

WORKING DOCUMENT

RURAL DEVELOPMENT COMMITTEE

Member State: Portugal

Region: Mainland

1. APPROVED PROGRAMME:

The Rural Development Programme for Mainland Portugal was approved by Commission Decision C (2007) 6159 of 4 December 2007.

2. LEGAL BASIS FOR THE MODIFICATION

A) Article 6 (1) (a) of Regulation (EC) No 1974/2006: revision as referred to in Article 19 (1) of Regulation (EC) No 1698/2005.

- Article 7 (1) (b), (c) & (d) of Regulation (EC) No 1974/2006 (Commission decision following the opinion of the Rural Development Committee):

- The revision alters the Community co-financing rates;
- The revision changes the total Community contribution for the entire programming period and its annual breakdown;
- The revision relates to the first implementation of Article 16a of Regulation (EC) No 1698/2005.

The opinion of the Rural Development Committee is needed for these modifications.

B) Article 6 (1) (c) and 9 of Regulation (EC) No 1974/2006 (notification for information of the Rural Development Committee): other non-financial changes concerning information on and description of existing measures in the programme.

These changes are included in this Working Document only for the information of the Rural Development Committee.

3. REASONS JUSTIFYING THE AMENDMENT / STRATEGY CHOSEN

A)

The revised National Strategy Plan (NSP) of Portugal for rural development encompasses the following national priorities: restructuring of the dairy sector, water

management and renewable energies in axis 1; biodiversity and climate change adaptation in axis 2; broadband Internet infrastructure in axis 3.

Under axis 1, the priority given to the "restructuring of the dairy sector" will be translated by the increase of the EAFRD contribution in EUR 50 million to the existing measures 121 (Modernisation of agricultural holdings) & 123 (Adding value to agricultural and forestry products).

Under axis 2, the priority given to "biodiversity" and "climate change" will be materialised by increasing the EAFRD contribution by EUR 1.998 million to the existing measure 214 (Agri-environment payments to integrated production and organic farming).

Under axis 3, the priority given to "broadband Internet infrastructure in rural areas" will be supported with an EAFRD contribution of EUR 30 million by creating a specific action under measure 321 (Basic services for the economy and rural population).

Additional funds from the modulation in new sectors (EUR 23.7 million) will also be allocated to measure 214 (organic production and integrated production).

The priority given to the "restructuring of the dairy sector" is justified taking into account the urgent need to ensure the economic sustainability of the sector given the liberalisation of the market.

The combination of a reduction in milk prices, resulting from the replacement of price support by income support to producers (2003 CAP reform) and the gradual increase of milk quotas (Health Check of the CAP in 2008) until its abolition in 2014/2015, will lead to a progressive reduction in production due to the disappearance of less competitive dairy farms, thus leading inevitably to considerable economic losses for the sector.

In the case of dairy farms, the reduction of production margins is associated with higher costs, particularly those arising from increasing requirements linked to environmentally related infrastructures (wastewater management and treatment of by-products).

It is thus more than urgent to intervene to support a strong adaptation of businesses to increased competition and new market prices, which tend to be more volatile and lower.

Indeed, this sector, with strong economic and social roots, often in fragile areas, faces an unprecedented challenge. It is therefore a priority to support its adaptation, by strengthening support to the modernization and capacity building of agricultural and agro-industrial enterprises, in particular their adaptation to environmental standards.

The priority given to "biodiversity" and "climate change", by reinforcing the support to integrated production and organic farming, is justified by the importance that these production systems have for the environment and the countryside and the effect they produce on a sustainable protection of the environmental, water resources and soil.

The priority given to the deployment of new generation broadband Internet infrastructures in rural areas is justified by the multiplier effect that access to new information and communication technologies has for economic growth and the creation of employment opportunities in rural areas.

Rural areas are characterized by inadequate coverage of internet in comparison to urban

centres, the poor quality of connections and the reduced capacity for high-definition content.

Moreover, the ongoing development of services and applications with high speeds will make the existing networks inadequate to meet the satisfaction of growing needs and aspirations of consumers. Broadband networks of new generation are able to provide broadband access services with improved characteristics, when compared with those provided by existing copper networks.

The implementation of broadband networks of new generation in rural areas will thus contribute to equal opportunities for all citizens by promoting e-inclusion, enhancing human capital and, ultimately, creating externalities in the rural development policy, in terms of employment, growth, competitiveness and sustainability of the industries located in these areas.

