese NGO on the extent of consultation on the Plan, Portugal is invited to complete Annex III with more details on how the consultation was carried on.

340) In Annex IV concerning cotton, Portugal should briefly describe the national rules that reflect the elements defined in EU rules for the Member State to address, for instance, those criteria (e.g. soil, climate, water use, agricultural economy) according to which they would authorise land as potentially eligible for the cotton payment (Article 37 (3) of the SPR).

Enclosure: List of observations pursuant to Article 118(3) of Regulation (EU)
2021/2115