

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

**MEMBER STATE:** Italy **REGION:** Friuli Venezia Giulia

**1. APPROVED PROGRAMME:** Programma di sviluppo rurale 2007-2013 della Regione Friuli Venezia Giulia – C (2007) 5715 of 20 November 2007. CCI 2007IT06RPO004

**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 Friuli Venezia Giulia concerns:

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 (HC) and the European Recovery Package (ERP) as well as the programming of additional money from modulation/wine.**

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, the RDP Friuli Venezia Giulia has been assigned a total of 11.739.000 € in terms of EAFRD additional contribution, of which 6.601.000 € for new challenges, 1.331.000 € from RP and 3.807.000 € from modulation/wine.

The RDP Friuli Venezia Giulia 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 briefly 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 production of renewable energies, the environmental situation, the designation of new NVZ areas and the availability of

broadband services in rural areas. Following the results of the analysis, the HC/RP resources will be allocated to the following priorities: water management (39%), measures accompanying restructuring of the dairy sector (30%), biodiversity (15%) and broadband infrastructure in rural areas (16%).

In terms of earmarking between axes, the HC/RP resources have been allocated to axis I - measure 121 (30%), axis II – measures 213, 214, 216 - (53%) and III – measure 321 - (17%). The additional resources from modulation/wine are allocated to measure 121. This results in a slight modification of the overall balance: axis I remains the most important, with 43,9% of the total budget (it was 43% in the approved programme). Axis II represents 36,8% of the total programme's budget (it was 37%), axis III counts for 10,1% of the total (it was 10%) and axis IV equals to 5,8% of the overall budget (it was 6,5%). Finally, 3,1% of the resources will be devoted to technical assistance (in the approved RDP it was 3,5%).

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

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

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

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

Region Friuli Venezia Giulia has sufficient availability of water, but its conditions are deteriorating, mainly due to the high use of chemical fertilisers and the permeability of the soil. In September 2008, new NVZ have been designated, thus increasing the share of NVZ areas to 40% of the territory (compared to 11% of the previous designation). In order to improve the quality of water, the Region will reinforce existing interventions aiming at the reduction of inputs, in particular organic farming and improved soil management practices for arable crops and arboriculture, under measure 214. 1,4 M € of EAFRD contribution will be allocated to these existing operations. Moreover, a new action under measures 214 is introduced, aiming at decreasing the permeability of soils: 1,6 M € in terms of EAFRD contribution will be allocated to the new action for the replacement of the use of artificial chemical fertiliser with organic matter.

##### ***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 and the drop of milk prices. The situation is particularly critical in mountain areas, where animal husbandry is often the only possible agricultural activity. The costs of production in mountain areas are 18% higher than the regional average, due to a number of factors (decreased availability of forage crops, higher energy and transport costs). 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 will have to further reduce the costs of production, modernising their structures and machinery. In mountain areas, where a further reduction of production costs is unlikely, the Region intends to support also on farm processing of milk for the production of quality dairy products and the diversification of the

production. As a consequence, the Region has chosen to allocate 2,4 M € in terms of EAFRD contribution to strengthening support to the dairy sector, in particular for the modernisation of agricultural holdings (measure 121).

### ***Biodiversity***

Biodiversity is already one of the priorities for intervention of the approved RDP, which already includes, in particular in measure 214, a number of actions focusing on: conservation of genetic diversity, extensive management of grassland, land use change, conservation of biotopes and habitats. Nonetheless, in order to contribute to halting biodiversity loss, the Region has decided to reinforce this priority, and in particular measure 213, concerning Natura 2000 payments, measure 214, action for the maintenance of natural habitats and measure 216, action for the constitution of natural habitats. A total of 1,2 M € of additional EAFRD contribution will be allocated to these existing operations.

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

Part of the regional territory, in particular C and D areas, is still not covered by broadband infrastructure or the infrastructure present allows only limited Internet access. This causes lack of competitiveness for the enterprises operating in these areas and lack of services and quality of life for the people. Therefore, 1,3 Meuros in terms of EAFRD contribution will be allocated to a new action "ICT networks" for the completion and up-grading of broadband infrastructure in rural areas.

### ***Climate change***

Climate change is a priority for intervention already included in the approved RDP. A number of actions in Axis I (in particular measures 121 and 123) and axis II (measures 214, 226 and 227) already meet this priority. The number and the budget of the actions/operations already included in the approved RDP are judged sufficient to meet this priority.

