

WORKING DOCUMENT
RURAL DEVELOPMENT COMMITTEE

MEMBER STATE: Spain

REGION: Navarra

Note for the reader:

Please note that each section of this document is sub-divided into three parts:

- 1) Changes related to the Health Check (HC) and the European Economic Recovery Package (EERP)
- 2) Changes related to the increase of available funds as a result of the Wine CMO reform and modulation adjustments.
- 3) Other changes.

The opinion of the Rural Development Committee is needed for the modifications presented under 1) and 2). The modifications presented under 3) are included only for information of the Rural Development Committee

1. APPROVED PROGRAM

Rural Development Programme of Navarra 2007-2013 adopted by the Commission Decision C(2007)6163 of the 4th/12/2007 (CCI 2007 ES 06 RPO 014).

2. LEGAL BASIS FOR THE MODIFICATION

This modification proposal was sent via SFC to the Commission on the 13 July 2009, following its approval by the Monitoring Committee of RDP Navarra on the 2nd July.

2.1.Changes related to the Health Check and the European Economic Recovery Package

Modification related to the first implementation of Article 16a of Regulation (EC) No 1698/2005

2.2.Changes related to the increase of available funds as a result of modulation adjustments and the Wine CMO reform

Article 6 (1) (a) of Regulation (EC) No 1974/2006, as the additional amount resulting from Council Regulation (EC) No 479/2008 implies a change in the total Community contribution.

2.3.Other changes

Article 6 (1) (c) of Regulation (EC) No 1974/2006

3. REASONS JUSTIFYING THE AMENDMENT / STRATEGY CHOSEN

➤ Health Check and Recovery Package:

Strategic approach related to new challenges

The strategic approach of the RDP Navarra is adapted to the changes in the Community Strategic Guidelines and the Spanish NSP.

In particular, the new strategic approach examines the coverage of the new challenges and broadband infrastructure in the Navarra:

- The Axis 1 of the RDP already pays a special attention to the new challenges: Measures 121, 123 and 125 include the introduction of equipment addressed to save energy, water and other resources as well as the promotion of renewable energies to be used in the holdings. The support to investments also includes innovative and sustainable systems to transform bio fuels.

- The Axis 2 of the current RDP pays special attention to the "biodiversity" new challenge: in particular, all the actions of the Measure 214 ("organic farming", "maintenance of local races in danger of extinction", "aid in steppe areas" and "maintenance of biodiversity and landscape") play a role in the "conservation of species-rich vegetation types and the protection and maintenance of grasslands"; the forestry Measures 226 and 227 also contribute to the "biodiversity" new challenge; as regards the "first forestation of agricultural land" Measure 221, plays an important role on the reduction of nitrous oxide (N₂O) and methane (CH₄) as well in the carbon sequestration.

- The Axis 3 and 4 of the RDP fund an important number of local projects linked to the promotion of renewable energies as well as the diversification of the agricultural holdings by producing bio-fuels.

- Local Action Groups can include in the local development strategies the "climate change" and the "renewable energies" as a horizontal thematic strategy addressed to find solutions at local level.

Strategic approach related to broadband

According to the analysis and the strategy presented, Navarra has developed in the last years an important number of actions to increase the access to the "new information and communication technologies" (ICTs). These actions are:

- II Plan de Actuación para la promoción de la sociedad de la información y las telecomunicaciones (2005-2007): this Plan foresees a planning of investments from 2007 to 2014 to guarantee broadband access to the rural areas.

- Aid by the Government of Navarra to guarantee the access to broadband for the physical persons and micro-enterprises (MICROPYME).

According to the 2007 data, in Navarra the broadband coverage is the following:

- Population: 99,23%

- Municipalities: 100%

Because of the number of actions which are being carried out, and the high level of the broadband coverage, the Management Authority considers that there is no need to allocate the financial allocation of the European Recovery Package Plan to broadband.

The new strategy of the RDP also takes into account the conclusions and recommendations of the Commission Communication "Better access for rural areas to modern ICT" COM (2009) 103. For this reason, the RDP states that the next annual progress reports will clearly indicate the ICT-related actions undertaken.

