

WORKING DOCUMENT
RURAL DEVELOPMENT COMMITTEE

MEMBER STATE: Italy **REGION:** Lombardia

1. APPROVED PROGRAMME: Programma di sviluppo rurale 2007-2013 della Regione Lombardia – C (2007) 4663 of 16 October 2007. CCI 2007IT06RPO007

2. LEGAL BASIS FOR THE MODIFICATION

- Modification related to the first implementation of Article 16a of Regulation (EC) No 1698/2005, to changes in the total Community contribution for the entire programming period, to the alteration of the Community co-financing rates and to transfers between axes – Modifications 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 Lombardia concerns:

- 1) Amendments following the adoption of the Health Check and the European Recovery Package, the allocation of modulation and CMO wine additional funds and the modification of financial plan by axis.
- 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, the alteration of the Community co-financing rates and the transfers between axes – 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 infrastructure. In this context, RDP Lombardia will receive 75.161.000 € in terms of EAFRD additional contribution, of which 63.644.000 € from new challenges and broadband and 11.517.000 € from modulation/wine.

The proposed modification concerns the introduction of the new priority "restructuring of dairy sector" and the reinforcement of already existing priorities, such as water management and biodiversity. The "new challenges" objectives will be achieved by 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 the priorities to be reinforced has been carried out.

The analysis in terms of strengths and weaknesses of the performance of agricultural, forestry and food sectors has been updated in relation to the situation of milk sector and forestry, while the analysis concerning environment and land management has been updated on biodiversity (focus on the implementation of Natura 2000 directives), water resources, climate change, environmental situation of forests and renewable energy. The part concerning rural economy and quality of life has been revised with additional information on broadband infrastructures.

Following the results of the analysis, the additional resources coming from Health Check and European Recovery Package will be allocated to the following priorities: restructuring of the dairy sector (37%) water management (18%), biodiversity (37%) and broadband infrastructure in rural areas (8%). In addition to that, the resources originated by modulation and CMO wine will be used for increasing the budget of axis 1 and 3 (measure 121 and measure 323), while 6 Meuro EAFRD will be moved from axis 5 – technical assistance to axis 1, 3 and 4 (measure 121, 123, 125, 323 and 413).

Following the allocation of new resources and re-allocation of axis 5 resources, the overall balance between objectives changes as follows: the resources for improving competitiveness of agriculture and forestry go from 34,3% to 38,1%, those for improving the environment and countryside decrease from 53,8% to 49% and those for improving the quality of life and encouraging diversification go from 11,9% to 12,7%.

As far as Leader is concerned, the financial weight in terms of EAFRD total resources goes from 5% to 4,3%. It should be noted that the conditions of article 17 of regulation n. 1698/2005 (at least 5% of resources of EAFRD total contribution shall be reserved for axis 4, not taking into account HC/RP additional funds) are met, because if HC/RP additional resources are not considered axis 4 weight remains stable at 5%.

4 DESCRIPTION OF THE AMENDMENTS PROPOSED:

4.1 New priorities / types of operations

- The situation concerning 'new challenges' is the following:

Climate change

Regional emissions from agricultural activities concern mainly methane (CH₄), nitrous oxide (N₂O) and, to a minor extent, carbon oxide (CO₂). Agriculture contributes significantly (8%) to the overall GHG emissions of Lombardia, which is the most populated and industrialized region of Italy. In 2005, GHG emissions from agriculture amounted to 7.660 KToe. Although slightly decreasing (-3% from 2003 to 2006) this figure is very important, and it is equal to 21% of national emissions coming from agriculture. In this context, it should be noted that regional UAA is less than 8% of the national one. Ammonia emissions (NH₃) which are mainly due to livestock production are also significant: in 2005 they amounted to more than 62.000 tons, which is about 20% of total national emissions. Also in this case, however, there has been a slight decrease (- 4% from 2000).

