

WORKING DOCUMENT
RURAL DEVELOPMENT COMMITTEE

MEMBER STATE: Italy

REGION: Umbria

- 1. APPROVED PROGRAMME:** Rural Development programme 2007-2013 of Umbria – C (2007) n° 6011 of 29 November 2007 rectified by Commission Decision C(2008) n° 552 of 2 February 2008.
CCI 2007IT06RPO12

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 and to the alteration of the Community co-financing rates - 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 Umbria 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 and European Recovery Package, the allocation of modulation and CMO wine additional funds and the alteration of the Community co-financing rates – Modifications under Article 6, paragraph 1, letter a), of Regulation (EC) No 1974/2006

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, including broadband infrastructures.

In this context, the RDP Umbria has been assigned a total of 22.328.000 € in terms of EAFRD additional contribution, of which 18.080.000 € for new challenges and broadband and 4.248.000 € from modulation/wine.

The RDP Umbria 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 all the new challenges in the HC (dairy sector, the environmental situation and the availability of internet infrastructure in the rural areas). Needs and the strategies linked to the new challenges have been also revised. Following the results of the analysis, the additional resources will be allocated to the following priorities: dairy sector (11%), biodiversity (11%), climate change (65%) and broadband infrastructure in the rural areas (13%).

As Umbria is one of the Italian regions with the highest production of tobacco, the revised version of the RDP take also into account the significant impact deriving from the reform of the tobacco sector; a new measure (measure 144) in Axis I of the RDP based on the legal provision in Article 35bis of Reg. 1698/2005, as modified by Reg. 74/2009 has been added.

In terms of financial allocations between axis, the additional resources have been allocated to measure 121 in Axis I, to measures 214, 221 and 226 in axis II and 321 in Axis III. This does not result in a significant modification of the overall balance, which remains stable: axis II is the most important, with 44% of the total budget (total public). Axis I represents 38% of the total programme's budget, axis III 10% and axis IV 5%. Finally, 3% 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:

Climate change

The regional emissions of GHG from agricultural activities concern mainly methane (CH₄, 67%), nitrous oxide (N₂O) and, to a minor extent, CO₂. A number of actions in Axis I and II are already in place in order to tackle this priority. In particular, operations under Axis I contribute to the reduction of CH₄ and N₂O by tackling emissions factors linked to farming, animal husbandry and management of manure storage. In the context of Axis II, additional financial allocation to improve operations for reductions of emission in the air and carbon sequestration have been added. Measures 221 and 226 in Axis II have been reinforced in order to meet the new challenges "Climate change".

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 are contributing to this priority. However an additional financial support has been allocated to Axis II in order to finance a new action in measure 214 to face the biodiversity priority. The analysis provides also an update concerning the implementation of the Natura2000 Directives and the definition of the management plans of Natura2000 sites.

Measures accompanying restructuring of the dairy sector

In the approved RDP, the dairy sector is one of the priority sectors under axis I measures (in particular measure 121 and 123). The analysis of this productive sector has been updated taking into account the phasing out of the quota system. Reduction of production costs and the increase of the economic return in the farms have to be tackled in order to ensure competitiveness of the dairy farms in the region. A diversification approach is also sought in relation to farms that cannot be maintained competitive on the market (i.e. small dairy farms in disadvantaged areas). Investments aiming at improving the quality and hygienic standards of milk and milk products, utilisation of/production of energy, innovation in relation processing and marketing, overall modernisation of the farms are being considered strategic for this sector in order to face the CMO market. Therefore an additional financial allocation has been decided.

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 (37.5% of household and 62.7% of the enterprises), is now considered inadequate. 15% of the regional population in 28 communes in C and D rural areas have no access to Internet. The allocated new financial resources will be entirely used to overcome the digital divide in rural areas of the region.

Water management

The deficit of water for irrigation purposes is seen as a sporadic event that can happen in case of very limited rainfalls in the recent years (1 year every six-seven yrs). The condition of the irrigation system is also analysed; the data available show the improvement of the irrigation system (infrastructure) in order to ensure a proper utilisation of the water resources and reducing the waste of water from the irrigation network. In the revised analysis, the situation in terms of water pollution due to the impact of agriculture in terms of chemicals inputs still appear critical. On the other hand progress in implementing the Water Directive 2000/60/EC has been recorded. However the current actions in the programme and the resources allocated to them have been deemed sufficient to face this priority.

Renewable energies

The contribution of renewable energy sources to the regional total consumption of energy is relevant. In fact, in 2007, the regional production of energy from renewable resources (wind, solar, geothermal and biomass) was 20.7% (decrease in trend since previous years) of the total regional energy production, compared to a national average of 17.4%. The analysis shows also an important contribution that agriculture is giving to the energy production from biomass. The importance of processing animal waste from husbandry and biomass into biogas is highlighted in the analysis. The number and the budget of the actions/operations for investments regarding production of energy from renewable sources, mainly included in the measures 121 and 123 in the approved RDP, are deemed sufficient in relation to this new challenge.

