

WORKING DOCUMENT
RURAL DEVELOPMENT COMMITTEE

MEMBER STATE: Italy **REGION:** Toscana

1. APPROVED PROGRAMME: Programma di sviluppo rurale 2007-2013 della Regione Toscana – C (2007) 4664 of 16 Ottobre 2007. CCI 2007IT06RPO010

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 Toscana 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 Toscana has been assigned a total of 22.216.000 € in terms of EAFRD additional contribution, of which 18.516.000 € for new challenges and broadband and 3.700.000 € from modulation/wine.

The RDP Toscana 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 in particular the dairy sector, the environmental situation relevant for the new challenges and broadband services in rural areas. Following the results of the analysis, the additional resources will be allocated to the following priorities: climate change (30%), water management (32%), biodiversity (9%), measures accompanying

restructuring of the dairy sector (6%) and broadband infrastructure in the rural areas (23%).

In terms of distribution between axes, the additional resources have been allocated to axis I (38%), axis II (39%) and IV (23%). This result in a slight modification of the overall balance: axis I represents 39,5% of the total programme's budget (it was 38,5%), axis II 39,5% (it was 40 in the approved programme) and axis III (comprising Leader measures) 20% of the total budget (previously 20,5%). 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

As a consequence of climate change, the availability of water for both civil and productive use is reducing and the ecological balance of the ecosystems linked to water is changing. More than 55% of agricultural holdings with an irrigated area use exclusively groundwater, thus reducing the stocks of the resource. In this context, the priority of the Region is to replace abstraction from underground and superficial water with water coming from storage basins. Therefore, part of the additional resources (5,8 M € in terms of EAFRD contribution) will be allocated to measure 125, to finance the construction or modernisation of water distribution system infrastructure from water storages.

Climate change

Climate change is a priority for intervention already included in the approved RDP. A number of actions in Axis II already meet this priority. Nonetheless, as highlighted by the analysis, the territory of Tuscany is particularly exposed to climate change: the intensity and frequency of extreme weather events (heat waves, rainstorms, draught, etc.) related to climate change have increased in the recent years, with increased damages to agricultural activities and to the already fragile regional ecosystems. Given to the increasing deterioration of forestry soils, plant diseases are also wide-spreading. Therefore, part of the additional resources (5,5 M € of EAFRD contribution) will be allocated to measure 226 for prevention actions against forest fires and climate related natural disasters.

Biodiversity

Biodiversity is threatened by a number of factors: pressure on the natural habitats by intensive agricultural activities but also depopulation of countryside and mountain areas with the consequent abandon of agricultural and forestry activities important for sustainable land management. Biodiversity is already one of the priorities for intervention of the approved RDP, in particular 8 measures of axis II already tackle this problem. Nonetheless, in order to contribute to halting biodiversity loss, it is of major importance to increase support to the introduction and maintenance of agricultural

production methods compatible with the protection of natural resources and genetic diversity. Therefore, part of the additional resources (1,6 M € in terms of EAFRD contribution) will be allocated to measure 214, in particular to organic farming.

Measures accompanying restructuring of the dairy sector

The regional dairy sector is already in a critical situation, due to the increase of costs of production, the drop of milk prices and the decreased availability of forage crops. In view of the phasing-out of the milk quota system, the sector will have to face important structural changes: in order to adapt to the new market conditions (drop of milk prices) dairy producers, both at holding and processing level, will have to reorganise their production. As a consequence, Tuscany has chosen to allocate part of the additional resources to strengthening the dairy chain, in particular the processing of the dairy products, in order to add value to the products and increase the competitiveness of the sector. Therefore, 1,1 M € will be assigned to measure 123 for improvements in processing enterprises directly linked to producers.

Broadband infrastructure in rural areas

Part of the regional territory, in particular C2 and D areas, is still not covered by broadband infrastructure, thus creating lack of competitiveness for the enterprises operating in these areas and lack of services and quality of life for the people. The approved RDP already includes operations to meet this priority: sub-measure "creation of ICT networks" in measure 321. To complete broadband infrastructure in rural areas, 4,3 M € in terms of EAFRD contribution will be allocated to this sub-measure.