Results of the SWOT analysis

The SWOT analysis shows the important existing deficiencies in the use of water resources in Navarra, as well as the need to carry out important investments to rationalize and save water by promoting the modernisation of the irrigation systems. The following weaknesses and threats are detected:

- a) Dominance of the traditional old irrigation systems which use the gravity system and have a very low efficiency in the use of water (currently still around 50% of the irrigation systems in the region): these systems require high allocations of water (between 12 000 and 14 000 m³/ha/year) as compared to the modern system (6 500 m³/ha/year). This situation also implies a low level of viability of the holdings (because of high costs, low productive efficiency... etc).
- b) Environmental problems which result from the use of fertiliser as well as the water use: mainly, the filtration and diffusion of Nitrogen towards the deep waters by decreasing the water quality; as a result, in the last years, the number of vulnerable zones has been increased.

The modernisation of the irrigation systems by using new technologies addressed to save water is considered a strategic priority which required to be strengthened with the new available funds under the "Health Check".

For this reason, Navarra has opted to concentrate all new available HC/RP resources into the priority "**water management**", according to the Art.16a (1c) of Council Regulation (EC) 1698/2005.

Measures implemented under "new challenges".

Navarra has decided to use the additional EAFRD amount of 10 140 829 EUR from the "Health Check and Recovery Package" in an existing "type of operation" addressed to improve water management:

- Measure 125 "Infrastructure related to the development and adaptation of agriculture and forestry": 125.1 "Modernisation of irrigation systems".

➤ **Financial transfer from "modulation adjustments"**

Navarra has decided to allocate the additional EAFRD amount of 1 638 340 EUR from the "modulation *adjustments*" according to the Regulation (EC) 1782/2003 to the Measure 211 "**Natural handicap payments in mountain areas**". This allocation is justified according to the following reasons:

- a) The existing high level of execution of this measure as compared to the initial forecasts;
- b) The mountain areas are given a strategic priority both in the Spanish National Framework and in the Navarra RDP: this measure is playing

a key role in the maintenance of the agricultural activity and the population in the mountains, where there are difficult life conditions as well as interesting environmental values and cultural heritage to preserve;

➤ **Financial transfer from Wine Common Market Organisation**

As regards the additional EAFRD amount of 3 772 800 EUR from the Wine Common Market Organisation, Navarra has decided to allocate the new allocation to the Measure 212 “**Payments in other areas with handicaps**”. This allocation is justified according to the following reasons:

- a) In Navarra, the “non-mountain LFAs” are areas where the vineyards are the dominant crop: they are the “agrarian counties” IV, V and VI, mainly in the centre of the region (the North are mountain areas, and the South are very productive and fertile areas on the basins of the Aragón, Arga and Ebro rivers). As a result, with the allocation of the transfer to the “non-mountain LFAs”, this new allocation is clearly targeted to the wine-producing region of Navarra.
- b) There is a strategic interest to keep the balance between the financial between this Measure and the Measure 211.

➤ **Other changes**

The other changes have the following justification:

- They have been requested by the Commission services in the Annual Examination Meeting and the observations sent on the 20/3/2009 according to Art. 83 of Council Regulation (EC) 1698/2005: demarcation between 1st pillar and RDP, demarcation with SF and legal updates.
- The Management Authority aims to adapt the RDP to implementation problems detected as well as to simplify certain existing requirements: Measure 311, Measure 312, Axis Leader.
- Interest by MS to make use of the changes of the Regulation (EC) No 1698/2005: Measure 112

➤ **Coherence with the National Strategy Plan and the Spanish National Framework**

All proposed amendments are in line with the proposed version of the **Spanish National Strategy**.

In particular, the proposal to focus the new HC/RP financial allocation into the “**water management**” priority (Art. 16a (1c) of Council Regulation (EC) No 1698/2005) is perfectly coherent with the text of the National Strategy Plan, which has defined “**water management**” as a strategic priority to promote at national level. The new investments promoted in Navarra addressed to promote water saving will certainly contribute to achieve the goals set at national level as regards water saving.