Measure supporting tobacco sector

In the analysis the impact deriving from full decoupling since 2010 of the tobacco sector as consequence of the CMO reform is underlined. The need for supporting tobacco farms in order to ensure their viability in the framework of the overall economic crisis is also stressed. A new measure (measure 144) in Axis I of the RDP has been added in order to ensure competitiveness of the tobacco sector.

Innovation

The analysis provides more recent data on the overall situation of the development of innovation in agriculture. The analysis shows the negative trends of investments for innovation.

• *Table 5.3.6 provided in the RDP*

Axis/measure	Type of operation	Potential effects	Type of operation "Existing" or "new"	Reference to the description of the Type of operation in the RDP PSR	Indicator of output/result
Axis 1					
Measure 121	Investments support related to dairy production	Improvement of the competitiveness of the dairy sector	E	Measure 121	Number of farms: 60
					Volume of investment: 13.255.000€
Axis 2					
Measure 214	Soil management practices	Reduction of nitrous oxide. Carbon sequestration. Adaptation to effects on climate changes on the soil.	N	Measure 214: action K	Number of farms : 161
					Total area under agro environmental scheme: 810ha
					Number of contracts: 180
					Area under agro environmental scheme: 810ha
Measure 214	Land use changes	Protection of birds and other wild life and improvement of biotope network, reducing entry of harmful substances in bordering habitats, conservation of protected fauna and flora	N	Measure 214: action C2	Number of farms 150
					Total area under agro environmental scheme 750
					Number of contracts 165
					Area under agro environmental scheme 750

Measure 214	Long term set aside	Protection of birds and other wild life and improvement of biotope network, reducing entry of harmful substances in bordering habitats, conservation of protected fauna and flora	N	Measure 214: action C3	Number of farms receiving support 283
					Total area under agro environmental scheme 1416
					Number of contracts 311
					Area under agro environmental scheme 1416
Measure 221	Afforestation	Reduction of nitrous oxide. Carbon sequestration	E	Afforestation of agricultural land	Numbers of beneficiaries receiving the support for Afforestation 300:
					Hectares of afforested agricultural land: 1350
Measure 226	Preventive action against forest fires	Carbon sequestration, preventive actions on N2O emissions	E	Measure 216 :action c) infrastructures for fires preventions in forests	Number of interventions for preventing : 15
					Total area of supported damaged forests: na
					Volume of investment 4.400.000:
Axis 3					
Measure 321	Creation of new broadband infrastructures including backhaul infrastructures	Improvement of the accessibility by the population of rural areas to broadband internet	N	Measure 321: action b2) – interventions for ITC diffusion	Number of supported intervention 21
					Number of supported intervention 6
					Number of supported intervention 3

	Improvement of existing broadband infrastructures				Volume of investments 3.631.000
					Volume of investments 1.037.000
	Installation of passive broadband infrastructures				Volume of investments 518.000

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)

Description

The measure will contribute to the new challenges under Article 16bis lett. e) "**Interventions for restructuring of the dairy sector**".

The following types of investments have been added:

- Investments finalized to the reduction of the production costs, energy savings, emission reduction, and quality. In particular the premises /installation for production of the milk and direct selling of milk/milk products, treatment of waste for energy production (biogas), investments to improve energy efficiency, substitution of fossil fuels with renewable energy.

Aid intensity: 60% in disadvantaged areas, including mountainous areas; 50% in other areas taking into account the increase of 10% allowed for the interventions linked to HC

Measure 214 (agri-environment payments)

Description

- In order to meet **Biodiversity** priority two new sub-actions (C2 and C3) under action C have been added:

Sub-action C2: improving the pasture and meadows according to the following commitments: regular rotation of livestock throughout the pasture/meadows, keep stock density, avoid accumulation of manure in particular areas (drinking zone), interdiction of chemicals like fertilizers/pesticides, etc

Localisation: the entire regional territory with priority to D rural areas

Beneficiary: farmers

Aid: C2:50€/ha

Sub-action C3: set aside eco-compatible on at least 10% of UAA on which specific crops will be seeded giving blooming attracting bees. The crops will not be used and will be left on the fields in order to shelter wild animals.

Localisation: C rural areas

Beneficiary: farmers

Aid: 127€/ha

- In order to meet "**Climate changes**" priority a new action K) - Improve the soil quality has been added.

