

WORKING DOCUMENT
RURAL DEVELOPMENT COMMITTEE

Member State / Region: **Italy / Autonomous Province of Bolzano**

1. APPROVED PROGRAMME: Programma di sviluppo rurale 2007-2013 della Provincia Autonoma di Bolzano – C (2007) 4153 of 12 September 2007. CCI 2007IT06RPO002

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 the rural development programme of Bolzano involves:

- 1) Amendments following the adoption of the Health Check and the European Recovery Package as well as the programming of additional money from modulation/wine.
- 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 additional money from modulation and CMO wine as well as the alteration of the Community co-financing rates

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 13/07/09 takes into account all the new priorities.

In this context, Bolzano has been assigned a total of 11.536.000 € in terms of EAFRD contribution, of which 10.814.000 € for new challenges and 722.000€ from modulation/wine.

The RDP Bolzano already covers all the priorities and operations to meet all the "new challenges". Consequently, the proposed modification does not concern the introduction of new priorities, but the reinforcement and amendment of existing actions and operations. In the context of the revision of the CSG and the NSP, an assessment of the priorities to be reinforced has been carried out.

The analysis of the situation in terms of strengths and weaknesses has been up-dated, mainly in relation to the dairy sector, and the availability of internet infrastructure in rural areas. On the basis of the up-dated analysis the additional resources will be allocated to already existing operations addressing the following priorities: climate change (77%) in total), water management (6%); existing measures accompanying the restructuring of the dairy sector will be further reinforced (17%). Furthermore, in order to respect the financial balance and in particular the 5% of the overall budget to be allocated to the Leader axis, measure 322 (village renewal and development) will be increased with 36.089€ i.e. 0,3% of the additional funds.

In terms of financial weight of the axis, the overall balance is the following: axis 2 is the most important, with 61,7% of the total budget. Axis 1 represents 24,6% of the total programme's budget and axis 3 13,7%.

4 DESCRIPTION OF THE AMENDMENTS PROPOSED:

4.1 New priorities / types of operations

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

Water management

In the Province of Bolzano the irrigated utilised agricultural area is 8% of the total UAA, in comparison with the national average of 4,5%. The water resources are utilised in the province mainly in the intensive cultivations like viticulture and fruit cultivation and with the purpose of frost protection and summer irrigation. Livestock farming uses only a marginal part of the available resources. Thus, the impact of agriculture on the available water resources can be retained acceptable, from the quantity point of view. Nevertheless there are areas, such as Val Venosta, where water scarcity is an existing threat due to the much limited annual rainfalls.

Moreover, taking into consideration the negative impacts of climate change and the increasing importance of water supply in particular in the Alpine area, the province intends to improve the capacity to use water for irrigation purposes more efficiently.

Therefore part of the additional resources will be devoted to the modernisation of the irrigation network (measure 125, connection of water derivations to the existing tunnel water-transport systems).

Climate change

In Bolzano greenhouse gas emissions (GHG) concern mainly methane (CH₄), carbon dioxide (CO₂) and nitrous oxide (N₂O). Although there are some measures in axis II (226 and 227) in the RDP Bolzano, which contribute to the adaptation and reduction of the negative effects of climate change, the main measure addressing this priority is measure 214. Measure 214 contributes to objectives such as maintaining extensive agriculture with a maximum stocking density per hectare and preserving permanent grasslands with limited use of inorganic manures. The Province envisages reinforcing

this measure and in particular operation 1 "fodder crop cultivation" so guaranteeing the carbon sequestration by permanent grasslands promoted by traditional agricultural practices and livestock extensification.

Biodiversity

The analysis of the situation has been updated in relation to permanent grasslands and their contribution to safeguarding biodiversity. Permanent grasslands and Alpine pastures are ecological niches that can safeguard biodiversity by their territorial extension, their traditional way of cultivation and the agricultural practices respecting a maximum stocking density and the exclusive use of organic manures. These surface areas contribute to the protection of ecosystems characterized by a noteworthy variety of plant and animal species and natural environment of high landscape value. Therefore measure 214 intends to reinforce the priority of biodiversity by the maintenance and preservation of these surfaces, thus safeguarding biological diversity in the Alpine territories.