Renewable energies

This priority for intervention is already included in the approved RDP: 6 measures of axis I, 2 measures of axis II and 2 measures of Axis III are directly or indirectly linked to the objective of increasing the use and the production of renewable energies. The number and the budget of the actions/operations already included in the approved RDP are judged sufficient to meet this priority.

- Table 5.3.6 provided in the RDP

Measure	Type of operation	Potential effect	Existing' or 'New' type of operation (E or N)	Reference to the description of the type of operation in the RDP	Output indicator – target
Priority: Restructuring of the dairy sector					
Axis 1 Measure 123	Improvements in processing and marketing related to dairy	improvement of the competitiveness of the dairy sector	E	Chapter 5.3.1.2.3. paragraph 6.1.1 – tangible and intangible investments for the dairy sector	- Number of farm holdings supported: 4 - Total volume of investments ('000 EUR) 5.724
Priority: Water management					

Axis 1 Measure 125	Water storage (including water overflow areas)	improvement of the capacity to use water more efficiently and to improve the capacity to store water	E	Chapter 5.3.1.2.5: paragraph 4.c.ii, iii, iv, v and vi - creation and modernisation of infrastructures for the distribution and storage of water for irrigation and productive purposes	- Number of operations supported: 56 - Total volume of investments ('000 EUR) 9.052
Priority: biodiversity					
Axis 2 Measure 214	Integrated and organic production	Conservation of species-rich vegetation types, protection and maintenance of grasslands	E	Chapter 5.3.2.1.4.- sub-measure a)1 – organic farming	- Number of holdings supported: 73 - Total area supported (Ha): 2393 - Number of contracts: 73
Priority: Climate change adaptation and mitigation					
Axis 2 Measure 226	Prevention actions against forest fires and climate-related natural disasters	Carbon sequestration in forests and avoidance of carbon dioxide (CO ₂) emissions, reduction of negative effects of climate change on forests	E	Chapter 5.3.2.2.6: paragraph 4, actions a.I, II and III - Prevention actions against forest fires and climate-related natural disasters	- Number of actions supported: 160 - total forest area supported (Ha): 699 - total volume of investments ('000): 6.988
Priority: Broadband infrastructure in rural areas					
Axis 3 Measure 321	new broadband infrastructure including backhaul facilities; upgrade of existing broadband infrastructure	na	E	Chapter 5.33.2.1.: sub-measure d) ICT networks	- Number of actions supported: 10 - total volume of investments ('000): 8.359

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 123 (Adding value to agricultural and forestry products)

Among the aims, it is clearly stated that the measure will contribute to the new challenge 'restructuring of the dairy sector' by strengthening the holdings operating in the processing of dairy products and directly linked to dairy producers.

All the operations listed in the existing measure and pertinent for the sector can be used. Moreover, a new type of operation has been introduced:

-construction of new facilities for the collection and processing of milk.

Output indicators linked to HC/RP operations: 4 holdings supported and 5.723.147 € of total investments.

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

Among the aims, it is clearly stated that the measure will contribute to the new challenge 'water management' by strengthening the irrigation network serving agricultural holdings. Additional money for HC will be used to reinforce existing operations, described under point 4.c – creation and modernisation of infrastructures for the distribution and storage of water for irrigation and productive purposes - of the approved programme, with the exclusion of operations under 4.c.1 (new rural potable-water distribution systems for productive purposes).

The approved RDP allows the construction of new irrigation facilities only if they do not lead to an increase of the irrigated area and to an increased abstraction of underground water.

Output indicators linked to HC/RP operations: 137 initiatives supported and 56.144.902 € of total investments.

Measure 214 (Agri-environment payments)

Among the aims, it is clearly stated that the measure will contribute to the new challenge 'biodiversity' by strengthening sub-measure a.1 organic farming.

Output indicators linked to HC/RP operations: Number of holdings supported: 73; Total area supported (Ha): 2.393; Number of contracts: 73.

Measure 226 (Restoring forestry potential and introducing preventive actions)

Among the aims, it is indicated that the operations strengthened with additional money for the new challenges are those under point 4.a – Prevention actions against forest fires and climate-related natural disasters- of the approved RDP.

Output indicators linked to HC/RP operations: Number of actions supported: 160; total forest area supported (Ha): 44; total volume of investments: 16.585.757€

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

Among the aims of the measure, it is indicated that one of the priority identified in relation to the new challenges is the objective of reducing digital divide on the access to broadband. The additional money will be allocated to sub-measure d) ICT Networks, for the creation and/or up-grade of new broadband infrastructure in rural areas, already included in the approved RDP.