According to the regional authorities, a number of actions in axis I, axis II and axis III already meet this challenge. In the specific, they are: investments in farms (i.e. renewable

energy, manure storage), afforestation and actions to prevent forest fires, training and farm advisory services focusing on climate change issues. In addition to that, some of the additional operation could have positive effects in terms of climate change mitigation (i.e. biogas in dairy farms) and there are regional schemes contributing to the objective of climate change mitigation (i.e. afforestation, renewable energy, etc.). The operations and budget of the approved RDP is therefore judged sufficient to meet this priority.

Renewable energies

According to the last available data, the production of renewable energy, although slightly increasing, is not very elevated: in 2005, only 7% of regional needs were covered by renewable sources (2.000 Ktep). The main sources of renewable energy are hydroelectric and urban waste burning. Although much less important, the utilisation of other renewable sources and in particular biomasses and biogas is increasing by the year and could become significant in a short time.

As described in the strategy, a number of actions in axis I, axis II and in axis III already meet this challenge. In axis I, information actions, advisory services and investments for renewable energy production and energy saving are already foreseen, while in axis II afforestation measures will increase biomass availability. In axis III, specific investments for renewable energy plants and energy saving are already supported. According to the regional authorities, operations and budget of the approved RDP are sufficient to meet this priority. In addition to that, it should be said that the additional operations supported under the challenge "restructuring of the dairy sector", which comprise the realization of biogas plants, could contribute achieving the objectives of promoting renewable energy.

Water management

In Lombardia, the availability of water for agriculture is good, as more than 57% of the regional UAA is irrigated. There are, however, some problems related to water quantity, which could lead to a difficult situation. On the one hand, irrigation techniques and irrigation network are not particularly efficient, on the other water consumption is increasing – due to temperature raising and the increasing of precipitations irregularity – and rainfalls are slightly but progressively decreasing. At present, the Water Exploitation Index – WEI, set up by the European Environment Agency, is 30% (between 20% and 40% = water stress, over 40% = unsustainable water use). If the current trends continue, however, the conditions could worsen and lead to a draught situation.

In order to tackle the need of better water management, it has been therefore decided that part of Health Check additional resources (11,8 Meuro of EAFRD) will be used for improving the irrigation network – measure 125.

As far as water quality is concerned, the analysis of the approved programme showed significant problems in terms of nitrates and pesticides presence. The analysis has been revised, updating some indicators and describing the new NVZ designation, entered into force in 2007 (NVZ increased from 12% to 56% of the region). As several measures under axis I and axis II are already contributing to the objective of improving water quality, it has been decided that operations and budget of the approved RDP are sufficient. It should be also said that the additional operations under measure 125, improving water management and irrigation efficiency, will contribute to the improvement of water quality.

Biodiversity

Biodiversity is an important priority of the approved RDP, both in terms of financial importance and number of actions focusing on this issue. However, taking into account the importance of regional biodiversity and the presence of some gaps in the approved RDP, in the specific the lack of agri-environment action for improving biodiversity in rice fields, it has been decided to use some additional resources for this challenge.

Rice fields, localised mainly in the western and southern part of the region, are a very important habitat. A large part of the regional rice fields is included in a Natura 2000 area, which is very important for the conservation of some endangered bird species (herons, egrets, etc.). A significant part of the Health Check additional resources (23,5 Meuro of EAFRD contribution) will be used for supporting additional operations under measure 214, for the conservation of biodiversity in rice fields.

Measures accompanying the restructuring of the dairy sector

Dairy is one of the main agricultural sectors of region Lombardia and accounts for nearly 33% of the total agricultural output. Dairy farms are approximately 10.000 and production is about 4 million tonnes per year (38% of national production). The main features of this sector were described in the original analysis, which has been partly updated to take into account late legislative and market evolutions. The main results of the analysis are: 1) good productivity and efficiency of dairy farms, 2) presence of quality products (PDO grana, parmigiano reggiano and others), which are less sensible to market fluctuations, 3) increase in costs and decrease in prices, also because of CMO reform and market liberalisation, 4) reduction of dairy farm incomes, in all the area but mostly in the more marginal rural areas (mountain), 5) problems connected with environmental needs and obligations (mainly in plain areas – NVZ).