Description: the aim of the measure is to improve the quality of soil by the utilisation of quality organic fertilizers (manure and similar matters) to be plough within 48hours from spreading in at least 30cm underneath the soil in order to improve the organic matter in the soil

Localisation: Priority is given to N2000 sites and NVZs

Beneficiary: farmers

Aid: 230€/ha

Measure 221 (First Afforestation)

Description: Despite the financial allocation has been increased new actions has not been added in the measure. The measure intends to face the challenge "*Climate changes*".

Localisation: the entire region priority is given to areas intensively farmed according to orientations in the NSP

Beneficiary: farmers

Aid intensity: the aid intensity has been increased of 10% in relation to additional amount from HC

Measure 226 (Reconstitution of forestry potential and preventive actions)

Description

The measure intends to meet the challenge "*Climate changes*". Preventive actions (fire prevention in the forests) already in the RDP have been strengthened. In particular the reinforced are related to construction/maintenance of the forest roads, realisation/improvement of water collection for fighting against fires, cleaning from vegetation of certain areas near the wood where fire can start.

Localisation: the entire region priority is given to park areas and Natura2000 sites

Beneficiary: farmers

Aid intensity: 100% of the eligible costs

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

A new action b2) is introduced:

- Creation of broadband infrastructure in rural areas (2Mbit/s). This will support:
 - Creation of new broadband infrastructures including backhaul infrastructures
 - Upgrade of existing broadband infrastructure in rural areas;
 - Laying down passive broadband infrastructure in rural areas.

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

Beneficiary: public administrations

Aid: 100% of eligible costs. State aid provisions: aid will be granted in accordance with the Temporary Aid Scheme N 248/20009.

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.

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 Natura2000 Directives and Water Framework Directive.

Chapters 5.2 and 5.3: general information and information on Axis and measures

- 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 (measures 121 and 123) for which the individual decision to grant support is taken in 2009 or in 2010.
- Advance payments for LAGs: 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.
- According to Reg.74/2009, support for setting up of YF is been increased up to 70.000€
- State aids: conformity to the State aids rules ("*De minimis*") for actions / operations in measures in Axis I (111, 114, 144), Axis II (221, 222, 223, 224, 225, 226, 227) and in Axis III has been updated. (*see also chapter 9*)

Measure 111(training and information)

Changes to the eligible actions have been made in order to stress the importance to be given to training in the field if priorities set down in Article 16bis, lett. a) to f) of Reg.1698/2005.

Measure 112 (Setting up of YF)

The support (interest rate subsidies and premium) for setting up of YF has been increased up to 70.000€

Measure 123 (Processing and marketing)

The measure will target the priority "Interventions for the restructuring the dairy sector". In this regards the following types of investments have been specified:

- Investments finalized to the reduction of the productive costs, energy savings and quality. In particular the premises /installation for processing and marketing of the milk/milk products, treatment of waste for energy production, investments to improve energy efficiency, substitution of fossil fuels with renewable energy, investments to improve quality traceability and labelling of milk and milk products..

Aid intensity: a 10% increase on investments linked to the "Interventions on the restructuration of the dairy sector" has been added.

Measure 124 Cooperation)

The beneficiaries of the measure have been better specified in accordance to legal provisions in Reg. 1698/2005.

Measure 126 (preventive action, reconstitution of the agricultural potential damaged by natural disasters)

A new action (actionb) concerning interventions intended to prevent damages to agricultural production has been added. Admissible expenditures is related to infrastructural investments to prevent damages to agricultural productive potential due to natural catastrophes.

Beneficiaries: region

Aid intensity: 100%

Measure 144 (support oin farms after CMO reforms)

The aim of this new measure is to support tobacco growers to face the challenges due to the reform of tobacco' CMO and the full decoupling that will start on 2010. A business plan will show the interventions for restructuring /reconversion of the holding in order to face the tobacco reform and improve the overall economic performance in the tobacco farm.

The payment of support in years 2011, 2012, and 2013 (€4.500, €3.000 and €1.500 per holding) is in line with the maximum allowed in Reg. 1698/2005.

Measure 214 (Agri-environment payments)

The changes are the following:

- The table showing the possible combination between agro-environmental actions has been revised taking into account the new actions added due to HC,

Measure 323 (Conservation and upgrading of the rural heritage)

A new action "Interventions to improve rivers which are presenting high naturalistic value" has been added. The interventions will be realized in Natura2000 sites and park areas.

Aid intensity: 100%

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 8 (additional national financial resources, top-ups)

Additional national resources have been allocated to measure 114 due to the approval by the Commission of State aids in exemption (XA 421/2008) regime to EU regulation on State aids (Article 20 of Reg. 1857/2006 and article 9 of Reg.70/2001). The aids are allowed in the remit of Article 36 of the Treaty EC.

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 28/5/2009, C(2009)4277) approved under the Temporary Framework scheme. This will be applied to measures 123 (action b), 124, 226, 227 (action a), 311 (action c), 313 and 321 (action b2). Duration of the scheme: 31.12.2010 if in accordance to conditions in DPCM 3/6/2009 transposing the EU provision in Communication of the European Commission of 25/2/2009 (2009/C83/01).