### ***Renewable energies***

This priority for intervention is already included in the approved RDP: measures 121, 122, 123 and 125 as well as measures 311 and 321 are directly or indirectly linked to the objective of increasing the use and the production of renewable energies. Therefore, 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
Measure	Investment support	improvement of the	N	Measure 121- action 2	- Number of

121	related to the dairy production	competitiveness of the dairy sector		(modernisation of the milk sector)	farm holdings supported: 65 - Total volume of investments ('000 EUR) 22,75
Measure 213	Conservation of genetic diversity	Protection of birds and other wildlife and improvement of biotope network, reducing entry of harmful substances in bordering habitats, conservation of protected fauna and flora	E	Measure 213, Natura 2000 payments	Number of holdings supported: 245 - Total area supported (Ha): 885
Measure 214	Soil management practices (e.g. catch crops, organic farming, conversion of arable land into permanent pasture)	Contributing to the reduction of losses of different compounds to water, including phosphorus	E	Sub-measure 1, action 1 organic farming and action 2 improved soil management practices for arable crops and arboriculture	Number of holdings supported: 90 - Total area supported (Ha): 840 - Physical area supported (Ha): 840 - Number of contracts: 90
	Soil management practices (e.g. catch crops, organic farming, conversion of arable land into permanent pasture)	Contributing to the reduction of losses of different compounds to water, including phosphorus	N	Sub-measure 1, action 8 (replacement of nitrogen and chemical fertilisers by organic animal waste)	Number of holdings supported: 500 - Total area supported (Ha): 4500 - Physical area supported (Ha): 4500 - Number of contracts: 500
	Construction/management of biotopes/habitats within and outside Natura 2000 sites	Conservation of species-rich vegetation types, protection and maintenance of grassland	E	Sub-measure 2, action 1, maintenance of natural and semi-natural habitats	Number of holdings supported: 1000 - Total area supported (Ha): 4300 - Physical area supported (Ha): 4300 - Number of contracts: 1000
Measure 216	Construction/management of biotopes/habitats within and outside Natura 2000 sites	Protection of birds and other wildlife and improvement of biotope network, reducing entry of harmful substances in bordering habitats, conservation of protected fauna and flora	E	Action 2, constitution of natural habitats	Number of farm holdings supported: 62 - Total volume of investments ('000 EUR) 1
Measure	new broadband infrastructure including	na	N	Action 2, (ICT networks)	- Number of actions

321	backhaul facilities				supported: 6 - total volume of investments ('000): 0,73
	laying down passive broadband infrastructure	na	N	Action 2, (ICT networks)	- Number of actions supported: 6 - total volume of investments ('000): 1,46

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

### **Amendments following the adoption of the Health Check and the European Recovery Package as well as the programming of additional money from modulation/wine**

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

Two new actions are introduced:

#### 1. Modernisation of holdings in the milk sector:

Aims: restructuring of holdings of the milk sector in view of the phasing out of milk quotas, in particular through the reduction of production costs, improvement of the processing capacity of holdings in C and D areas, restructuring and innovation of the productive structures.

Eligible operations: tangible and intangible investments concerning the production of cow, buffalo and sheep and goat milk; processing and marketing of products (only in C and D areas and for small holdings).

The new action will support the following type of investments: a) construction, acquisition and improvement of immovable propriety ; b) purchase or lease purchase of new machinery and equipment for the production, processing of products and the production of renewable energy (power plants below 1 MW and proportionate to the energy consumption of the farm); c) hardware and software.

#### 2. Structural changes in agricultural holding located in NVZ

Aim: support investments of agricultural holdings in NVZ in order to comply with the newly introduced requirements of the Nitrates Action Plan in force since November 2008. Support will be granted for a period not exceeding 36 months from 21 November 2008 (date of entry into force of the Nitrates Action Plan).

Eligible investments: construction/modernisation of storage facilities for slurry and manure; machinery and facilities for the management, ploughing in and spreading of organic waste.

Beneficiaries: action 1) agricultural holdings producing cow, buffalo and sheep and goat milk; action 2) agricultural holdings located in NVZ.

Aid intensity: action 1) 50% in mountain areas and in areas with handicaps other than mountain areas, 40% elsewhere (+5% in case of young farmers); action 2) 40% (50% in case of young farmers).