It has been therefore decided to reserve a significant part of the Health Check additional resources (23,5 Meuro of EAFRD contribution) for the support of additional operations under measure 121, aiming to the restructuring of dairy farms. In the specific, the operations will focus on reduction of costs, modernisation and innovation, improvement of quality and quality products, biogas production for energy cost reduction and environmental sustainability.

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. At present, broadband is available for more than 90% of the regional population. There are, however, large areas in a situation of digital divide. In more than 45% of regional communes (707 out of 1.546 communes) broadband infrastructure is totally or partly missing and more than 700.000 persons are in a situation of digital divide. These areas are mainly concentrated in rural areas, where there are more than 100 municipalities in a situation of total digital divide ("white areas").

As a consequence, it has been decided that almost 4,8 Meuro in terms of EAFRD contribution will be devoted to the completion of broadband infrastructure in rural areas. These resources will come from the European Recovery Package additional budget.

Measure	Types of operations	Potential effects	Existing' or 'New' type of operation (E or N)	Reference to the description of the type of operation in the RDP	Output indicator –	
					N. farm holdings supported	total investment
121	investment support related to dairy production	Improvement of the competitiveness of the dairy sector	N	Modernisation of agricultural holdings (measure 121 - submeasure A)	689	98,2 Meuro
Measure	Types of operations	Potential effects	Existing' or 'New' type of operation (E or N)	Reference to the description of the type of operation in the RDP	Output indicator –	
					N action s	total investment
125	water storage	Improvement of the capacity to use water more efficiently for saving water resources	E	Infrastructures (measure 125 - submeasure A)	42	21,8 Meuro
Measure	Types of operations	Potential effects	Existing' or 'New' type of operation (E or N)	Reference to the description of the type of operation in the RDP	Output indicator –	
					Farm supported	area supported
214	management of biotopes/habitats within and outside Natura 2000 areas	protection of birds and other wildlife and improvement of biotope network	N	Agri-environment payments (measure 214, action I)	820	32.400 Ha
Measure	Types of operations	Potential effects	Existing' or 'New' type of operation (E or N)	Reference to the description of the type of operation in the RDP	Output indicator –	
					N. action s	Tot. Investment
321	Creation of and enabling access to broadband infrastructure including backhaul facilities and ground equipment (e.g. fixed, terrestrial wireless, satellite-based or combination of technologies)	NA	N	Basic services for rural population (measure 321)	30	7,97 Meuro

4.2 Description of the amendments proposed to axes and measures

Measure 121 (modernisation of farm holdings)

The measure budget is increased with new EAFRD resources, coming from Health Check (23,5 Meuro), modulation and CMO wine (8,9 Meuro) and from axis 5 – technical assistance (2,5 Meuro). The overall EAFRD budget goes from 61,2 Meuro to 92,1 Meuro, while the budget in terms of public expenditure goes from 143 Meuro to 203,7 Meuro - change due also to the modification of co-financing rate described below. Indicators are revised accordingly.

The amendments related to Health Check consist in the introduction of Action 1 – *modernisation of farm holdings of the dairy sector*. The action will contribute achieving the objectives of new challenge "restructuring the dairy sector".

Support will be granted for tangible and/or intangible investments related to dairy sector aiming at: 1) reduction of costs, 2) innovation related to processes and products, 3) diversification of agricultural production, 4) investments related to quality, 5) investments for energy saving and environmental sustainability. The farmer will have to submit a business plan, describing the farm overall improvement due to supported investments.

The types of supported investments will be: a) construction of immovable property, b) realisation or modernisation of on-farm marketing and processing equipment (at least 2/3 of raw material to be produced in the farm), c) investments linked to quality schemes such as EMAS, ISO, etc. d) investments for biogas production, using organic waste (maximum power = 1 MW, energy to be used on farm and energy plant dimension proportionate to the farm energy consumption), e) purchase of new machinery and equipment for production, processing and marketing farm livestock and agricultural products, f) general costs up to 10% of total investment.