It is intended, not only to contribute to improving the quality of life through the possibility of access to quality services and contents, but also potentially contribute to the diversification of rural economy and the development of skills, which will enable rural areas to compete on a level similar to that of areas without the weaknesses associated with them.

B)

A number of other amendments are proposed in accordance with Article 6 (1) c) of Regulation (EC) No 1974/2006:

- Increase of the maximum amount of eligible investment per project and a change in the number of hours required to calculate the number of jobs created for the measures 311 (Diversification into non-agricultural activities), 312 (Support for the creation and development of micro-enterprises) and 313 (Encouragement of tourism activities).
- Increase of the intensity of aid for the measures 312 and 313.
- Increase of the intensity of aid for the measure 421 (Transnational and inter-regional cooperation).
- Inclusion of the possibility to receive aid up to EUR 500 000 between 1 January 2009 and 31 December 2010, according to the Temporary Community Framework for State Aid measures to support access to finance in the current economic and financial crisis (2009/C 16/01).
- Changes to the demarcation with EAGF (CMOs "Wine" and "Fruit and Vegetables") and with ERDF (for the broadband Internet infrastructures in rural areas).

Taking into account the type of eligible projects under measures 311, 312 & 313 (i.e. tourist accommodation) it is considered necessary to increase the amount of eligible investment per project.

The change in the number of hours required to calculate the number of jobs created is justified taking into account the type of investment and work in non-agricultural activities.

The aim of the change of the intensity of aid for measures 312 & 313 is to apply the same intensity of aid already applied to measure 311; the objective is to help promoters to face the current economic and financial crisis.

The LAGs do not have enough own resources available to allow them to participate easily in cooperation projects, due to the considerable funds they require. On the other hand, the rates of intensity of aid applicable in the RDPs of Azores and Madeira, as well as in RDPs of other Member States (i.e. Spain), with which the LAGs of Mainland Portugal will most probably cooperate, are higher causing certain discrimination to the LAGs of Mainland.

4. DESCRIPTION OF THE AMENDMENTS PROPOSED

This chapter is divided into three parts:

- **4.1:** concerns "Health Check and Recovery Package" modifications according to article 6(1)(a) of Regulation (EC) n° 1974/2006;
- **4.2:** concerns other modifications according to article 6(1)(a) of Regulation (EC) n.°1974/2006;
- **4.3:** concerns other modifications according to article 6(1)(c) of Regulation (EC) n.°1974/2006.

4.1. Modifications "Health Check and Recovery Package"

4.1.1. Description of the changes

4.1.1.1 - Under axis 1, the priority given to the "restructuring of the dairy sector" will be materialised in two changes:

- The increase of the EAFRD contribution in EUR 50 million to the existing Action 1.1.1 "Enterprise modernisation and capacity building" (integrated measure combining Codes 111 (Training), 121 (Modernisation of agricultural holdings) & 123 (Adding value to agricultural and forestry products). The additional EAFRD funds are allocated to the operations under measures 121 & 123, already listed in the approved RDP, when they concern projects in the dairy sector. Examples of such operations are: building, purchasing (including leasing) or improving immovable property, multi-annual plantations, purchase or leasing of new machines and equipment, installation or modernisation of irrigation systems, adapting and purchasing specific equipment for producing and using renewable energies in order to economically valorise the activity by-products and waste, etc.
- The increase of the aid intensity rates for such operations; the aid intensity rates currently applicable to the strategic sectors defined in the RDP (fruit & vegetables, flowers, olive oil, wine) will also be applied to such operations. The applicable rates are:

- Measure 121:

Aid intensity rate for tangible investments is between 20 and 35% (for projects between EUR 25,000 and EUR 100,000 of eligible investment) and between 30

and 40% (for projects above EUR 100,000 of eligible investment); for intangible investments the aid intensity rate is 35% in all cases.

These rates are increased by 5% in LFA and by 10% if the beneficiary is a young farmer (however, these two increases cannot be cumulated).

For investments linked to the delocalization of dairy farms, the maximum aid intensity rates provided for in the Annex to Regulation (EC) no. 1698/2005 are applied (60% for young farmers in LFA, 50% for young farmers outside LFA, 50% for other farmers in LFA and 40% for other farmers in other areas).

- Measure 123:

Aid intensity rate for tangible investments is 30% (for projects between EUR 25,000 and EUR 250,000 of eligible investment) and 40% (for projects above EUR 250,000 of eligible investment); for intangible investments the aid intensity rate is 35% in all cases.

