

**WORKING DOCUMENT**  
**RURAL DEVELOPMENT COMMITTEE**

**MEMBER STATE:** Italy **REGION:** Sardegna

**1. APPROVED PROGRAMME:** Programma di sviluppo rurale 2007-2013 della Regione Sardegna – C (2007) 5949 of 28 November 2007. CCI 2007IT06RPO016

**2. LEGAL BASIS FOR THE MODIFICATION**

Modification related to the first implementation of Article 16a of Regulation (EC) No 1698/2005; Changes to the total Community contribution for the entire programming period - Revisions under Article 6, paragraph 1, letter a) of Regulation (EC) No 1974/2006

Other modifications – under Article 6, paragraph 1, letter c), of Regulation (EC) No 1974/2006

**3. REASONS JUSTIFYING THE AMENDMENT / STRATEGY CHOSEN**

The revision of RDP Sardegna concerns:

- 1) Amendments following the adoption of the Health Check and the European Recovery Package.
- 2) Amendments necessary to ensure a better implementation of the programme and/or following modifications of the legal and administrative framework.

**Amendments following the adoption of the Health Check (HC) and the European Recovery Package (ERP).**

Following the adoption of HC and the ERP, and in coherence with the revised Community Strategic Guidelines, the Italian NSP first presented to the Commission on July 13 takes into account all the new priorities.

In this context, the RDP Sardegna has been assigned a total of 23.649.000 € in terms of EAFRD additional contribution, of which 19.845.000 € for new challenges and broadband and 3.804.000 € from modulation/wine.

The RDP Sardegna already includes all the priorities linked to the "new challenges". Consequently, the proposed modification does not concern the introduction of new priorities, but the reinforcement and/or the modification of existing actions as well as the introduction of new operations. Following the revision of the CSG and the NSP, an assessment of which priorities have to be reinforced has been carried out.

The analysis of the situation in terms of strengths and weaknesses has been up-dated, this concerning mainly the dairy sector, the environmental situation and the availability of internet infrastructure in the rural areas. Following the results of the analysis, the additional resources will be allocated to the following priorities: water management (39%), renewable energies (26%) and broadband infrastructure in the rural areas (35%).

In terms of financial weight of the axis, the additional resources have been allocated to axis I and III. This results in a slight modification of the overall balance: axis II remains the most important, with 53,7% of the total budget (in the approved version of the programme it was 56%). Axis I represents now 29,7% of the total programme's budget (it was 28%) and axis III (comprising Leader measures) 15,5% (15% in the approved version of the RDP). Finally, 1% of the resources will be devoted to technical assistance.

#### **4 DESCRIPTION OF THE AMENDMENTS PROPOSED:**

##### **4.1 New priorities / types of operations**

- Concerning the 'new challenges' the situation is the following:

##### ***Water management***

Sardinia is one of the Italian Regions with the lowest availability of water. The water scarcity is due not only to limited rainfalls, but also to the inadequacy of the water distribution system, with average losses of 20-30% but with some pipelines losing up to 50% of the water carried. Therefore, part of the additional resources (7,7 M € in terms of EAFRD contribution) will be devoted to modernisation of the irrigation network (measure 125). In terms of quality, the analysis shows the good quality of water and the low impact of agriculture in terms of losses of different compounds to water. Only 0,2% of the territory has been designated Nitrate Vulnerable Zones (NVZ).

##### ***Renewable energies***

Although increasing, the contribution of renewable energy sources to the regional total consumption of energy remains marginal. In fact, in 2006, the regional production of energy from renewable resources (wind, solar, geothermal and biomass) was only 6,9% of the total regional energy production, compared to a national average of 16,9%. Therefore, the RDP has to increase its contribution to an enhanced production and consumption of energy from renewable sources. 5,14 M € in terms of EAFRD contribution will be devoted to this priority, in particular to measures 121 and 123 for investments regarding the production of biogas and energy from other renewable sources.