Chapter 10.2 (complementarity with first pillar)

Fruit and vegetables

Producer organisations (POs) will be supported for investments under measures 121 and 123 of the RDP if the project to be financed exceed 1 Meuro (measure 121) and 5 Meuro (measure 123). Beneath these limits the OP will finance such investments.

The individual member of the POs will be supported by the RDP only for the investments above 100.000 €for measure 121 and 1.000.000€for measure 123.

Agro-environmental actions will be financed by RDP.

Wine: the restructuring and the reconversion of vineyards (establishment and re-establishment of vineyards) will be financed only by the CMO. RDP will intervene in favour of all other operations.

Olive oil: Collective investments promote by the OPs according to the national decree n° 475/2009 to will be supported by the CMO. These typologies of investments however are not foreseen in the RDP.

Individual investments in favour to members of the OPs will be financed by the RDP.

Tobacco: From 1/1/2010 a decoupled aid is being paid to tobacco growers and resources will be transferred from CMO to RDP.

Sugar: the beneficiaries of the support for investments to be given according to the regional plan for restructuring of the sugar sector (set down in accordance with the national plan) will be excluded from similar support from the RDP. Given that applications for support have absorbed the resources made available by the CMO, the new applications will be financed by the RDP (derogation under art. 5.6 of R. 1698/2005).

Bees keeping: The modification concerns the introduction of derogation under art. 5.6 of R. 1698/2005 for similar intervention foreseen in the Reg.1234/07. The interventions concerning training, information, advisory services, investments for purchasing of hives, swarms are eligible in the remit of Reg. 1234/07 and within the limit of 30.000€ Above this limit the interventions will be financed under the RDP.

Specific support (Article 68 of Reg. 73/2009): the following specific support measures will be implemented in Italy: a) measures for improving the quality of agricultural products (for beef, sheep meat, olive oil, milk, tobacco, sugar and *danae racemosa* – Alexandrian laurel), b) a measure for supporting specific agricultural activities entailing additional agri-environment benefits, c) crop, animal and plant insurance premiums. Similar or identical operations financed under article 68 will not be supported under the RDP.

5. THE EXPECTED IMPACTS OF THE AMENDMENTS

Impact on the programme implementation:

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

The modifications under art. 6.1.c will contribute to a better implementation (after two years of experience in the implementation) of the programme by clarifying the correct interpretation of some measures, adapting the existing actions to the new challenges (without providing extra resources from HC/RP) and redistributing the planned financing in the approved RDP in order to meet the targets.

1.1.1.1. Impact on the indicators:

Output, results and impact indicators of the programme have been updated to take into consideration the additional support from HC/RP and modulation/wine reform.

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) No 1698/2005 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 Temporary Aid (scheme N 248/2009) until the approval of the national aid scheme notified to the Commission has been approved. 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.

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

	2007	2008	2009	2010	2011	2012	2013	Total
Non-Convergence Regions	29.832.000	29.657.000	29.250.000	29.892.000	73.499.000	73.378.000	73.170.000	338.678.000
Additional funds from Article 69(5a) of Regulation (EC) No 1698/2005 – non-convergence region			1.394.000	3.583.000	3.326.000	4.338.000	5.439.000	18.080.000
Total	29.832.000	29.657.000	30.644.000	33.475.000	76.825.000	77.716.000	78.609.000	356.758.000

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

Axis	Total public	EAFRD contribution	EAFRD amount
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		rate (%)	
Axis 1	303.762.727	44,00%	133.765.600
Axis 2	326.829.318	44,00%	143.804.900
Axis 3	75.787.955	44,00%	33.346.700
Axis 4	40.540.682	44,00%	17.837.900
Technical Assistance	20.065.800	50,00%	10.032.900
Total	766.986.482	44,16%	338.678.000

Table 6.2.2: 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	3.048.316	65.61%	2.000.000
Axis 2	18.742.310	73.15%	13.710.000
Axis 3	3.612.254	65.61%	2.370.000
Axis 4			
Technical Assistance			
Total	25.402.880	71,17%	18.080.000

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
Measure 121	2.000.000
Total axis 1	2.000.000
Measure 214	5.710.000
Measure 221	5.000.000
Measure 226	3.000.000
Total axis 2	15.710.000
Measure 321 (broadband)	2.370.400
— 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	2.370.000
Total axis 3	2.370.000
— 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	2.370.400
Axis 4	0
Total axis 4	0
Total programme	18.080.000
— 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	15.710.000
— Total under Axis 3 and 4 related to priorities listed in Article 16a(1), point (g) of Regulation (EC) No 1698/2005	2.370.000