4.1.1.2. – Under axis 2, the priority given to "biodiversity" and "climate change" will be materialised by increasing the EAFRD contribution by EUR 1.998 million to the existing measure 214 (Agri-environment payments to integrated production and organic farming).

No other changes are made to this measure.

4.1.1.3. - Under axis 3, the priority given to "broadband Internet infrastructure in rural areas" will be supported with an EAFRD contribution of EUR 30 million by creating a new action 3.6 (New Generation Broadband Internet in rural areas) under measure 321 (Basic services for the economy and rural population).

Text of the new action 3.6 " New Generation Broadband Internet in rural areas"

Objectives

- To provide New Generation Broadband Networks to the population and economic agents in rural areas;
- To provide access to New Generation Broadband services to the population and to economic agents in rural areas;
- To increase the competitiveness of enterprises and job creation in rural areas, by providing innovative services based on New Generation Broadband networks;
- To contribute towards the socio-economic development of rural areas;
- To fight e-exclusion.

Rationale of the measure, intended aims and targets

Access to broadband is crucial for development and for the take up and use of information and communication technologies (ICT) in the economy and society.

Therefore, making it available to the rural population is of strategic importance. Access to broadband will help to make rural areas more attractive and will assist in slowing down the trend towards economic and social decline as well as the desertification of those areas.

In this context, the broadband strategy is an important element of the European Economic Recovery Plan; this initiative consists in the strengthening of investment in those strategic sectors which, in the short term, help to provide support for the economy and, in the long term, assist to create the infrastructures needed for sustainable economic growth.

The New Generation Broadband Networks are able to provide broadband internet access at higher specifications, for example higher data speeds, when compared with the specifications available under the existing copper networks. In addition, these networks as well as enabling users to freely access competing networks and services of their choice, also generally support generalised mobility.

Technological development and innovation constitute a powerful instrument for promotion of economic and social development. Investments such as New Generation Broadband Networks have an application across the territory as a whole and by providing improved communications, they can also significantly stimulate the efficiency of the economy and its agents, transversally so as to benefit all sectors. Thus, and by their impact on entrepreneurial dynamics and job creation, they contribute in a significant way towards development of the country as a whole.

There are currently significant differences in the availability and take up of online services and broadband internet access, not only as between Member States but also, inside those states, between urban and rural areas. Further, “the majority of the rural population receives lower quality services at higher costs”.

The implementation of New Generation Broadband Networks in rural areas will assist in creating equal opportunities for all citizens – providing a strong signal for e-inclusion and the enhancement of human capital – and will, in the longer term, assist in creating externalities in relation to rural development policy, regarding employment, growth, competitiveness and sustainability of the industries established in these areas.

Most studies conducted on this subject agree that two factors are critical for the viability of projects investing in new generation networks: population density - which impacts on costs - and per capita income - which impacts on the potential revenues.

The combination of these two factors allows us to identify three types of regions:

- Urban areas, in which at least one of the two variables is clearly favourable and where it can be expected that the operation of the market alone will lead to the development of new generation networks;
- Suburban areas, where at least one of the variables is not particularly favourable and where, therefore, the operation of the market alone will not, in the short term, lead to the implementation of these networks; without public intervention, such implementation is only possible in the medium term;
- Rural areas, where neither variable is favourable and therefore, it is highly unlikely that the implementation of new generation networks will ever take place without public intervention.

The costs of implementation of New Generation Broadband Networks in rural areas are extremely high when compared to those in urban and suburban areas; fundamentally, this is because of two factors: the longer lengths of local access loops and the greater dispersion of the population.

This and other factors – that per capita incomes are generally lower than those in urban and suburban areas, that the population is older (and therefore less likely to take up innovative services) and that competition is less intense (with the expected impact on prices) – make it difficult for New Generation Networks to be implemented under market conditions.

Consequently, a criterion has been established – regarding the identification of municipalities to be covered by this measure – to ensure that the State initiative is focussed only on those areas where it is essential, to ensure that New Generation Broadband Networks are implemented and operated in rural areas, with a view to significantly speeding up the investment cycle and closing the gaps that would occur without public assistance to these areas.

Municipalities will be selected for support if all of the following conditions are fulfilled:

- a) Their parishes are rural;
- b) No other operators are installed in the telephone exchanges of PT Communications;
- c) There is no provision of services using coaxial cable network.

Conditions (b) and (c) point to areas where there has been a market failure – in spite of the development that has occurred in the communications sector in Portugal, either because no operators other than PT Communications are installed or because there is no coaxial cable network. In these situations, it is not expected that the market will provide New Generation Broadband network coverage.

