(4) In order to be sufficiently attractive to the private sector, it is essential that financial instruments are designed and implemented in a flexible and transparent manner. However, experience has shown that certain measure-specific eligibility rules limit the uptake of financial instruments in the rural development programmes, as well as the flexible use of financial instruments by fund managers. Therefore, it is appropriate to provide that certain measure-specific eligibility rules do not apply to financial instruments. For the same reason, it is also appropriate to provide that start-up aid to young farmers under Article 19 of Regulation (EU) No 1305/2013 may also be provided in the form of financial instruments. In view of those changes, it should be provided that, where support for investments under Article 17 of Regulation (EU) No 1305/2013 is granted in the form of financial instruments, the investment must contribute to one or more Union priorities for rural development.

(5) In order to reduce administrative burden in relation to the implementation of the principle of no double funding in relation to greening, Member States should be given the possibility of applying a fixed, average deduction to all beneficiaries concerned carrying out the type of operation or sub-measure concerned.

(6) Nowadays farmers are exposed to increasing economic risks as a consequence of market developments. However, those economic risks do not affect all agricultural sectors equally. Consequently, Member States should have the possibility, in duly justified cases, to help farmers by means of a sector-specific income stabilisation tool, in particular for sectors affected by a severe income drop, which would have a significant economic impact for a specific rural area, provided that the drop in income exceeds a threshold of at least 20 %. In order to ensure that the sector-specific income stabilisation tool is effective and adapted to Member States' specific circumstances, it should be possible for them to define, in their rural development programmes, the income to be taken into account for the activation of the tool, in a flexible manner. At the same time, and in order to promote the use of insurance by farmers, the threshold for the drop in production applicable for insurance should be reduced to 20 %. In addition, in order to monitor the expenditure made under the sector-specific income stabilisation tool and insurance, the content of the financial plan of the programme should be adapted.

(7) The specific reporting requirement for the risk management measure in 2018 referred to in Article 36(5) of Regulation (EU) No 1305/2013 is already covered by the report to the European Parliament and the Council on the monitoring and evaluation of the common agricultural policy (CAP) referred to in Article 110(5) of Regulation (EU) No 1306/2013 of the European Parliament and of the Council [1]. Therefore, the second subparagraph of Article 36(5) of Regulation (EU) No 1305/2013 should be deleted.

(8) With regard to mutual funds for farmers of all sectors, it appears that the prohibition of any contribution by public funds to initial capital stock laid down in Article 38(3) and Article 39(4) of Regulation (EU) No 1305/2013 hinders the effective functioning of those funds. That prohibition should therefore be deleted. It is also appropriate to expand the areas that can be covered by financial contributions to mutual funds, so that contributions can supplement the annual payments into the funds, as well as relate to their initial capital stock.

(9) Support for investments for the restoration of production potential after natural disasters and catastrophic events under point (b) of Article 18(1) and point (d) of Article 24(1) of Regulation (EU) No 1305/2013 is usually granted to all eligible applicants. Therefore, Member States should not be obliged to define selection criteria for restoration operations. Moreover, in duly justified cases, where it is not possible to define selection criteria due to the nature of the operations, Member States should be allowed to define alternative selection methods.

(10) Article 59 of Regulation (EU) No 1305/2013 defines the maximum European Agricultural Fund for Rural Development (EAFRD) contribution rates. In order to ease the pressure on the national budget of some Member States and to accelerate much-needed investments in Cyprus, the maximum contribution rate of 100 % referred to in point (f) of Article 59(4) of that Regulation should be extended until the programme closure. In addition,

[1] Regulation (EU) No 1306/2013 of the European Parliament and of the Council of 17 December 2013 on the financing, management and monitoring of the common agricultural policy and repealing Council Regulations (EEC) No 352/78, (EC) No 165/94, (EC) No 2799/98, (EC) No 814/2000, (EC) No 1290/2005 and (EC) No 485/2008 (OJ L 347, 20.12.2013, p. 549).

a reference to the specific contribution rate introduced in Regulation (EU) No 1303/2013 of the European Parliament and of the Council [1] for the new financial instrument referred to in point (c) of Article 38(1) of Regulation (EU) No 1303/2013 should be mentioned in Article 59(4) of Regulation (EU) No 1305/2013.

(11) Pursuant to Article 60(1) of Regulation (EU) No 1305/2013, in cases of emergency measures due to natural disasters, eligibility of expenditure relating to programme changes may start from the date when the natural disaster occurred. That possibility to make eligible expenditure made before the submission of a programme amendment should be extended to other circumstances, such as catastrophic events or a significant and sudden change in the socioeconomic conditions of the Member State or region.

(12) Pursuant to the second subparagraph of Article 60(2) of Regulation (EU) No 1305/2013, in respect of investments in the agricultural sector, only expenditure incurred after the submission of an application is eligible. In cases, however, where the investment is related to emergency measures due to natural disasters, catastrophic events or adverse climatic events or a significant and sudden change in the socioeconomic conditions of the Member State or region, Member States should be given the possibility to provide in their programmes that expenditure incurred after the occurrence of the event is eligible, in order to ensure their flexible and timely reaction to such events. In order to provide efficient support to emergency operations undertaken by the Member States in response to events which occurred in recent years, that possibility should apply from 1 January 2016.

(13) In order to increase the use of the simplified cost options referred to in points (b) to (d) of Article 67(1) of Regulation (EU) No 1303/2013, it is necessary to limit the EAFRD-specific rules laid down in Article 62(2) of Regulation (EU) No 1305/2013 to aid granted in accordance with points (a) and (b) of Article 21(1), concerning income foregone and maintenance costs, and with Articles 28 to 31, 33 and 34 of Regulation (EU) No 1305/2013.

(14) Article 74 of Regulation (EU) No 1305/2013 requires the Member States to consult the Monitoring Committee of the rural development programme on the selection criteria within four months from the approval of the programme. This creates an indirect obligation for the Member States to have defined all the selection criteria by that date even for the calls for applications which will be launched subsequently. In order to reduce unnecessary administrative burden, whilst ensuring that financial resources are used in the best possible way, Member States should be allowed to define the selection criteria and to ask for the opinion of the Monitoring Committee at any time before the publication of the calls for applications.

(15) With a view to increasing the use of crop, animal and plant insurance, and of mutual funds and the income stabilisation tool, the maximum percentage of initial public support should be increased from 65 % to 70 %.

(16) Financial discipline is used to ensure that the budget for the European Agricultural Guarantee Fund (EAGF) complies with the respective annual ceilings of the multiannual financial framework and to establish the reserve for crises in the agricultural sector. Given the technical character of the determination of the adjustment rate for direct payments and its inherent links with the Commission's estimates of expenditure set out in its annual draft budget, the procedure for setting the adjustment rate should be simplified by authorising the Commission to adopt it in accordance with the advisory procedure.

(17) In order to harmonise the rules on automatic decommitment set out in Article 87 of Regulation (EU) No 1303/2013 and Article 38 of Regulation (EU) No 1306/2013, the date by which Member States have to send to the Commission information on exceptions to the decommitment referred to in Article 38(3) of Regulation (EU) No 1306/2013 should be adapted.

(18) In order to provide for legal clarity as regards the treatment of the recoveries generated from the temporary reductions under Article 41(2) of Regulation (EU) No 1306/2013, the latter should be included in the list of sources of the assigned revenue under Article 43 of that Regulation.

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