This action will be financed exclusively with additional money from modulation/wine.

Output indicators linked to HC/RP operations: 65 holdings supported; 22.750.000 € of total investments.

#### Measure 213 (Natura 2000 payments)

Among the aims, it is clearly stated that the measure will contribute to the new challenge 'biodiversity' and that it will be reinforced with additional HC money.

Output indicators linked to HC/RP operations: 245 holdings supported in Natura 2000 areas; 885 ha supported agricultural land under Natura 2000.

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

One new action is added and three existing actions (Action 1 - organic farming; action 2 - improved soil management practices for arable crops and arboriculture and sub-measure 2, action 1 maintenance of natural and semi-natural habitats) are reinforced with the additional HC resources:

##### Replacement of nitrogen and chemical fertilisers by organic animal waste

Aim: increase the organic matter in the soil in order to decrease its permeability thus reducing losses of different compounds into water, limit soil erosion and reduce nitrogen and chemical fertilisers by replacing them with organic matter.

Commitments: in NVZ, use of quality organic matter between 80kg/ha and 120kg/ha; in non NVZ, use of quality organic matter between 160kg/ha and 240kg/ha; for arable crops manure has to be ploughed in; minimum surface under contract of 3 ha; beneficiary has to include in the application a plan for the use of organic matter; keep record of total quantity of nitrogen from organic animal waste spread.

Beneficiary: farmers (excluding animal husbandry).

Aid intensity: NVZ, 114€/ha; non NVZ, 173€/ha.

Localisation: B and C areas with priority to NVZ and areas with soils lacking organic matter.

Output indicators linked to HC/RP operations: Number of holdings supported: 1590; Total area supported (Ha): 9640; Number of contracts: 1590.

#### Measure 216 (non productive investments)

Among the aims, it is indicated that the operations strengthened with additional money for the new challenges are those under action 2 – non productive investments for the constitution of habitats - of the approved RDP.

Output indicators linked to HC/RP operations: Number of farmers supported: 62; total volume of investments: 1.000.000 €

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

A new action on 'ICT networks' is introduced. Eligible operations include:

- Creation of broadband infrastructure in rural areas, in particular optical fibre and or wireless infrastructures;
- laying down passive broadband infrastructure also in synergy with other infrastructures (water distribution, public lightening systems, etc).

Localisation: C and D areas.

Beneficiary: Region Friuli Venezia Giulia.

Aid intensity: 100% of costs

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

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

Output indicators linked to HC/RP operations: 1) Creation of broadband infrastructure: 6 actions supported and 730.000 € of total investments; 2) Passive broadband infrastructure: 6 actions supported and 1.460.000 € of total investments

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

### Chapter 3.25: integrated projects

The modification concerns a number of minor adjustments of the implementation arrangements, regarding in particular the measures and actions for which the possibility to lodge individual, collective or integrated projects is foreseen.

### Chapter 5.2.4(general requirements): aid intensity

It is clarified that, in case of lack of resources and subject to acceptance by the beneficiary, the last in the selected list of beneficiaries can be granted an aid with a reduced intensity compared to the one indicated in the relevant measure.

- Advance payments: For measure 121, 122, 123, 125 and 226 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.

Measures 121, 122, 123, 124, 125, 221, 223, 226, 227, 311, 312 and 323: aid intensities are fixed (previously it was "maximum ..." or "can not be more than ..." etc.).

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

Aid intensity: for action 2 (forestry), 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). Aid to enterprises should not exceed 500.000 € over the period 2008-2010.

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

Ten new quality products certified under the regional quality scheme AQUA have been added to the list of the products eligible for support.

### Measure 221 (first afforestation of agricultural land) and 226 (Restoring forestry potential and introducing preventive actions)

Following the modification of article 57.2 of R. 1974/2006, it is clarified that aids will be granted respecting the 'de minimis' conditions (R 1998/2006 of 15/12/2006).

### Measure 214 (Agri-environment payments)

The modification concerns a clarification to the demarcation criteria with art. 69 of R. 1782/2003. In particular, it is clarified that aid granted under actions for organic farming, organic animal husbandry, improved soil management practices for arable crops and additional premium for growing without maize can not be combined with support granted under art. 69 of R. 1782/2003.