In other words, in those areas where this measure is to intervene, not only there are currently no New Generation Broadband networks but there is no expectation that any will be built and be fully operational within the near future (next 5 years); and therefore, these areas may be considered “New Generation white areas”.

Thus, through this measure, it will be possible to support the installation of New Generation Broadband Networks in rural areas characterised by the absence of coaxial cable network and the absence of installed operators other than PT Communications.

Beneficiaries

Natural and legal persons, whether established or to be established, including:

- Municipalities or Municipality Associations;
- Municipal and inter-municipal corporations;
- Local or Regional Development Agencies or Consortiums;
- Any private entity.

The beneficiaries will necessarily be the successful tenderers in each of the international calls for tenders.

The aid granted under this measure is in accordance with the *de minimis* Regulation (EC) No 1998/2006 and the Temporary Community Framework for State aid measures, established to support access to finance in the current financial and economic crisis (State Aid No 13/2009 approved for Portugal).

Type of investments

- 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);
- Upgrade of existing broadband infrastructure;
- Laying down passive broadband infrastructure (e.g. civil engineering works such as ducts, and other network elements such as dark fibre, etc.) also in synergy with other infrastructures (energy, transport, water, sewerage networks, etc.).

Respect of state aid procedures, calls for tenders

The Portuguese Government has launched international calls for tenders for each of the different regions (North, Centre, Alentejo and Algarve), with the objective of selecting potential candidates for the funding available (under the EAFRD and the ERDF).

Each call for tenders relates to a specific lot of municipalities and in each call only one application will be approved. The application to be approved shall be the most economically advantageous.

The high speed electronic communication networks must guarantee a coverage of at least 50% of the population of the geographical area of each of the municipalities involved and must guarantee a reference minimum theoretical data speed, per end user, in descending order, of 40 Mbps, and must be operated as open networks. To that end, and for the duration of the contract, there shall be a provision to ensure the wholesale supply of the service – for the purposes of network access – to all interested electronic communications operators and service providers, with a view to the supply of services to end users.

The proposals shall provide a characterisation of the area relevant to the call for tenders, namely in terms of its geography, demographics and economics; this shall be done by reference to the main general indicators (by municipality/parish), including those related to area, resident population, number of existing buildings, number of accommodations used as usual residence, population density, Purchasing Power Index, unemployment rate, number of company registered offices, total turnover and number of businesses.

The applicants should also describe the existing access to electronic communication services by the population, including the names of the service operators/providers operating in the area and the nature of the services provided, as well as the available electronic communication networks and the ducts and other existing accommodation infrastructures.

To date, the first calls for tenders have already been launched, one for the Centre Region and another for the regions of Alentejo and Algarve. The calls for tenders have been

launched by the ICP-ANACOM (National Authority for Communications) under instruction from the Ministry of Public Works, Transport and Communications.

These calls for tenders are open to natural or legal persons, whether established or to be established, including:

- a) Municipalities or associations of municipalities;
- b) Municipal and inter-municipal public companies;
- c) Local or Regional Development Agencies or Consortiums;
- d) Any private entity.

The contract will be awarded on the basis of the most economically advantageous proposal, and the assessment shall have regard to the amount of public funding requested, the percentage of the investment made by the applicant that relates to own capital or credit capital, the technical quality of the proposal, the quality of the Economic/Financial Plan and the quality of the wholesale supply of access to the networks.

Each contract shall be concluded under the condition that the application of the successful tenderer to Community financing will be approved. The successful tenderer in each of the international call for tenders shall be the only tenderer able to apply for the support provided under this measure.

Complementarity/demarcation with other Community instruments

The demarcation between ERDF and EAFRD will be defined at national level following the results of the calls for tenders; the list of the municipalities/parishes where investments will be financed by the EAFRD and the list of municipalities/parishes where they will be financed by the ERDF will be established at territorial level, through coordination between the two Funds, and in accordance with the amount of public funding requested by the winning proposals.

The current measure has synergies with the operations under "Digital Economy and Knowledge Society" of Axis 1 (Competitiveness, Innovation and Knowledge) of the Mainland Portugal Regional Operational Programmes within the National Strategic Reference Framework 2007-2013. This Axis aims to create the conditions for general access to the Internet and for production of online content and includes, among other types of operations, Broadband Infrastructures in areas where there are no 'market conditions' for the supply of those services because of demographic thresholds.

The two interventions co-financed by the EAFRD and the ERDF will be implemented through close coordination, as a means to maximise the expected results in relation to coverage of rural areas with high speed broadband.