Support will not be granted for: replacement investments, extension of irrigation network, purchase of plants or animals, purchase of quotas, land, second hand machinery or equipment, intangible investments if not linked to tangible investments, maintenance costs.

Support will be granted in the form of non-repayable direct assistance. Payment of advances according to article 56 of R. 1974/2006 will be possible. As foreseen by R. 363/2009, it is the amount of advances will be increased up to 50 % of the public aid, in case of investments for which the individual decision to grant support is taken in 2009 or in 2010.

Beneficiaries: single or associated farmers

Amount of support: 50% for young farmers and 45% for other farmers in mountain areas (LFA), 40% for young farmers and 35% for other farmers in other areas (non LFA)

Output indicators linked to HC/RP operations: 689 supported farm holdings, 98,2 Meuro of total investments.

Measure 123 (Adding value to agricultural and forestry products)

The measure budget is increased with EAFRD resources, from axis 5 – technical assistance (0,8 Meuro). The EAFRD budget goes from 23,9 Meuro to 24,7 Meuro, while the budget in terms of public expenditure goes from 55,8 Meuro to 52,3 Meuro – change due also to the modification of co-financing rate described below. Indicators are revised accordingly.

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

The measure budget is increased with EAFRD resources coming from Health Check (11,8 Meuro) and from axis 5 – technical assistance (0,8 Meuro). The overall EAFRD budget goes from 17,3 Meuro to 29,9 Meuro, while the budget in terms of public expenditure goes from 40,3 Meuro to 63,2 Meuro – change due also to the modification of co-financing rate described below. Indicators are revised accordingly.

The additional 11,7 Meuro of EAFRD coming from Health check will be used for the modernisation and rationalisation of the irrigation network, with the aim of improving irrigation efficiency and reducing water losses.

Output indicators linked to HC/RP operations: 40 actions, 21,8 Meuro of total investments

Measure 214 (Agri-environment payments)

Action I – *biodiversity conservation in rice fields* is introduced. Additional 39,2 Meuro (23,5 Meuro of EAFRD) will be used for supporting this new action, which will contribute achieving the objectives of new challenge "biodiversity". The overall budget (public expenditure) of measure 214 goes from 228 Meuro to 273,8 Meuro.

The commitments are: 1) realisation and maintenance of a ditch bordering the rice field main bank and of perpendicular furrows connected to it, 2) keeping and/or maintaining a green cover (natural vegetation/seeding) on the banks, 3) stubble management, in the specific leaving stubbles on the field till February – this commitment is facultative.

The foreseen environmental advantages consist in increasing the possibility of wildlife feeding (i.e. ditches and furrows would keep water all the year round, thus providing an habitat for insects and their predators), keeping natural areas for bird nesting (i.e. bank green cover), and improving the habitat in bird migrating/wintering period (i.e. leaving stubbles in the field during winter).

Annual payment will be 125 euro/Ha (commitments 1+2), 155 euro/Ha (commitments 1+2+3). Payments will cover the additional costs and income foregone and in the specific: loss of production due to area for ditch/furrows, additional costs for ditch/furrows realisation and maintenance and to keep water in them, additional costs and income foregone due to weeds/insects. The description of methodology and calculations justifying the payments amounts have been provided (annex 6 of RDP). The University of Milan – Department of Agricultural Economics and Politics is certifying the accuracy of the calculations.

Commitment duration is 5 years and shall cover at least 1/3 of farm surface devoted to rice. Control of weeds and other pests will be done using low impact techniques.

Beneficiaries: farmers

Output indicators linked to HC/RP operations: 820 farms supported, 32.000 Ha supported

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

New sub-measure A – *reduction of digital divide* is introduced. The action will be funded by resources coming from the European Recovery Package, amounting to 4,78 Meuro of EAFRD (7,97 Meuro in terms of public expenditure). The overall budget (public expenditure) of measure 321 goes from 5,5 Meuro to 15,7 Meuro, change due also to the modification of co-financing rate described below.