The RDP Navarra is also fully coherent with the proposed text of the **Spanish National Framework**.

The actions and operations proposed by the National Framework are structured in two categories: i) **Horizontal measures** to be compulsorily applied by all regional RDPs and ii) **common elements**, for which regions are entitled to decide which one is applied if any. All Horizontal measures are included in the RDP of Navarra.

The proposal modification of the Spanish National Framework also includes a new "horizontal" (compulsory to all Spanish regional RDP) agro-environmental measure (code 214) under the coverage of the new challenge on **biodiversity** (Art. 16a (1d) of Council Regulation (EC) No 1698/2005). Actions covered under this measure must fall under at least one of the following areas: i) Organic production; ii) Preservation of genetic resources and iii) Extensification and local restoration of marginal habitats.

The RDP of Navarra complies with the new horizontal measure under the National Framework. In particular, the existing RDP Navarra has 5 Agro-environmental actions which fall under the new challenge "**biodiversity**" and the corresponding "potential effects": A) Organic farming; B) Organic livestock; C) Rearing farm animals of local breeds indigenous to the area; D) Agro-environmental aid in steppe areas; and E) Maintenance of biodiversity and landscape. These measures keep a total public contribution of 14 539 269 EUR (co-financing of 55%) and additional national funding (top-up) of 27 525 287. Additionally, the RDP Navarra keeps the Measure 213 "Natural 2000 payments", with a total public contribution of 2 208 344 and additional national funding (top-up) of 3 807 679.

Furthermore, the allocation of the new financial allocations from "**modulation adjustments**" to the Measures 211 in line with the priority that the Spanish National Framework gives to the "mountain areas"; also, the allocation of the financial transfer from the "**Wine CMO**" into the Measure 212 fully respects requirement set in the National Framework to allocate the new transfers into the "wine-producing regions".

4. DESCRIPTION OF THE AMENDMENTS PROPOSED:

This chapter is divided into three parts:

- 4.1: concerns modifications "Health Check and Recovery Package" - first implementation of Article 16a of Regulation (EC) No 1698/2005
- 4.2: concerns other modifications according to article 6(1)(a).
- 4.3: concerns modifications according to article 6(1)(c).

The opinion of the Rural Development Committee is needed for the modifications under points 4.1 and 4.2.

The modifications under point 4.3 are included in this Working Document only for consultation of the Commission services.

4.1. Modifications "Health Check and Recovery Package" - first implementation of Article 16a of Regulation (EC) No 1698/2005.

4.1.1. Description of the change

The EAFRD amount available for RDP Navarra from the "Health Check and Recovery Package" is 10 140 829 EUR .

Axis / Measure	Priority: Water management
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	Type of operation	Potential effects	"Existing" or "new" type of operation (E or N)	Referent to the description of the type of operation in the RDP	Output indicator - target
125	Water savings technologies (e.g. efficient irrigation systems)	Improvement of the capacity to use water with higher efficiency	E	Submeasure 125.1 Modernisation of irrigation systems	Number of operations supported: 9
					Total volume of investment ('000 EUR): 19 700

With the enlargement of the actions addressed to promote water saving technologies, Navarra foresees to put in place 9 modernisation projects which will benefit 4 068 ha and guarantee a total water saving of 1,632 Hm³ and 401,25m³/ha.

4.1.2. Text of the RDP

This modification does not include changes in the text of the RDP, since the “type of operation” falls under an existing measure.

4.2. Other modifications according to article 6(1)(a)

These modifications concern exclusively the amount of 5 411 140 EUR allocated to Navarra. From this amount, 3 772 800 EUR comes from CMO Wine and 1 638 340 EUR from the adjustments in compulsory modulation. Navarra will allocate these new financial transfers to reinforce the Measures 211 and 212. No changes in the content of these Measures are proposed.

4.2.1. Description of the change

The proposal includes an EAFRD increase of 1 638 340 EUR in measure 211, and an EAFRD increase of 3 722 800 EUR in Measure 212. Because of this financial allocations, the total EAFRD contribution of the Axis 2 is increased by 5 411 139 EUR, which represents an increase by 14,78% of the total initial EAFRD contribution to Axis 2.