Amount of support & aid intensity

Intensity of aid: 100% of eligible expenditure.

EAFRD Contribution – EUR 30,000,000
Total Public Expenditure – EUR 33,333,333
Private Contribution (indicative) – EUR 36,666,667
Total Cost (indicative) – EUR 70,000,000

- Table 5.3.6. List of types of operations referred to in Article 16a (3) (a) of Regulation (EC) n.° 1698/2005 up to the amounts referred to in Article 69 (5a) of that Regulation

Axis/Priority	Measure	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
Axis 1 <i>Measures accompanying restructuring of the dairy sector</i>	Measure 121	Investment support related to dairy production	Improvement of the competitiveness of the dairy sector	E	Action 1.1.1. "Enterprise modernisation and capacity building"	Number of farm holdings that received investment support = 1000 Total volume of investment = EUR 60.9 million
	Measure 123	Improvements in processing and marketing related to dairy				Number of enterprises supported = 40 Total volume of investment = EUR 60.9 million
Axis 2 <i>Biodiversity</i> <i>Climate change adaptation and mitigation</i>	Measure 214	Integrated and organic production	Conservation of species-rich vegetation types, protection and maintenance of grasslands	E	Action 2.2.1 "Change of production methods" (organic farming and integrated production)	Number of farm holdings receiving support = 350 Total area under support = 5900 Physical area under support = 5900 Total number of contracts = 480
Improve efficiency of nitrogen fertilizer use		Reduction of methane (CH ₄) and nitrous oxide (N ₂ O) emissions	Number of farm holdings receiving support = 350 Total area under support = 5900 Physical area under support = 5900 Total number of contracts = 480			

<p>Axis 3</p> <p><i>Broadband infrastructure in rural areas</i></p>	<p>Measure 321</p>	<p>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)</p> <p>Upgrade of existing broadband infrastructure</p> <p>Laying down passive broadband infrastructure (e.g. civil engineering works such as ducts, and other network elements such as dark fibre, etc.) also in synergy with other infrastructures (energy, transport, water, sewerage networks, etc.)</p>		<p>N</p>	<p>New action 3.6 "Broadband Internet infrastructure"</p>	<p>Number of supported actions = 3</p> <p>Total volume of investment = EUR 10 million</p> <p>Number of supported actions = 3</p> <p>Total volume of investment = EUR 25 million</p> <p>Number of supported actions = 3</p> <p>Total volume of investment = EUR 35 million</p>
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4.2. Other modification according to article 6 (1) (a) of Regulation (EC) n° 1974/2006

4.2.1. Description of the changes

This modification concerns an additional EAFRD contribution of EUR 23.7 million from the compulsory modulation in new sectors. These funds are exclusively allocated to measure 214 (Agri-environment payments), for organic farming and integrated production.

Convergence regions

Axis	Public contribution (in EUR)		
	Total public	EAFRD contribution rate (%)	EAFRD amount
Axis 1	-	-	-
Axis 2	29,625,000	80	23,700,000
Axis 3	-	-	-
Axis 4	-	-	-
Technical Assistance	-	-	-
Total	29,625,000	80	23,700,000

4.3. Modifications according to article 6 (1) (c) of Regulation (EC) n. °1974/2006

4.3.1. Description of the changes

- For the measures 311 (Diversification into non-agricultural activities), 312 (Support for the creation and development of micro-enterprises) and 313 (Encouragement of tourism activities) the following changes are proposed:
 - an increase of the maximum amount of eligible investment per project from the current EUR 200,000 to EUR 300,000;
 - a change in the number of hours required to calculate the number of jobs created: the generation of one job is equivalent to use one Annual Work Unit (AWU), the latter corresponding to 1760 hours/year (instead of 1920 hours/year).
- For the measures 312 (Support for the creation and development of micro-enterprises) and 313 (Encouragement of tourism activities) an increase of the intensity of aid by 10% is proposed in the following cases:
 - for projects with an amount of eligible investment up to EUR 25,000, 40% of the eligible expenditure (instead of 30%);
 - for projects with an amount of eligible investment above EUR 25,000, 40% (instead of 30%) of the eligible expenditure, 50% (instead of 40%) if at least 1 job is created and 60% (instead of 50%) if at least 2 jobs are created.