In particular the action will support the following operations:

- Creation of and enabling access to broadband infrastructure (fixed, terrestrial wireless, satellite-based or combination of technologies);
- Upgrade of existing infrastructure.

Beneficiaries: ICT operators, selected through a public tender procedure.

Aid: 80% of the eligible costs.

State aid provisions: the approved RDP foresees that the aid will be granted in accordance with the regional scheme for broadband, Aid 264/2006, approved with Commission Decision of 13/09/2006.

Demarcation with EFRD: EFRD will finance the basic infrastructure in rural areas while EAFRD will intervene in the final connection of remote users to the network.

Output indicators linked to HC/RP operations: Number of actions supported: 10; total volume of investments: 8.359.738 €

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

Chapter 5.2: requirements concerning all or several measures

- State aid provisions (point 5.2.2): for aid schemes falling outside the scope of Art. 36 of the Treaty, the Region will apply, for the years 2009-2010, the Temporary framework for State aid measures to support access to finance in the current financial and economic crisis (2009/C83/01). This provides for the possibility to grant aid to enterprises up to 500.000 € over the period 2008-2010. The relevant state aid scheme (N. 248/2009) has been approved with Commission Decision C/2009 4289, of 28.05.2009.

- Cross-compliance (point 5.2.3): the modification concerns the up-date of the juridical basis: the reference to R. 1782/03 is replaced by R. 73/09. Moreover, the modification concerns the introduction of the main requirements listed in art. 50 *a* of R. 1698/2005, as modified by R. 74/2009.

- 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 for all measures including support to investments, 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, 221, 223, 226, 227, 311, 312, 131, 321, 322, 411 and 413. 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 with reference to measure 431 (Running costs, acquisition of skills and animation).

Measure 112 (Setting up of young farmers)

The modification concerns the introduction of the possibility to grant support also in the form of an interest rate subsidy, for a maximum of 40.000€ in terms of capitalised value. The combination of single premium and interest rate subsidy may not exceed 70.000 €

Measure 121 (Modernisation of agricultural holdings)

New types of investments are introduced:

Floriculture: investments for the reduction, recycling and re-use of waste;

Beef production, milk and dairy: investments aiming at increasing the availability of space and light, the control of environmental housing conditions, improving feed and water conditions.

Regarding investments for solar-energy plants, it is clarified that in case of national support, the combined maximum public support is under RDP and national law is 40% (20% in normal areas, 30% if young farmers and 40% if young farmer in mountain areas).

A modification to the demarcation criteria with CMOs fruit and vegetables, olive oil and sugar is introduced. See below, modifications to the demarcation criteria with 1st pillar.

Measure 123 (Adding value to agricultural and forestry products)

The modification introduces the possibility to support also:

- Meat processing industries which use already processed meat, but only if coming from slaughterhouses treating animals provided directly by basic producers.
- Fruit and veg. processing industries which use also semi-processed products, but only if provided directly by basic producers.

A modification to the demarcation criteria with CMOs fruit and vegetables, olive oil and sugar is introduced. See below, modifications to the demarcation criteria with 1st pillar.

The aid intensity is modified according to the state aid n. 248/2009 approved under the Temporary framework (max. 500.000 € per enterprise over the period 2008-2010) – See above: state aid provisions.

Common requirements to axes II measures:

Revision clause: it is clarified that Member States may put an end to multiannual commitments under article 39, without obligation for the beneficiary concerned to reimburse support already received, at the conditions specified by art. 39.3 of R. 1698/2005 as amended by R. 74/2009.

Measure 214 (Agri-environment payments)

A modification to the demarcation criteria with CMOs fruit and vegetables is introduced. See below, modifications to the demarcation criteria with 1st pillar.

Measure 226 (Restoring forestry potential and introducing preventive actions)

The aid intensity is modified according to the state aid n. 248/2009 approved under the Temporary framework (max. 500.000 € per enterprise for 2009-2010) – See above: state aid provisions.

Measure 311 (Diversification into non-agricultural activities)

The aid intensity is modified according to the state aid n. 248/2009 approved under the Temporary framework (max. 500.000 € per enterprise for 2009-2010) – See above: state aid provisions.