No change is proposed as regards the cofinancial rates of each Axis.

The total “non-Health Check and Recovery Package” increase is described in the following table:

Axis	Public contribution (in EUR)		
	Total public	EAFRD contribution rate (%)	EAFRD amount
Axis 1	-	-	-
Axis 2	76 394 119	55	42 016 765
Axis 3	-	-	-
Axis 4	-	-	-
Technical Assistance	-	-	-
Total	335 248 831	35,11%	117 715 175

The new allocation of funds has an impact on the balance between priorities (by increasing the rate of Axis 2 and reducing the rate of Axis 1). The new equilibrium between Axis respects the requirements of Art. 17 of Regulation 1698/2005 on balance between objectives:

	% EAFRD contribution RPD ORIGINAL VERSION	% EAFRD contribution RPD PROPOSAL
Axis 1	50,09	47,79%
Axis 2	34,03	37,06
Axis 3	15,88	15,15%
	100.00%	100,00%

4.2.2. Text of the RDP

This change only affects the financial tables and the indicators of the Measures 211 and 212 (see impact of the modification).

4.3. Modifications according to article 6 (1)(c)

4.3.1. Description and reasons justifying the amendment

- **Measure 112 "Setting-up of young farmers"**. The following changes are proposed:
 - The maximum premium is increased from 55 000 EUR to 70 000 EUR (according to the new thresholds introduced by the Council Regulation (EC) 74/2009).
 - Technical adjustments included to improve implementation of the measure.
- **Measure 121 "Modernisation of the agricultural holdings"**. The following changes are proposed:
 - The investments can not be done before the date of presentation of the application except in the case of expenditure related to projects, consultancy and viability studies done before the application.
 - The age restriction of being between 18 and 65 years old is removed: the only age restriction is having the legal adult age.
- **Measure 311 "Diversification into non-agricultural activities"**. The following changes are proposed:
 - The requirement to carry out the new economic activity in the same municipality where the agricultural holding is removed.

- When the projects proposed belong to specific activities which have their own specific regulatory framework (i.e. agro-tourism, crafting, shopping...), the corresponding regulatory framework has to be respected once the activity has been implemented.
- The maximum aid received by a single beneficiary is limited to an investment threshold for each project of 150.000 EUR. The maximum amount of 100.000 EUR/Working Unit of investment is eliminated, since the Working Units are an agricultural unit which has no relation with the diversification activities.
 - **Measure 312 "Creation and development of micro enterprises"**. The following changes are proposed:
 - Technical adjustments included to improve implementation of the measure.
 - The maximum aid received by a single beneficiary is limited to an investment threshold for each project of 150.000 EUR. The maximum amount of 100.000 EUR/Working Unit of investment is eliminated, since the Working Units are an agricultural unit which has no relation with the diversification activities.
 - **Leader Axis:** The first implementation phase of the RDP has shown the need to simplify certain criteria on the conditions to be respected by the applicants to the projects. The changes proposed are the following:
 - Restrictions on the residence of the applicant are removed.
 - Projects funded by the LAGs should primarily be located specifically in the territory of the same LAG. However, in the case of projects that take place outside the territory, a direct relation with the specific territory is required as well as a benefit for the development of the area.
 - In the case of the productive projects, the requirement to create new jobs is removed.
 - When the projects proposed belong to specific activities which have their own specific regulatory framework (i.e. agro-tourism, crafting, shopping...), the corresponding regulatory framework has to be respected once the activity has been implemented.
 - For projects directly promoted by the LAGs which have a special strategic interest, the aid intensity could reach 100%
 - In the case of building, acquisition of improvement of buildings, there is a limit in the aid intensity to 25 % of the total investment. This threshold is removed.
- **Complementarity and demarcation with 1st pillar of the CAP:** In the Annual Examination which took place in Madrid on the 18th January 2009 and the observations sent on the 20th March 2009, the Commission services requested the improvement of demarcation between the RDP and the actions funded under the CMO of Fruits and Vegetables and Wine. The modification proposal includes the following new demarcation criteria:

Measure	Demarcation
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121 Modernisation of Agricultural holdings	<u>Wine</u> No aid under Measure 121 will be given to the types of operations for "restructuring and reconversion" that can be financed in the Art. 11 of the Regulation 479/2008.
123 Adding value to agricultural & forestry products	<u>Wine:</u> The investments in cellars will be financed by this RDP until the 31 st /12/2010. After this date, the investments will be funded only by the CMO.
214 Agro-environmental payments	<u>Fruits and Vegetables:</u> The sub-measures or actions which are included in the RDP will only be funded under the RDP and will not be included in the Operative Programmes of the Producing Organisations. The OPs of the Producing Organisations will only fund other AE submeasures.

- **Demarcation with article 68:** The managing authority has been asked to provide a demarcation with article 68, which would be included in the RDP at the time when Article 68 measures enter into force, given that some measures of the RDP could finance similar actions to those included in the Spanish program implementing article 68 of Regulation (EC) No 73/2009. The Commission reminded that provisions of art. 2.2 of Reg. 1974/2006: "Where support under Regulation (EC) No 1698/2005 may exceptionally be granted in accordance with Article 5(6) of that Regulation, for measures falling within the scope of the support schemes listed in Annex I to this Regulation, Member States shall ensure that a beneficiary may receive support for a given operation only under one scheme. To that end, Member States, when including measures containing such exceptions in their rural development programmes, shall describe in those programmes the criteria and administrative rules they will apply for the support schemes concerned".
- **Complementarity and demarcation with other Community Funds:** In the Annual Examination which took place in Madrid on the 18th January 2009, the Commission services requested the improvement of demarcation between the RDP and the actions funded under the Structural Funds: investments in agro-food enterprises, modernisation of irrigation systems, cattle infrastructures, parcel concentration, and forestry infrastructures can only be funded through this RDP and are explicitly excluded from the OP ERDF. The other aspects remain unchanged.
- **Modifications in the regional administration:** the Government of Navarra has been reorganised and the functions and competences of the Department of Agriculture have been integrated by the new Department of Rural Development and Environment. The RDP has been updated with the introduction of the right administrative denominations. Furthermore, the current organigram of the paying agency is updated.

- **Indicators update:** following the requests by DG AGRI in the last annual review meeting for the improvement of indicators, the RDP includes the new tables with the baseline indicators adjusted to 2006 as well as the target indicators adjusted to the comments sent by the Commission services.
- **Other minor modifications:** The RDP modification also proposes a set of modifications addressed to incorporate into the text of the RDP all the changes introduced in the National Spanish Framework as well as in the Community legislation since the approval of the RDP. In particular, there is a need to introduce changes to adapt the measures to the requirements of the Council Regulation (EC) 73/2009. These changes affect:
 - Measures 114, 115: update to the National Framework and introduction of "new challenges".
 - Axis 2 Measures: update to changes in Art. 39(3), Art. 50 (a) and Art. 51 of the Council Regulation (EC) 1698/2005, as a result of the changes introduced by the Council Regulation (EC) 73/2009.
 - Statutory Management Requirements, GAECs and Minimum Requirements for the use of Fertilisers and Phytosanitary Products: update to the requirements of the Council Regulation (EC) 73/2009.
 - Measure 421 "Transnational and interterritorial cooperation": technical change in the management of the measure (number of calls for proposals).
 - Dairy sector: the RDP is adapted to the changes in the Commission Regulation (EC) 363/2009 which allows the elimination of the restrictions on the investments in the dairy sector.
 - Update the table for the conversion of the animals into LU, by introducing the changes in the Annex V of the Commission Regulation (EC) 1974/2006.
 - Following the Commission's recommendations in the last annual review meeting, all legal references to regulations recently changed (organic farming, Wine CMO, Regulation 73/2009, etc.) have been updated.