- For the measure 421 (Transnational and inter-regional cooperation) an increase of the intensity of aid is proposed (from 70 to 85% of the amount of eligible expenditure in inter-regional cooperation and from 70 to 90% of the amount of eligible expenditure in transnational cooperation).
- In chapter 9, modification of Table 9 C on State Aid: inclusion of the possibility to receive aid up to EUR 500,000 between 1 January 2009 and 31 December 2010, according to State Aid N.º13/2009 approved for Portugal under the Temporary Community framework for State aid measures to support access to finance in the current financial and economic crisis (Communication from the Commission 2009/C 16/01 of 22 January).

Measure code	Name of the aid scheme	Lawfulness of the scheme	Duration of the aid scheme
115	Development Support Services Enterprise Support Services	Any aid granted under this measure will be in conformity with Regulation (EC) n.º 1998/2006 (<i>de minimis</i>). State Aid N.º13/2009 approved for Portugal under the Temporary Community framework for State aid measures to support access to finance in the current financial and economic crisis (Communication from the Commission 2009/C 16/01 of 22 January)	2007 - 2013 2009 - 2010
123	Forest enterprise modernisation and capacity building	Regulation (EC) n.º 70/2001, as amended by Regulation (EC) no.364/2004 Registration number XS 276/07 Regulation (EC) n.º 800/2008 Registration number*	2007 and 2008 2009-2013
124	Cooperation for Innovation	Regulation (EC) n.º 70/2001, as amended by Regulation (EC) n.º 364/2004 Registration number XA 7050/2007 Regulation (EC) n.º 800/2008 Registration number*	2007 - 2008 2009-2013

311	Diversification into non-agricultural activities	<p>Any aid granted under this measure will be in conformity with Regulation (EC) n.º 1998/2006 (<i>de minimis</i>)</p> <p>State Aid N.º13/2009 approved for Portugal under the Temporary Community framework for State aid measures to support access to finance in the current financial and economic crisis (Communication from the Commission 2009/C 16/01 of 22 January)</p>	<p>2007 - 2013</p> <p>2009 - 2010</p>
312	Development of micro-enterprises	<p>Any aid granted under this measure will be in conformity with Regulation (EC) n.º 1998/2006 (<i>de minimis</i>)</p> <p>State Aid N.º13/2009 approved for Portugal under the Temporary Community framework for State aid measures to support access to finance in the current financial and economic crisis (Communication from the Commission 2009/C 16/01 of 22 January)</p>	<p>2007 - 2013</p> <p>2009 - 2010</p>
313	Encouragement of tourism activities	<p>Any aid granted under this measure will be in conformity with Regulation (EC) n.º 1998/2006 (<i>de minimis</i>)</p> <p>State Aid N.º13/2009 approved for Portugal under the Temporary Community framework for State aid measures to support access to finance in the current financial and economic crisis (Communication from the Commission 2009/C 16/01 of 22 January)</p>	<p>2007 - 2013</p> <p>2009 - 2010</p>
321	Basic services for the economy and rural population	<p>Any aid granted under this measure will be in conformity with Regulation (EC) n.º 1998/2006 (<i>de minimis</i>)</p> <p>State Aid N.º13/2009 approved for Portugal under the Temporary Community framework for State aid measures to support access to finance in the current financial and economic crisis (Communication from the Commission 2009/C 16/01 of 22 January)</p>	<p>2007 - 2013</p> <p>2009 - 2010</p>

323	Conservation of the rural heritage	<p>Any aid granted under this measure will be in conformity with Regulation (EC) n.º 1998/2006 (<i>de minimis</i>)</p> <p>State Aid N.º13/2009 approved for Portugal under the Temporary Community framework for State aid measures to support access to finance in the current financial and economic crisis (Communication from the Commission 2009/C 16/01 of 22 January)</p>	<p>2007 - 2013</p> <p>2009 - 2010</p>

* The forms with the summary information on the aid measures have been communicated to the Commission by the Portuguese authorities. The registration numbers are awaited and will be inserted in this table as soon as they are received from the Commission.

- Changes to the demarcation between EAFRD and EAGF (Wine and Fruit and Vegetables) and ERDF (for the broadband Internet infrastructures).

Fruit & Vegetables

The National Strategy for the Operational Programmes of the Producer Organisations contains a number of actions which can be supported by the EAGF; most of these actions are similar to those supported by the EAFRD under the RDP, notably:

- Action 1.1.1 "enterprise modernisation and capacity building" (integrated action covering measure codes 111, 121 & 123);
- Action 1.1.2 "small-size investments" (measure code 121);
- Measure 1.2 "enterprise co-operation" (measure code 123);
- Action 1.4.1 "support for quality schemes" (measure code 132);
- Action 1.4.2 "information and promotion of quality products" (measure code 133);
- Measure 4.1 "cooperation for innovation" (measure code 124);
- Action 4.2.1 "specialised training" (measure code 111).