##### ***Broadband infrastructure in rural areas***

The EU Recovery Package and the strategic guidelines consider investments in broadband of major importance for the direct and indirect creation of employment and growth. In this field, the objective of the Italian NSP is to secure access to all citizens to fast (up to 20 Mbit/s) broadband. ADSL light (640kbit/s), which covers part of the regional rural areas, is now considered inadequate. 5,6% of the regional population, in particular in C and D rural areas, have no or limited access to Internet. Therefore, almost

7 M € in terms of EAFRD contribution will be devoted to the completion of broadband infrastructure in rural areas.

### ***Climate change***

In 2005, the emissions of greenhouse gasses (GHG) linked to agricultural activities represent 10% of total GHG emissions of the Region (decrease by 2% compared to 2000-2005 data). The regional emissions of GHG from agricultural activities concern mainly methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O) and, to a minor extent, CO<sub>2</sub>. A number of actions in Axis I and II already meet this priority. In particular, operations under Axis I contribute to the reduction of CH<sub>4</sub> and N<sub>2</sub>O by tackling emissions factors linked to farming, animal husbandry and management of manure storage. In the context of Axis II, in particular the priority "reduction of greenhouse gasses", operations for improved soil management practices and land use changes are foreseen. A number of actions concern the adaptation and reduction of negative effects of climate change (in particular measures 214, 225, 226 and 227). The number and the budget of the actions/operations already included in the approved RDP are judged sufficient to meet this priority.

### ***Biodiversity***

Biodiversity is one of the major priorities for intervention of the approved RDP, both in terms of financial importance and number of actions focusing on this issue. Most of the measures of Axis II (211, 212, 214, 225, 226 and 227) as well as a number of ad hoc actions, already included in the approved programme (for ex. "conservation of natural and semi-natural habitats", "conservation of genetic resources -plant and animal", training on biodiversity), contribute to this priority. Therefore, no further support is judged necessary.

### ***Measures accompanying restructuring of the dairy sector***

In Sardegna, the production of bovine milk, although limited in quantity (only 2,1% of Italian production) is better organised compared to the national average, in terms of regularity of delivery and processing, mostly for the production of quality dairy products. Both the production and the processing/marketing of the dairy sector are adapted to the regional specificities (Island). In the approved RDP, the dairy sector is one of the priority sectors for axis I measures (in particular measure 121 and 123). Therefore, no further support is judged necessary.

- *Table 5.3.6 provided in the RDP*

121	Biogas production using organic waste (on farm and local production)	Substitution of fossil fuels, reduction of methane (CH4)	N	intervention f.2: installations for the production of bioagas and energy plants from organic wastes	19	5797
	Others: Installations/infrastructure for renewable energy using biomass and other renewable energy sources (solar and wind power, geothermal)	Substitution of fossil fuels	N	intervention f.2: installations for energy production from other renewable sources (including solar and wind power)	36	4922
<b>Measure</b>	<b>Types of operations</b>	<b>Potential effects</b>	<b>Existing' or 'New' type of operation (E or N)</b>	<b>Reference to the description of the type of operation in the RDP</b>	<b>Output indicator – target</b>	
					Number of enterprises supported	Total volume of investment ('000 EUR)
123	Others: biogas production using organic waste (on farm and local)	Substitution of fossil fuels, reduction of methane (CH4)	N	Investments d): installations for the production of energy from organic waste and side products of the enterprise.	10	3435
	Others: Installations/infrastructure for renewable energy using biomass and other renewable energy sources (solar and wind power, geothermal)	Substitution of fossil fuels	N	Investments d): installations for energy production from other renewable sources (including solar and wind power)	19	6528
<b>Measure</b>	<b>Types of operations</b>	<b>Potential effects</b>	<b>Existing' or 'New' type of operation (E or N)</b>	<b>Reference to the description of the type of operation in the RDP</b>	<b>Output indicator – target</b>	
					Number of operations supported	Total volume of investment ('000 EUR)
125	Water savings technologies (e.g. efficient irrigation systems)	Improvement of the capacity to use water more efficiently	N	Action III: water saving	15	11955
<b>Measure</b>	<b>Types of operations</b>	<b>Potential effects</b>	<b>Existing' or 'New' type of operation (E or N)</b>	<b>Reference to the description of the type of operation in the RDP</b>	<b>Output indicator – target</b>	
					Number of actions supported	Total volume of investment ('000 EUR)
321	Upgrade of existing broadband infrastructure; Laying down passive broadband infrastructure in rural areas	na	N	Action 5: completion of optical fiber infrastructure in rural areas	45	10844