The sub-measure will support the creation of and enabling access to broadband infrastructures in rural areas, in the specific creation of backhaul infrastructures for the connection of rural distributed sites to the main broadband network (fixed cables and/or wireless and satellite based).

Localisation: municipalities in digital divide in rural areas ("white areas" in C and D rural zones)

Beneficiary: Region Lombardia, other local bodies and privates.

Aid intensity: 100% and respect of *de minimis* rule.

Complementarity with EFRD: EAFRD intervention will be concentrated in rural areas C and D classified as "white areas" (list of 101 municipalities annexed to RDP). Demarcation and complementarity will be assured by the regional department for IT, which will coordinate operations supported by EAFRD, EFRS and other funds, and will be based on localisation: EAFRD will intervene only in those municipalities where the realisation of broadband infrastructure hasn't be financed with EFRD funds.

Output indicators linked to HC/RP operations: 30 actions, 7,97 Meuro of total investments

Measure 323 (Conservation and upgrading of rural heritage)

The measure budget is increased with new EAFRD resources, coming from modulation and CMO wine (2,6 Meuro) and from axis 5 – technical assistance (1,2 Meuro). EAFRD budget goes from 5,3 Meuro to 9 Meuro, while the budget in terms of public expenditure goes from 11,8 Meuro to 19,6 Meuro- increase due also to the modification of co-financing rate described below. Indicators are revised accordingly.

Axis 4 (Implementation of the Leader approach)

The axis budget is increased with new EAFRD resources, coming from axis 5 – technical assistance (0,7 Meuro). EAFRD budget goes from 19,8 Meuro to 20,5 Meuro, while the budget in terms of public expenditure goes from 36 Meuro to 46,5 Meuro - increase due

also to the modification of co-financing rate described below. Indicators are revised accordingly.

Modification of co-financing rate

The co-financing rate for 'mainstream' resources is modified. In the decision approving the programme (November 2007), co-financing rate were the following: 42,8% for axis 1, 44% for axis 2, 44,5% for axis 3, 55% for axis 4 and 41% for axis 5 – technical assistance. These figures are now replaced by a co-financing rate of 44% for axis 2, 4 and 5, and of 44,77% for axis 1 and 3. The modification will simplify the programme financial management.

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

Expected impacts and output and result indicators

Targets have been revised, on the basis of an assessment carried out in the first half of 2009. This assessment has concerned output, results and impact targets.

Payment of advances for investment support

Following the modification of article 56 of R. 1974/2006, it is introduced the possibility of increasing the amount of advances up to 50 % of the public aid, in case of investments for which the individual decision to grant support is taken in 2009 or in 2010. The modification concerns investments in measure 121, 122, 123, 124, 125, 311, 312, 313, 321 and 323.

State aid rules and procedures for granting support

For measure 311, 312, 313 and 323 support will be granted, until 31 December 2010, under the State aid scheme N 248/2009 (limited amount of compatible aid under the Temporary Framework) – maximum aid per enterprise = 500.000 euro.

Measure 111 (training and information activities)

The measure fiche is revised as follows: a) maximum ceiling for general expenses is revised: it was 5% of admissible expenses, it is now 250 euro, b) amount of support for information activities is raised from 60% to 80% in case of operations realised by private subjects, and from 60% to 100% in case of operations realised directly by the Region or the Provinces.

Measure 214 (agri-environment payments)

The first two years of implementation have shown a significant decrease of agri-environmental contracts and hectares under contract. This has been caused, according to region Lombardia, by the evolution of commodity prices and inputs costs. It is therefore

proposed to adjust the premium of the following agri-environment actions, which is deemed to be insufficient to cover costs incurred and loss of income deriving from the commitments:

- Action F – retention and maintenance of buffer strips along water courses, hedges and trees in line, realised with measure F of RDP 2000-2006 or with measure 216 of current RDP = from 450 euro/Ha to 525 euro/Ha.
- Action G – conversion of arable land into ponds, bogs, etc. = from 450 euro/Ha to 525 euro/Ha.