In order to ensure compatibility, consistency, complementarity and avoid duplication of funding for the same operation, it is established that a Producer Organisation (or one of its associates) for which an approved operational programme exists cannot benefit from support under the RDP for the actions included in the approved Operational Programme.

Within the analysis of applications to the actions of the RDP it is checked whether there are investments in activities covered by the Operational Programmes; if it is the case, it is also checked whether the promoter of the project is concerned by these Operational Programmes. In such a case, an analysis of the Operational Programmes is done in order to assess whether the actions overlap those of these programmes.

In the case of actions of the RDP where a flat-rate support is granted, the promoter has to present a declaration where he/she states not having applied for or received any support for the same type of action. This is then verified during the controls.

Wine

As far as "restructuring and conversion of vineyards" (Article 11 of Regulation 479/08) is concerned, the demarcation is the following:

- Restructuring and conversion of vineyards is supported by EAGF (all operations covered by Article 11 (3) a), b) & c));
- Only investments in restructuring and conversion of vineyards not supported by EAGF, such as machines, constructions and equipment for irrigation can be supported under measure 121 of the RDP (modernisation of holdings).

As far as "wine production" is concerned, EAFRD supports under the RDP productive investments associated with wine production, under the following measures:

- measure 123 (adding value): in case of investments above EUR 25,000 of SMEs or enterprises with less than 750 employees or with a turn over of less than EUR 200 million; investments of the same type of promoters but only when these investments relate to concentration or mergers of undertakings or co-operation between enterprises where investments achieve more than EUR 500,000;
- measure 312 (creation and development of micro-enterprises), in case of investments between EUR 5,000 and EUR 200,000 presented by micro-enterprises situated in rural areas.

Investments in innovation and its incorporation in production process (vine and wine) will be supported by EAFRD under measure 124 (co-operation for development of new products, processes and technologies).

Concerning Article 15 of Regulation (EC) no. 479/2008, it is to be noted that such aid is not covered in the Support Programme of Portugal.

Demarcation with ERDF (established in a protocol between EAFRD and ERDF)

The following investments will be supported under programmes co-financed by the ERDF as they are not eligible under the RDP:

- Incentives to qualification and internationalisation of enterprises: investment projects involving exclusively competitiveness dynamic factors, including marketing and internationalisation of wine (strengthening marketing, distribution and logistic capacities; know how on markets, international development and promotion of trademarks, market surveys, presence in international markets and international promotion); investment above EUR 25,000;
- Incentives to innovation: investment projects for economic dynamisation of rural areas and innovation projects (productive investment) of enterprises of the wine production sector;
- Incentives to research and technological development: co-operation projects for innovation.

Demarcation with ERDF for broadband Internet:

Support to new generation broadband Internet infrastructure in rural areas will be granted by EAFRD and ERDF. Demarcation will be done at municipality level.

Demarcation with measures under Article 68 of Regulation (EC) No 73/2009:

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 Portuguese programme implementing Article 68 of Regulation (EC) No 73/2009.

The Commission recalled the provisions of Article 2 (2) of Regulation (EC) No 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".

5. THE EXPECTED IMPACTS OF THE AMENDMENTS

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

The additional funds for measures 121 & 123 will enhance the competitiveness of the dairy sector.

The following indicators are adapted accordingly:

Output indicators:

- Measure 121: Number of farm holdings receiving investment support = 1000; Total volume of investment = EUR 60.9 million;
- Measure 123: Number of enterprises supported = 40; Total volume of investment = EUR 60.9 million.

Result indicators:

R2: Increase in GVA in supported holdings/enterprises

- 121: between EUR 200 million and EUR 250 million
- 123: EUR 200 million

R3: Number of holdings/enterprises introducing new products and/or new techniques

- 121: 200 more
- 123: between 10 and 20 more

Taking into account the current uptake of the measures 'integrated production' and 'organic farming' under agri-environment, the additional funds (from the health check) will allow accepting additional applications.

The indicators for measure 214 are adapted accordingly:

Number of farm holdings receiving support = 350;

Total area under support = 5900;

Physical area under support = 5900;

Total number of contracts = 480

New measure 3.6 "Broadband Internet infrastructure in rural areas" will stimulate economic and social development in rural areas, as new generation broadband will generate an impact in terms of economic, training and development opportunities.