## 4.2 Description of the amendments proposed to axes and measures

### **Amendments following the adoption of the Health Check and the European Recovery Package**

#### Measure 121 (Modernisation of agricultural holdings)

Among the aims, it is clearly stated that the measure will also contribute to the development of renewable energies.

In the type of operations supported, category f, investments for energy savings and the production of energy from renewable sources, is further sub-divided into:

f.1 investments for energy savings, aiming at the modernisation of machinery, equipment and immovable property, with a better balance in terms of energy consumption and emissions;

f.2 investments for the production of energy from renewable sources, proportionate to the energy consumption of the farm:

- plants for the production of biogas from organic waste;
- plants for the production of energy from waste, effluents and side products of the farm;
- plants for the production of energy from other renewable sources (including solar and wind power).

Only investments under f.2 will be financed with additional money from HC/RP.

Output indicators linked to HC/RP operations: 55 farm holdings supported and 7.519.000 € of total investments.

#### Measure 123 (Adding value to agricultural and forestry products)

Among the aims, it is clearly stated that the measure will also contribute to the protection of natural resources by supporting investments dedicated to the production of energy from renewable sources.

In the type of financed operations, a new point is introduced:

d) Investments for the production of energy from renewable sources, including general costs up to 12% of the investment. The energy produced will be used exclusively in the enterprise:

- plants, proportionate to the energy needs of the enterprise, for the production of energy from waste, effluents and side products of the enterprise;
- plants, proportionate to the energy needs of the enterprise, for the production of energy from other renewable sources (including solar and wind power).

Aid intensity: 40% (20% for enterprises larger than micro and SME, with less than 750 employees or with a turnover of less than 200 M €).

Output indicators linked to HC/RP operations: 29 holdings supported and 9.963.000 € of total investments.

Measure 125 (Infrastructure related to the development and adaptation of agriculture and forestry)

Action II, irrigation network, is modified and a new action III for water savings is introduced. Eligible operations include:

- modernisation of irrigation network serving agricultural holdings to improve its efficiency and reduce losses (previously part of action II);
- installation of control equipments of the flow rates (previously part of action II).

Action III will not include operations leading to an increase in the regional irrigated area nor to an increased draw-off of superficial or groundwater.

Beneficiary: Region Sardegna, municipalities

Aid intensity: 100% of eligible costs

Output indicators linked to HC/RP operations: 15 initiatives supported and 11.955.000 € of total investments.

Measure 321 (Basic services for the economy and rural population)

A new action f) for the development of broadband infrastructure in rural areas is introduced. This will support:

- Upgrade of existing broadband infrastructure in rural areas;
- Laying down passive broadband infrastructure in rural areas: in particular for the connection, with optical fibres, of 45 cell towers (20Mbit/s) in rural areas.

Localisation: some municipalities in C and D areas (list of eligible municipalities is provided in the programme).

Beneficiary: Region Sardegna

Aid intensity: 100% of costs

State aid provisions: aid will be granted in accordance with the *de minimis* rule.

Complementarity with EFRD: new broadband infrastructure will be financed exclusively by EAFRD in rural areas classified C and D; EFRD will cover other rural areas.

Output indicators linked to HC/RP operations: 45 actions supported and 10.844.000 € of total investments.

**Other modifications – under Article 6, paragraph 1, letter c), of Regulation (EC) No 1974/2006**

Analysis

The environmental analysis has been updated to take into consideration the latest developments in the national legislation concerning Natura 2000 and water framework Directives. In particular, regarding Natura 2000 areas, at February 2009, 89 management plans for Natura 2000 sites have been approved.