Measures accompanying restructuring of the dairy sector

The last ten years' performance of the provincial dairy sector outlines the difficulties and potential threats affecting agriculture in general and animal husbandry in particular. Data evince a significant reduction of the number of livestock farms (-13%), an increase of the production in general (+25%) and increase of the average farm production (+44%). There is a tendency to produce more in order to compensate the stagnating or even decreasing prices. Data show lack of growth and loss of competitiveness. Phasing out of the milk quotas will further worsen this already burdensome situation, significantly increasing production and drastically decreasing milk prices. Moreover it could seriously affect milk cow breeding in the province, which is the only economic activity in the disadvantaged mountainous areas. As a consequence there might be a real threat of depopulation and relinquishment of those mountain areas, hydro-geological risks and the disappearance of the cultural, historical, social and environmental heritage of the rural areas.

Although the dairy sector is one of the priority sectors for axis I measures in the approved RDP, taking into account the above described trends in the dairy sector, the province intends to allocate part of the available additional resources to the new operation "Construction and renewal of free stall barns and conversion of existing stables to free stall barns" under measure 121. The objective is to increase the quality of the whole supply chain: the animal breeding system, the production method that guarantees the welfare and health of the animals, a much higher quality of the final products, and the safeguard of natural environment.

Broadband infrastructure in rural areas

The EU Recovery Package and the strategic guidelines consider investments in broadband as 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. Although ADSL covers only part of the provincial rural

areas, there are a lot of ongoing projects for upgrading broadband infrastructure. The Province has put in place several measures in order to guarantee broadband internet to all firms having at least 3 employees, to 95% of firms with less than 3 employees. On the whole, currently around 92 % of the population has access to broadband internet but the 98% target will be reached by the first half of 2010. Furthermore the Province intends to secure access to fast broadband for the whole population (100%) by the end of the programming period. Therefore the Province did not deem it necessary to use additional RP funds to address this priority.

Table 5.3.6

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: Measures accompanying the restructuring of the dairy sector					
Axis 1 Measure 121	Investment support related to dairy production - Construction and renewal of free stall barns and conversion of existing stables to free stall barns	Improvement of the competitiveness of the dairy sector	N	Measure 121 - operation "f" – Construction and renewal of free stall barns and conversion of existing stables to free stall barns	- Number of farm holdings supported: 30 - Total volume of investments ('000 EUR) 5.000
Priority: Water management					
Axis 1 Measure 125	Water savings technologies - construction of water pipeline connections and pipelines directly linked to already existing hydro-electric tunnel pipelines	Water reserves (including overflow surfaces)	N	Measure 125 – new operation - connection of water derivations to existing tunnel water-transport systems	- Number of operations supported: 2 - Total volume of investments ('000 EUR) 3.081
Priority: Climate Change					
Axis 2 Measure 214	Fodder crop cultivation (carbon sequestration by permanent grasslands owing to traditional agricultural practices and livestock extensification)	Reduction of carbon dioxide (CO ₂), methane (CH ₄) and nitrous oxide (N ₂ O)	E	Measure 214 - operation 1- fodder crop cultivation	- Number of holdings supported per year: 500 - Total area supported (ha)/year: 5000 - Number of contracts: 500

4.2 Description of the amendments proposed to axes and measures

Amendments following the adoption of the Health Check and European Recovery Package, the allocation of additional money from modulation and CMO wine as well as the alteration of the Community co-financing rates

Measure 121 (Modernisation of agricultural holdings)

A new type of operation “f” *Construction and renewal of free stall barns and conversion of existing stables to free stall barns* has been proposed.

The aim of the new farm structures is to guarantee a superior quality production chain including the animal breeding system, the production method that guarantees the welfare and health of the animals, a much higher quality to the final products, and the safeguard of the natural environment. Furthermore it will guarantee cost reduction thus reinforcing the economic performance of the agricultural holdings.

The objectives of the new operation are:

- Reclassification/upgrading of the single holdings in terms of health and hygiene and high-quality milk production;
- improving the health and welfare of animals;
- reinforcing the performance and profitability of agricultural activities by improving the production methods.

Aid intensity: 60% of eligible expenses (for investments in less-favoured areas and in relation to the construction and renewal of stables).

Beneficiaries and eligibility requirements: unchanged (single farmers, priority is given to young farmers).

Output indicators: Number of farm holdings supported: 30; total volume of investments (‘000 EUR) 5.000. *Result indicators:* GVA increase of supported holdings (‘000 EUR): 1.893; number of holdings introducing new products/technologies: 6.

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

A new type of operation “connection of water derivations to existing tunnel water-transport systems” has been proposed.

The objectives of the new operation are:

- improving efficiency and flexibility of resources for irrigation;
- reducing the irrigation impacts on water courses and improving the state of the water courses;
- major independence from the diverse climatic factors (temperature, rainfall).

The operation would contribute to the improvement of the capacity to use water and manage water reserves more efficiently.

Aid intensity: 75% of eligible expenses.