5. EXPECTED IMPACTS OF THE AMENDMENTS

5.1. Modifications "Health Check and Recovery Package" according to article 6 (1)(a)

The EAFRD amount available for RDP Navarra from the "Health Check and Recovery Package" is 10 140 829 EUR that will be used in a Measure 125 in order to contribute to the improvement of "water management". The specific "type of operation" is the "Water savings technologies (e.g. efficient irrigation systems)", which correspond to the existing Measure 125.1 "modernisation of the irrigation systems".

With the inclusion of this "type of operation" Navarra foresees to put in place 9 modernisation projects which will benefit 4 068 ha and guarantee a total water saving of 1,632 Hm³ and 401,25m³/ha.

The Output indicators for the new Measure 125.1 "Modernisation of irrigation systems" are the following (including additional indicators on water saving):

Projects approved: 9

Surface with water saving: 4,068 ha

Number of municipalities: 3

Saving in water consumption: Total (Hm³): 1,632

Saving in water consumption: Unitary (m³/ha): 401,24

Total Volume of Investments (MEUR): 19,700

5.2. Other modifications according to article 6(1)(a)

Navarra will use the in the "modulation adjustment" and the transfer from the Wine CMO to reinforce the Measures 211 and 212. The impacts of these financial changes on the output indicators are the following

Measure 211:

Number of holdings which receive support: 1 350 (instead of 1 280)

Used Agricultural Surface: 48 000 ha (instead of 42 000)

Measure 212:

Number of holdings which receive support: 750 (instead of 680)

Used Agricultural Surface: 23 000 (instead of 15 000)

5.3. Modifications according to article 6(1)(c)

- The rest of minor changes proposed are of technical nature and intend to improve the implementation of the programme as well as the understanding of the measures by the beneficiaries, and to update the measures to the new legal requirements.

The modifications carried out following the recommendations provided by the Commission in the last annual review will ensure compliance of the program with Reg. 1698/2005 and Reg. 1974/2006.

6. ASSESSMENT

- I. Taking into account all the above, the amendments are in line with the National Strategy Plan as well as with the regional programme strategy.

II. The changes are in conformity with the Council Regulation (EC) N° 1698/2005 and with the Commission Regulation (EC) N° 1974/2006.

7. FINANCING

7.1. Annual Contribution from the EAFRD (in EUR)

	2007	2008	2009	2010	2011	2012	2013
Non-convergence regions	15 761 607	16 048 429	16 281 263	16 707 222	17 744 157	17 650 194	17 522 304
Additional funds art 69 (5bis) of Reg (EC) No 1698/2005	0	0	711 059	1 731 890	1 915 810	2 551 849	3 230 221
TOTAL EAFRD	15 761 607	16 048 429	16 992 322	18 439 112	19 659 967	20 202 043	20 752 525

	Total 2007-2013
Non-Convergence regions	117 715 176
Additional funds art 69 (5bis) of Reg (EC) No 1698/2005	10 140 829
TOTAL EAFRD	127 856 005

7.2. Financial plan by axis (in EUR total period)

Non-convergence regions:

Axis	Public contribution (in EUR)		
	Total public	EAFRD contribution rate (%)	EAFRD amount
Axis 1	219 671 380	25,00%	54 917 845
Axis 2	76 394 120	55,00%	42 016 766
Axis 3	15 405 330	50,00%	7 702 665
Axis 4	23 778 000	55,00%	13 077 900
Technical Assistance	0	-	0
Total	335 248 830	35,11%	117 715 176

Financing plan on the additional funds - article 69 (5) (bis) of Regulation (EC) No 1698/2005:

Axis	Public contribution (in EUR)		
	Total public	EAFRD contribution rate (%)	EAFRD amount
Axis 1	13 521 105	75	10 140 829
Axis 2	-	-	-
Axis 3	-	-	-
Axis 4	-	-	-

Technical Assistance	-	-	-
Total	13 521 105	75	10 140 829

7.3. 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) 1698/2005)

Axis / Measure	EAFRD amount
Axis 1	10 140 829
- measure 125.1	10 140 829
Total Axis 2	-
Total Axis 3	-
Total Axis 4	-
Total programme	10 140 829