A modification to the demarcation criteria with CMOs sugar is introduced. See below, modifications to the demarcation criteria with 1st pillar.

Measure 322 (village renewal and development)

The modification relates to the type of actions supported. It is indicated that the measure will finance: restoration of public spaces; upgrading of services infrastructures; restoration of buildings for collective services or the promotion of products and local traditions.

Chapter 9 (Elements needed for the appraisal under competition rules)

For the measures/operations outside the scope of the article 36 of the Treaty, support will be granted according to Aid n. 248/2009 (Decision C/2009 4289), approved under the Temporary Framework scheme. This will be applied to measures 123, 124, 226, 331, 312 and 313. Duration of the scheme: 31.12.2010.

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 has been modified accordingly:

Fruit and vegetables: concerning measures 121 and 123, producer organisations (PO) will not be supported by the RDP. The members of the PO will be supported by the RDP only for the operations above 250.000 € or processing and marketing and above 50.000 € for all other types of investments. Concerning measure 214, organic farming and integrated production will be financed only by the RDP. Concerning measure 111, the information activities supported by the RDP will not be addressed to the members of the PO for same issues covered by the CMO.

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

Olive oil: PO will be supported only by the CMO, with the exception of processing and marketing investments above 200.000 € which will be financed by the RDP. The members of the producer organisations (PO) will be supported by the CMO for all collective actions and by the RDP for individual structural interventions.

Sugar: Given that the requests for support on the regional action plan have exceeded the available resources of the CMO, the applications excluded will 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 measures 121 and 311 presented to the monitoring committee of the programme.

Chapter 12: Monitoring committee

Following the modification of article 78 of R. 1698/2005, the tasks of the MC are revised as following: f) shall consider and approve any substantial proposal for changes in RDP. Substantial proposal for changes are identified according to art. 59 *a* of R. 1974/2006.

5. THE EXPECTED IMPACTS OF THE AMENDMENTS

Impact on the programme implementation:

The modifications under art. 6.1.a of R. 1974/2006 will reinforce existing priorities in the field of water management, climate change, biodiversity and access to broadband and will consequently enhance RDP impact on those issues. The specific support for the dairy sector will help reducing the negative impact on the sector of the phasing-out of milk quotas.

HC/RP modifications will imply an increased complexity in the implementation of the programme, given the necessity to monitor separately the operations linked to the new challenges. This problem will be solved by up-dating the monitoring system of the programme.

Impact on the indicators:

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

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.

Aid for developing broadband infrastructure will be granted in accordance with the regional scheme for broadband, Aid 264/2006, approved with Commission Decision of 13/09/2006.

Demarcation with EFRD: EFRD will finance the basic infrastructure in rural areas while EAFRD will intervene in the final connection of remote users to the network.

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	50.914.000	50.615.000	49.519.000	50.409.000	57.416.000	57.200.000	56.837.000	372.910.000
Additional funds from Article 69(5a) of Regulation (EC) No 1698/2005 – non-convergence region			2.546.000	4.136.000	3.004.000	3.918.000	4.912.000	18.516.000
Total	50.914.000	50.615.000	52.065.000	54.545.000	60.420.000	61.118.000	61.749.000	391.426.000

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

Axis	Total public	EAFRD contribution rate (%)	EAFRD amount
Axis 1	336.152.632	44	147.907.158
Axis 2	335.645.455	44	147.684.000
Axis 3	88.106.818	44	38.767.000
Axis 4	79.226.686	44	34.859.742
Technical Assistance	8.391.136	44	3.692.100
Total	847.522.727	44	372.910.000

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
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Axis 1	10.769.335	64,70	6.967.760
Axis 2	11.161.113	64,70	7.221.240
Axis 3			
Axis 4	6.687.790	64,70	4.327.000
Technical Assistance			
Total	28.618.238	64,70	18.516.000

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 123	1.110.960
Measure 125	5.856.800
Total axis 1	6.967.760
Axis 2	
Measure 214	1.666.440
Measure 226	5.554.800
Total axis 2	7.221.240
Axis 3	0
Total axis 3	0
— 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	0
Axis 4	0
— 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	4.327.000
Total axis 4	4.327.000
Total programme	18.516.000