### Chapter 5.1: general requirements

- Advance payments: Following the modification of article 56 of R. 1974/2006 on advance payments, the possibility to increase the amount of advances up to 50% of the public aid related to the investment has been introduced, in the case of investments for which the individual decision to grant support is taken in 2009 or in 2010. This applies to measures: 121, 122, 123, 124, 125, 227, 311, 312, 313, 321 and 323.

- Guarantee fund set up according to articles 50-52 of R. 1974/2006: it is clarified that the guarantees will only concern operations actually supported (not only admissible as in the approved version of the programme) by the RDP.

#### Measure 121 (Modernisation of agricultural holdings)

In the approved RDP, investments concerning tomatoes for the processing industry are excluded. This exclusion is now removed.

A modification to the demarcation criteria with bee keeping and sugar CMOs is introduced. See below, modifications to the demarcation criteria with 1<sup>st</sup> pillar.

#### Measure 123 (Adding value to agricultural and forestry products)

Floriculture has been introduced among the eligible sectors.

#### Measure 132 (participation of farmers in food quality schemes)

The modification concerns the update of the juridical basis of some community quality schemes following changes in the EU legislation (Reg. 834/2007 and 479/2008).

A new quality product certified under reg. 510/2006, Zafferano di Sardegna, has been included among the products eligible for support.

#### Measure 133 (Information and promotion activities)

The modification concerns the update of the juridical basis of some community quality schemes following changes in the EU legislation (Reg. 834/2007 and 479/2008).

The aid intensity in the approved version of the programme is 70%, for a maximum aid per project of 300.000€ 70% is now foreseen, for a maximum eligible amount per project of 500.000 € in case of projects presented by a single producer group, 1 M € in case of an association of two producer groups and 1,5 M € for beneficiaries constituted by an association of three or more producer groups.

#### Measure 214 (Agri-environment payments)

Regarding the action for the maintenance of local endangered breeds, the modification concerns the up-date of the numbers of breeding females of some species and the inclusion of new eligible breeds (goat: *Sarda primitiva* and sheep: *Pecora nera di Arbus*), for which the consistency of breeding females is certified by the competent breeding organisation.

The justification of the premia has been reviewed. Annual support for the new breed is: 200€LU.

#### Measure 311 (Diversification into non-agricultural activities)

The modification concerns the rewording of the text of actions 1 and 2 to better clarify the eligible investments. Action 1 will support productive investments for the improvement and or construction of immovable property for agritourism; action 2 will support investments (as renewal of façades, roofs and external parts of the holding with traditional techniques) in holdings offering agritourism or didactical services.

Aid intensity is fixed at 50% of the eligible investment for all beneficiaries (in the approved version of the programme it was 60% for young people, 50% for other beneficiaries).

#### Measure 313 (Encouragement of tourism activities)

The modification concerns small adaptations to the wording of actions 1 (itineraries) 2 (information centres) and 4 (small capacity accommodations) in order to better clarify the text.

#### Measure 321 (Basic services for the economy and rural population)

The modification concerns the clarification of some minor implementing arrangements of action 1, social services.

#### Measure 322 (village renewal and development)

The modification introduces the possibility to support also villages with less than 3.000 inhabitants on the coast and classified as "administrative islands" under regional law (previously excluded from the measure). It is ensured that this areas fall in the definition of rural area as set in the RDP and NSP (C and D areas).

#### Measure 323 (Conservation and upgrading of the rural heritage)

It is clarified that action 1 supports the drawing up and the up-date (previously only drawing-up) of protection and management plans for Natura 2000 sites.

It is also clarified that action 2 concerns operations of restoration and upgrading of cultural heritage outside villages, to better differentiate interventions of measures 322 (which finances the same activities inside the villages).

#### Measure 41 (implementation of the local development strategies)

Following the modification of article 56 of R. 1974/2006 on advance payments, the possibility to grant advance payments under the conditions specified by art. 1.9 of R. 363/2009 has been introduced.

#### Measure 431 (Running costs, acquisition of skills and animation)

Following the modification of article 38 of R. 1974/2006, the possibility to grant advance payments under the conditions specified by art. 1.3 of R. 482/2009 has been introduced.