Beneficiaries and eligibility requirements: unchanged (development consortium and land improvement cooperatives).

Output indicators: Number of operations supported: 2; Total volume of investments ('000 EUR): 3.081 *Result indicators:* GVA increase of supported holdings ('000 EUR): 2000.

Measure 214(Agro-environment payments)

Among the aims it is stated that the measure will also contribute to the reduction of greenhouse gases and carbon sequestration by permanent grasslands, promoted by traditional agricultural practices and livestock extensification.

The Province envisages to reinforce this measure and in particular operation 1- "fodder crop cultivation" with additional 8.314.000. Euro in terms of EAFRD contribution. The priority is to contribute to objectives such as maintaining extensive agriculture with a limited maximum stocking density per hectare and preserving permanent grasslands with limited use of inorganic manures.

Aid intensity: Action 1) 100% of eligible expenses

Beneficiaries and eligibility requirements: unchanged (Farmers, natural persons or entities having legal personality that are registered in the principal register of agricultural holdings).

Output indicators: Number of farm holdings and holdings of other land managers receiving supported: 500/year; Total area under agri-environmental support: 5000ha; Total number of contracts: 500; Physical area under agri-environmental support: 5000ha. *Result indicators:* areas under successful land management contributing to mitigating climate change: 35.000ha/year.

Modification of co-financing rate

The co-financing rate for 'mainstream' resources is modified. In the decision approving the programme (September 2007), co-financing rate were 44% for all axis 1, 2, 3 and 4. These figures are now replaced by a co-financing rate of 44,24% for axis 1 and of 44,06% for axis 4. The co-financing rate for axis 2 and 3 remain unchanged. The modification will simplify the programme financial management.

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

New procedure in relation to the granting of support to beneficiaries: The act granting the aid is not anymore the provincial council's decision but the decree of the provincial councillors.

Measure 111 (Vocational training ,information actions, including diffusion of scientific knowledge and innovative practices for persons engaged in the agricultural, food and forestry sectors)

The modification concerns the extension of the scope of application of sub-measure E (Production methods of vegetables and minor fruits) in order to include other fruit cultivations, such as cherries, apricot, chestnut and plums.

Measure 214(Agro-environment payments):

The conversion rate of laying hens to livestock units has been further reduced from 0,0140 to 0,0055LU for hens older than 6 months and to 0,0027LU for other pullets younger than 6 months. The modified conversion rate corresponds to the Italian medium rates and is justified by two calculations based on live weight and nitrogen emitted per year and per stall that would remain unchanged. Thus, the reduction of conversion rate of laying hens would not have any less favourable impact on the environment.

Ch.7 (Indicative breakdown by Rural Development measure): transfer of funds within the same axis:

- Shifting of 88.000€ in terms of EAFRD from measure 132 to 115 (to be able to better satisfy the demand for management, relief and advisory services);
- Transfer of 2.387.207 € in terms of EAFRD from measure 125 to 123 (resources for measure 123 have been underestimated, whereas for measure 125 have been overestimated);
- 4.520.000€ in terms of EAFRD from measure 226 to 211 (necessary for logging premia financed so far exclusively from provincial resources).
- Within measure 321 the resources initially allocated to sub-measure B (drainage canals) will be shifted to sub-measure A (water supply systems in rural areas). The modification will enable to finance a higher number of projects, thus resolving the problem of availability of drinkable water in a relevant number of rural areas in the province.
- From measure 411 768.466€ in terms of EAFRD contribution is shifted to measure 413 in order to better respond to the LAG's needs in implementing their local development programmes.

Ch. 8 (Additional national funding): the table has been reviewed to include additional resources (27.500.000€) for measure 211.

Ch. 9B (State aid): the table has been reviewed to include measure 111 in relation to forestry training and information actions. For measures 111 and 123 the *de minimis* rule will apply.

Ch. 10.2 (Complementarity with first Pillar):

Fruit and Vegetables: following the modification of measure 123, the members of the producer organisations (PO) will be supported by the RDP only for the operations exceeding 2.500.000 € (in the approved RDP the threshold is 1.500.000€). The modification does not affect other beneficiaries, which are not members of any PO.

The demarcation criteria for measure 214 included in the RDP remains valid, thus integrated crop management is financed exclusively by the 1st pillar, whereas organic farming is supported by the RDP.