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

Aid intensity: the 10% increase for young farmers is eliminated. Moreover, 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). Aid to enterprises should not exceed 500.000 € over the period 2008-2010.

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

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.

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

Table 9.B: For measures 123, action 2, and 311, support will be granted according to Aid n. 248/2009 (Decision C/2009 4277 of 28/06/2009), approved under the Temporary Framework scheme. Duration of the scheme: 31.12.2010. For measures 221 and 226 the "de minimis" rule will apply.

### 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:

Wine: the restructuring and the reconversion of vineyards will be financed only by the CMO. The RDP will support all the other actions related to this sector. Concerning investments for processing and marketing of wine, the CMO will not finance these investments which will be covered only by the RDP.

Olive oil: For the members of the producer organisations, the RDP does not support the same interventions financed by the CMO.

Fruit and vegetables: concerning measures 121 and 123, members of the producer organisations (PO) will be supported by the RDP only for operations above 20.000 €. The RDP does not include measures 111 and 114. The participation of farmers in food quality schemes and the operations for information and promotion activities for products listed in measure 132 and 133 will be financed only by RDP (measures 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.

Sugar: The beneficiaries of support under the regional Action plan for the restructuring of the sugar sector can not be financed, for the same measures, under the RDP.

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 Friuli Venezia Giulia), c) crop, animal and plant insurance premiums. By the entry into force of the specific national support under article 68 (January 2010),

the Region will define clear demarcation criteria with similar operations financed 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 will reinforce existing priorities in the field of water management, biodiversity, competitiveness of the dairy sector and services for the population and the rural areas and will consequently enhance RDP impact on those issues.

The modifications under art. 6.1.c will contribute to a better implementation of the programme and boost the financial execution 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) 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 *de minimis* rule. Demarcation with EFRD intervention is based on localisation of interventions.

## 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	15.947.000	15.854.000	15.811.000	16.243.000	16.318.000	16.256.000	16.151.000	112.580.000
Additional funds from Article 69(5a) of Regulation (EC) No 1698/2005 – non-convergence region	0	0	783.000	1.644.000	1.398.000	1.823.000	2.284.000	7.932.000
<b>Total</b>	<b>15.947.000</b>	<b>15.854.000</b>	<b>16.594.000</b>	<b>17.887.000</b>	<b>17.716.000</b>	<b>18.079.000</b>	<b>18.435.000</b>	<b>120.512.000</b>

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

Axis	Total public	EAFRD contribution rate (%)	EAFRD amount
Axis 1	112.648.976	44,90%	50.579.390
Axis 2	91.468.205	44,00%	40.246.010
Axis 3	24.721.136	44,00%	10.877.300
Axis 4	16.068.739	44,00%	7.070.245
Technical Assistance	8.652.398	44,00%	3.807.055
<b>Total</b>	<b>253.559.454</b>	<b>44,40%</b>	<b>112.580.000</b>

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

Axis	Total public	EAFRD contribution rate (%)	EAFRD amount
Axis 1	4.000.000	60%	2.400.000
Axis 2	7.001.667	60%	4.201.000
Axis 3	2.218.333	60%	1.331.000
Axis 4	--	--	--
Technical Assistance	--	--	--
<b>Total</b>	<b>13.220.000</b>	<b>60%</b>	<b>7.932.000</b>

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

Axis/measure	EAFRD contribution for 2009-2013
Axis 1	
Measure 121	2.400.000
<b>Total axis 1</b>	<b>2.400.000</b>
Axis 2	
Measure 213	200.000
Measure 214	3.500.500
Measure 216	500.500
<b>Total axis 2</b>	<b>4.201.000</b>
Axis 3	
Measure 321	1.331.000
<b>Total axis 3</b>	<b>1.331.000</b>
— Related to priorities listed in Article 16a(1), points (a) to (f) of Regulation (EC) No 1698/2005	0
— Related to priorities listed in Article 16a(1), point (g) of Regulation (EC) No 1698/2005	1.331.000
Axis 4	0
<b>Total axis 4</b>	<b>0</b>
<b>Total programme</b>	<b>7.932.000</b>
— Total under Axis 1, 2, 3 and 4 related to priorities listed in Article 16a(1), points (a) to (f) of Regulation (EC) No 1698/2005	6.601.000
— Total under Axis 3 and 4 related to priorities listed in Article 16a(1), point (g) of Regulation (EC) No 1698/2005	1.331.000