#### Chapter 10.2 (complementarity with first pillar)

Following the modification of CMO fruit and vegetables as well as the revision of the NSP on demarcation with first pillar instruments, the chapter as been modified accordingly:

Fruit and vegetables: concerning measures 121 and 123, producer organisations (PO) will be supported by the RDP only for operations above 200.000 € The members of the



PO will be supported by the RDP only for the operations above 15.000 € Investments for hardware and software equipments will be financed only by the CMO for both PO and their members. Concerning measure 111, the information activities supported by the RDP will not be addressed to the members of the PO for the issues in the National strategy 2009/2013.

Ex-ante and ex-post checks of the demarcation criteria will be carried out by the regional paying agency.

Wine: the restructuring and the reconversion of vineyards will be financed only by the CMO. The RDP will support all the other actions related to this sector. Concerning investments for processing and marketing of wine, the CMO will not finance these investments which will be covered only by the RDP. On information and promotion activities, the RDP will support only actions in the internal market (measure 133) and the CMO actions in third countries.

Olive oil: the modification concerns the possibility to support interventions aiming at increasing the production or stocking capacity (previously excluded from the RDP). The members of the producer organisations (PO) will be supported by the CMO for all the activities included in the operational programme of the PO, with the exclusion of structural interventions which will be supported by the RDP.

Sugar: the regional plan for restructuring of the sugar sector only includes support for purchase of machinery and equipment for soil treatment. Therefore, former sugar producers were excluded from action b (machinery and equipment) of measure 121. Given that the requests for support on the regional call have exceeded the available resources of the CMO, the applications excluded can be financed by the RDP, thanks to the introduction of derogation under art. 5.6 of R. 1698/2005. Applications selected under the CMO and not financed for lack of money will have to be selected under the RDP on the basis of the selection criteria of measure 121, presented to the monitoring committee of the programme.

Bee keeping: the modification concerns the introduction of derogation under art. 5.6 of R. 1698/2005 for investments linked to the purchase of hives, swarms and the machinery/equipment for their transportation. The relevant demarcation criteria are: the CMO will finance operations for public contributions up to 10.000 € for single members and up to 20.000 € in case of associated beneficiaries (cooperatives or other ad producer groups). The RDP finances the same operations for public contributions above these thresholds.

## **5. THE EXPECTED IMPACTS OF THE AMENDMENTS**

### Impact on the programme implementation:

The modifications under art. 6.1.a of R. 1974/2006 clearly define the actions and operations which will be reinforced with the additional resources to meet the challenges linked to renewable energies, water management and broadband.

The modifications under art. 6.1.c will contribute to a better implementation of the programme by clarifying the correct interpretation of some measures and by adapting the demarcation with first pillar to the revised EU and national legislation.

### Impact on the indicators:

Output, result and impact indicators of the programme have been updated to take into consideration the additional support for HC/RP operations.

For the revised output indicators see the description of the relevant measures.

The result and impact indicators revised following HC/RP are the following:

Result indicators	Measurement	Target 2007-2013	
		Ante health check	Post health check
(2) Increase in GVA in supported holdings/enterprises	('000 EUR)	76693	77082
(3) Number of holdings / enterprises introducing new products and/or new techniques	n.	1860	1955
(11) Increase in internet penetration in rural areas	N of persons	na	12693

Impact indicator	Description	Target 2007-2013	
		Ante health check	Post health check
1) Economic growth	net additional added value (PPS) Meuros	43	44
2) Employment creation	net additional full time equivalent jobs created	1340	1346
3) Labour productivity	change in GVA per Ful time equivalent €	160	173
7) Contribution to combating climate change	increase in production of renewable energy (ktoe)	1,3	1,9
	Change in regional emission of GHG from agriculture (additional indicator)	-32,5	-36,5

## 6 ASSESSMENT

### General assessment of the modification

*- Justification and description that amendments are in line with the National strategy plan, notably in relation with the priorities chosen.*

The choices made by the Region in terms of new challenges are justified. They are coherent with the Italian NSP and the CSG.