These amounts, going beyond the limit set up by annex I of R. 1698/2005, are justified by the revised calculations (annex 6 to RDP) – the exceptional derogation is asked also on the basis of the high environmental value of these actions. The review of aid calculation concerns prices and input costs, and takes into account their evolution in 5 years, from November 2003 to November 2008. The revised premium will be applied to new contracts.

Measure 221 (first afforestation of agricultural land)

After the first two years of implementation, the number of applications is very limited and well below the targets established in the programme. This has been caused, according to Region Lombardia, by factors as the evolution of commodity prices. The following payments are therefore adjusted:

- Annual premium for loss of income is raised from 550 euro/Ha to 700 euro/Ha for farmers in hilly areas (permanent woods). In case afforestation for wood production (medium-long term), annual premium for loss of income is raised from 550 euro/Ha to 700 euro/Ha for farmers in plain areas, and from 325 euro/Ha to 440 euro/Ha for farmers in hilly areas;

The amounts are justified by the revised calculations (annex 6 to RDP). The review of aid calculation concerns prices and input costs, and takes into account their evolution in 5 years, from November 2003 to November 2008. The revised premium will be applied to new contracts and to on-going contracts (from 2010 onwards). The calculation elements will be reviewed every two years, and the contracts will have a review clause where the beneficiaries accept an adaptation of the premium (upwards or downwards), if necessary. The Commission will be informed of the review results, which will be carried out utilising the same methodology and data sources of the current review.

In addition to that, the following elements are modified:

- Maximum amount of establishment cost is increased from 6.000 euro/Ha to 8.500 euro/Ha in case of permanent woods – this because forest density has been increased (from 1.1000 trees/Ha to 1.300 trees/Ha)
- Introduction of elements needed for appraisal under competition rules, following the modification of R. 1974/2006: *de minimis* rule.
- Other minor modification (better wording and description).

Measure 223 (first afforestation of non-agricultural land)

The measure fiche is revised as follows:

- Maximum amount of establishment cost is increased from 7.000 euro/Ha to 9.000 euro/Ha in case of permanent woods – this because forest density has been increased (from 1.1000 trees/Ha to 1.300 trees/Ha)
- Introduction of elements needed for appraisal under competition rules, following the modification of R. 1974/2006: *de minimis* rule.

Measure 226 (restoring forestry potential and introducing prevention actions)

The measure fiche is revised as follows:

- Aid intensity for public beneficiaries is revised. In the approved version aid intensity was "up to" 100%, for all the actions, it is now fixed at: 1) 90% for restoring forestry potential damaged by fires and other natural disasters, preventive actions against forest fires in areas and medium-high forest fire risk and preventive actions against other natural disasters. 2) 100% in case of public beneficiaries for preventive actions against landslides, floods – i.e. land consolidation, banks consolidation.
- Introduction of elements needed for appraisal under competition rules: *de minimis* rule.

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 has been introduced, under the conditions specified by art. 1.3 of R. 482/2009.

Chapter 7 (Indicative breakdown by Rural Development Measure)

In addition to the allocation of new resources and the transfers between axes described above, the indicative financial plan per measure is revised with the following transfers between measures of the same axis: a) on the basis of the result of the first two years of implementation, 4 Meuro of EAFRD are moved from measure 221 to measure 226, b) on the basis of the definition of local development strategies by the selected LAGs, the budget of measure 411, 412, 421 and 431 are reduced and that of measure 413 is increased. Indicators are revised accordingly.

Chapter 10.2 and 10.3 (complementarity with measure financed by Cohesion policy as well as EFF)

Introduction of a new body, which will coordinate programmes financed by EAFRD, EFRD, ESF, EFF and other national funds. The body (denominated ACCP – "*autorità centrale di coordinamento e programmazione*") will be chaired by the regional director for integrated programming. The managing authorities of each fund will be members of it.