Output Indicators:

- Number of supported actions = 3;
- Total volume of investment = EUR 70 million.

Result indicators:

- Population in rural areas benefiting from improved services: 800.000;
- Increase in Internet penetration in rural areas: 10%.

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

The increase of the amount of eligible investment per project in measures 311, 312 & 313 will make possible the submission of integrated projects, covering various components, for example accommodation and tourism animation.

The increase of the intensity of aid for measures 312 & 313 will constitute an additional incentive to promoters on a particularly difficult period to invest.

The change of the intensity of aid for the cooperation projects between LAGs will definitely facilitate engaging in cooperation with other LAGS and thus increasing the number of such projects.

Using the Temporary Community Framework for State aid measures to support access to finance in the current financial and economic crisis will allow enterprises in rural areas to apply and benefit from different types of support for investment projects, thus contributing to the economic recovery of those territories.

6 ASSESSMENT

The choices made in terms of new challenges are justified. They are coherent with the National Strategy Plan of Portugal and with the Community Strategic Guidelines.

The modifications comply with the relevant requirements of Regulation (EC) No 1698/2005 and Regulation (EC) No 1974/2006.

7. FINANCIAL IMPLICATIONS OF THE MODIFICATION

7.1 Annual Contribution from the EAFRD (in EUR)

Year	2007	2008	2009	2010	2011	2012	2013	2007-2013
Non-convergence region	8,886,464	11,293,907	14,594,830	14,801,937	14,964,092	14,965,403	14,935,748	94,442,381
Convergence region	287,328,988	365,169,658	477,099,498	482,695,974	488,538,981	488,581,363	487,922,535	3,077,336,997
Additional contribution	200,000,000	120,000,000						320,000,000
Additional funds specified in Article 69 (5a) of Regulation (EC) 1698/2005 – convergence region	-	-	26,940,000	22,658,000	6,800,000	10,800,000	14,800,000	81,998,000
Total EAFRD	496,215,452	496,463,565	518,634,328	520,155,911	510,303,073	514,346,766	517,658,283	3,573,777,378

7.2 Financial plan by axis (in EUR total period)

Convergence region

Axis	Public contribution		
	Total public	EAFRD contribution rate (%)	EAFRD amount
Axis 1	1,880,270,776	75	1,410,203,082
Axis 2	1,513,204,610	80	1,210,563,688
Axis 3	6,477,929	75	4,858,447
Axis 4	445,971,128	80	356,776,902
Technical Assistance	126,579,837	75	94,934,878
Total	3,972,504,280	77,47	3,077,336,997

Non-convergence region

Axis	Public contribution		
	Total public	EAFRD contribution rate (%)	EAFRD amount
Axis 1	103,041,206	50	51,520,603
Axis 2	71,076,691	55	39,092,180
Axis 3	0		0
Axis 4	6,962,905	55	3,829,598
Technical Assistance	0		0
Total	181,080,802	52,15	94,442,381

Additional contribution

Axis	Public contribution		
	Total public	EAFRD contribution rate (%)	EAFRD amount
Axis 1	97,641,292	100	97,641,292
Axis 2	222,150,005	100	222,150,005
Axis 3	208,703	100	208,703
Axis 4	0		0
Technical Assistance	0		0
Total	320,000,000	100	320,000,000

Additional funds specified in Article 69 (5a) of Regulation (EC) 1698/2005
Convergence region

Axis	Public contribution		
	Total public	EAFRD contribution rate (%)	EAFRD amount
Axis 1	55,555,556	90	50,000,000
Axis 2	2,220,000	90	1,998,000
Axis 3	33,333,333	90	30,000,000
Axis 4	0	0	0
Technical Assistance	0	0	0
Total	91,108,889	90	81,998,000

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 contribution for 2009-2013
Axis 1	
Measure 121	25,000,000
Measure 123	25,000,000
Total Axis 1	50,000,000
Axis 2	
Measure 214	1,998,000
Total Axis 2	1,998,000
Axis 3	
Measure 321 - Related to priorities listed in Article 16a(1), point g) of Regulation (EC) n.°1698/2005	30,000,000
Total Axis 3	30,000,000
Axis 4	-
Total programme	81,998,000
Total under Axis 1, 2, 3 & 4 related to priorities listed in Article 16a(1), points a) to f) of Regulation (EC) n.°1698/2005	51,998,000
Total under Axis 3 & 4 related to priorities listed in Article 16a(1), point g) of Regulation (EC) n.°1698/2005	30,000,000