*- Verification that the changes are in conformity with the Council Regulation (EC) No1698/2005 and with the Commission Regulation (EC) No 1974/2005.*

The modifications comply with the relevant requirements of Regulation (EC) n ° 1698/2005 and Regulation (EC) N 1974/2006.

*- Appraisal of respect of competition rules, especially in case of support broadband infrastructure. In this case, mention also the conditions for demarcation with EFRD.*

Support for broadband infrastructure will be granted according to the *de minimis* rule. Demarcation with EFRD intervention is based on localisation of interventions (list of eligible municipalities is provided in the programme).

## 7 FINANCING

Tables 6.1, 6.2 and 6.3 tables provided in the RDP.

**Table 6.1. Annual contributions from the EAFRD (in EUR)**

	2007	2008	2009	2010	2011	2012	2013	Total
Non-Convergence Regions	80.818.000	80.342.000	78.367.000	79.662.000	79.049.000	78.701.000	78.115.000	555.054.000
Additional funds from Article 69(5a) of Regulation (EC) No 1698/2005 – non-convergence region			4.114.000	5.013.000	2.721.000	3.549.000	4.448.000	19.845.000
<b>Total</b>	<b>80.818.000</b>	<b>80.342.000</b>	<b>82.481.000</b>	<b>84.675.000</b>	<b>81.770.000</b>	<b>82.250.000</b>	<b>82.563.000</b>	<b>574.899.000</b>

**Table 6.2.1: Financial plan by axis (in EUR total period)**

Axis	Total public	EAFRD contribution rate (%)	EAFRD amount
Axis 1	359.440.909	44,00%	158.154.000
Axis 2	701.590.909	44,00%	308.700.000
Axis 3	18.000.000	44,00%	7.920.000
Axis 4	169.926.136	44,00%	74.767.500
Technical Assistance	12.528.409	44,00%	5.512.500
<b>Total</b>	<b>1.261.486.363</b>	<b>44,00%</b>	<b>555.054.000</b>

**Table 6.2.1: Financial plan by axis - Additional funds from Article 69(5a) of Regulation (EC) No 1698/2005**

Axis	Total public	EAFRD contribution rate (%)	EAFRD amount
Axis 1	19.924.031	64,50%	12.851.000
Axis 2			
Axis 3	10.843.411	64,50%	6.994.000
Axis 4			
Technical Assistance			
<b>Total</b>	<b>30.767.442</b>	<b>64,50%</b>	<b>19.845.000</b>

**Table 6.3.** Indicative budget related to operations referred to in Article 16a of Regulation (EC) 1698/2005 between 1 January 2009 and 31 December 2013 (Article 16a(3b) up to the amounts specified in Article 69(5a) of Regulation (EC) No 1698/2005).

Axis/measure	EAFRD contribution for 2009-2013
Axis 1	
Measure 121 (renewable energies)	2.570.200
Measure 123 (renewable energies)	2.570.200
Measure 125 (water management)	7.710.600
<b>Total axis 1</b>	<b>12.851.000</b>
Axis 2	0
<b>Total axis 2</b>	<b>0</b>
Axis 3	
Measure 321	6.994.000
— Related to priorities listed in Article 16a(1), points (a) to (f) of Regulation (EC) No 1698/2005	0
— Related to priorities listed in Article 16a(1), point (g) of Regulation (EC) No 1698/2005	6.994.000
<b>Total axis 3</b>	<b>6.994.000</b>
— Related to priorities listed in Article 16a(1), points (a) to (f) of Regulation (EC) No 1698/2005	0
— Related to priorities listed in Article 16a(1), point (g) of Regulation (EC) No 1698/2005	6.994.000
Axis 4	0
<b>Total axis 4</b>	<b>0</b>
<b>Total programme</b>	<b>19.845.000</b>
— Total under Axis 1, 2, 3 and 4 related to priorities listed in Article 16a(1), points (a) to (f) of Regulation (EC) No 1698/2005	12.851.000
— Total under Axis 3 and 4 related to priorities listed in Article 16a(1), point (g) of Regulation (EC) No 1698/2005	6.994.000