Chapter 10.4 (complementarity with first pillar)

Following the modification of CMO fruit and vegetables and wine, the introduction of specific support under article 68 of R. 73/2009 and the revision of the NSP on demarcation with first pillar instruments, the chapter has been modified as follows:

Fruit and vegetables: As far as measure 111 and 114 are concerned, PO members will be supported by the RDP for training activities, and by the CMO for information activities and advisory services. In case of measures for developing physical potential, PO members will be supported by RDP for operations above 100.000 € in case of measure 121 and above 200.000€ in case of measure 123. Investments realised directly by POs will be financed by CMO. The participation of farmers in food quality schemes and the operations for information and promotion activities will be financed only by RDP (measure 132 and 133). Finally, agri-environment payments (i.e. organic and integrated agriculture) will be supported by measure 214 of RDP – CMO will not support agri-environment commitments.

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

Sugar: The resources of I pillar for restructuring and diversification of ex sugar producers/areas have been totally committed. Ex sugar producers, formerly excluded from RDP, are therefore added to the list of beneficiaries of rural development measures.

Olive oil and Bee keeping: update of legislation.

Specific support (article 68 of Regulation n.73/09): 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 (rotation – this measure will not be implemented in Lombardia), 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 biodiversity, water management and renewable energy.

The modifications under art. 6.1.c of R. 1974/2006 will contribute to a better implementation of the programme by clarifying the correct interpretation of some measures.

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 impact indicators revised following HC/RP are:

Impact indicator	Description	Target 2007-2013	
		Ante health check	Post health check
1) Economic growth	net additional added value (PPS) Meuros	53,5	58,1
2) Employment creation	net additional full time equivalent jobs created (n.)	765	773
3) Labour productivity	change in GVA per full time equivalent (€)		
- agriculture		+ 1.487	+ 1.662
- food industry		+ 6.726	+ 6.726
4) Reversing biodiversity decline	change in biodiversity decline (FBI)	0%	+0,5%
5) Maintenance of high nature value farmland and forestry	change in high nature value areas (Ha)	246.100	246.269
6) Improvement in water quality	changes in gross nutrient balance (Kg/Ha)	- 16,2	- 18,3
7) Contribution in combating climate change	increase in production of renewable energy (Ktoe)	18,85	16,94

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.

7 FINANCING

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

	2007	2008	2009	2010	2011	2012	2013	Total
Non-Convergence Regions	58.049.000	57.708.000	57.288.000	58.724.000	58.847.000	58.620.000	58.230.000	407.466.000

Additional funds from Article 69(5a) of Regulation (EC) N. 1698/2005 – non-convergence region	0	0	2.813.000	11.737.000	12.461.000	16.253.000	20.380.000	63.644.000
Total	58.049.000	57.708.000	60.101.000	70.461.000	71.308.000	74.873.000	78.610.000	471.110.000

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

Axis	Total public	EAFRD contribution rate (%)	EAFRD amount
Axis 1	308.081.148	44,77	137.927.930
Axis 2	464.716.480	44,00	204.475.251
Axis 3	88.429.350	44,77	39.589.820
Axis 4	46.490.227	44,00	20.455.700
Technical Assistance	11.402.952	44,00	5.017.299
Total	919.120.157	44,33	407.466.000

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
Axis 1	58.861.667	60,00	35.317.000
Axis 2	39.241.667	60,00	23.545.000
Axis 3	7.970.000	60,00	4.782.000
Axis 4			
Technical Assistance			
Total	106.073.334	60,00	63.644.000

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 121	23.545.000
Measure 125	11.772.000
Total axis 1	35.317.000
Axis 2	
Measure 214	23.545.000
Total axis 2	23.545.000
Axis 3	
Measure 321	4.782.000

Axis/measure	EAFRD contribution for 2009-2013
Total axis 3	
— 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	4.782.000
Axis 4	0
Total axis 4	0
Total programme	63.644.000
— 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	58.862.000
— Total under Axis 3 and 4 related to priorities listed in Article 16a(1), point (g) of Regulation (EC) No 1698/2005	4.782.000