<u>CMO F&V</u>		<u>RD Measures (annex II of Reg. 1974/06)</u>	
<u>Agro-environmental measures</u>			
<u>Integrated crop management (at single producer level) – operations foreseen::</u>	<u>Foreseen only in the framework of CMO OP</u>	<u>Premium for organic production (at single producer level)</u>	<u>Foreseen only by the RDP</u>
<u>Training activities</u>			
<u>Training - exclusively by Producer Organisation groups.</u>	<u>Foreseen only in the framework off CMO OP</u>	<u>Professional training, information actions disseminating scientific knowledge and innovative practices for persons engaged in the agriculture, food and forestry sector.</u>	<u>Foreseen only by the RDP</u>
<u>Information, advisory activities</u>			
<u>Consultancy for certification management – at the charge of PO groups</u>	<u>Foreseen only in the framework off CMO OP</u>	<u>Starting-up of assistance services in relation to management, replacement, and consultancy services for agricultural holdings; consultancy services for forestry undertakings.</u> <u>Support for farmers participating in food quality schemes.</u>	<u>Foreseen only by the RDP</u>
<u>Promotion activities</u>			
<u>Promotion activities for trade marks and products of food quality schemes of PO F&V and wine.</u>	<u>Foreseen only in the framework off CMO OP</u>	<u>Support for producer associations for promotion and information activities in relation to products of food quality schemes (F&V e Wine).</u>	<u>The indicated sectors are excluded from the scope of application of measures 132 and 133.</u>

Specific support (Article 68 of Regulation (EC) No. 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 (rotation – this measure will not

be implemented in the Province of Bolzano), c) crop, animal and plant insurance premiums. Similar or identical operations financed under article 68 will not be supported under the RDP.

Ch. 11 (description of financial control) / Measures 123, 125, 321- Payment of advances: 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.

Indicators: the result, output and impact indicators have been reviewed and updated in terms of quantification and/or unit of measurement to better fit the CMEF requirements in the framework of the RDP indicators review exercise carried out between DG Agri and the European Rural Development Network. Specific output and result indicators have been defined for the HC related actions under measures 121 and 125 and 214.

5. THE EXPECTED IMPACTS OF THE AMENDMENTS

Impact on the programme implementation:

The modifications under Art. 6.1.a of Reg. 1974/2006 clearly define the actions and operations which will be reinforced with the additional resources to meet the challenges linked to climate change, water management and measures accompanying restructuring of the dairy sector.

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 the first pillar to the revised EU and national legislation.

Impact on the indicators:

Output, result and impact indicators have been updated in relation to the additional support for HC/RP operations. For the revised result and output indicators see the description of the relevant measures.

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 Province in terms of "New Challenges" are duly 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) No 1698/2005 and Regulation (EC) No 1974/2006.

- *Appraisal of respect of competition rules.*

For measures concerned, support will be granted either according to the *de minimis* rule or in the framework of an approved State aid scheme.

7. FINANCING

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

	2007	2008	2009	2010	2011	2012	2013	Total
Non-Convergence Regions	20.170.000	20.051.000	19.533.000	19.843.000	19.675.000	19.587.000	19.438.000	138.297.000
Additional funds from Article 69(5a) of Regulation (EC) No 1698/2005 – non-convergence region	0	0	940.000	2.188.000	1.951.000	2.545.000	3.190.000	10.814.000
Total	20.170.000	20.051.000	20.473.000	22.031.000	21.626.000	22.132.000	22.628.000	149.111.000

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

Axis	Total public	EAFRD contribution rate (%)	EAFRD amount
Axis 1	75.916.542	44,24%	33.585.478
Axis 2	193.982.289	44%	85.352.207
Axis 3	28.282.420	44%	12.444.265

Axis 4	15.694.621	44,06%	6.915.050
Technical Assistance	0	0	0
Total	313.875.872	44,06%	138.297.000

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	4.166.667	60,00%	2.500.000
Axis 2	13.856.667	60,00%	8.314.000
Axis 3	0	0	0
Axis 4	0	0	0
Technical Assistance	0	0	0
Total	18.023.334	60,00%	10.814.000

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 (dairy sector)	1,800,000
Measure 125 (water management)	700,000
Total axis 1	2,500,000
Axis 2	
Measure 214 (climate change)	8,314,000
Total axis 2	8,314,000
Total axis 3	0
— Related to priorities listed in Article 16a(1), points (a) to (f) of Regulation (EC) No 1698/2005	
— Related to priorities listed in Article 16a(1), point (g) of Regulation (EC) No 1698/2005	
Axis 4	
— Related to priorities listed in Article 16a(1), points (a) to (f) of Regulation (EC) No 1698/2005	
— Related to priorities listed in Article 16a(1), point (g) of Regulation (EC) No 1698/2005	
Total axis 4	0
Total programme	10,814,000