

DRAFT

WORKING DOCUMENT RURAL DEVELOPMENT COMMITTEE

Member State / Region: **Latvia**

1. APPROVED PROGRAMME

The Rural Development Programme of Latvia 2007-2013 CCI 2007 LV 06 RPO 001, amended by Commission Decision C(2009)5137/LV.

2. LEGAL BASIS FOR THE MODIFICATION

Modification related to the first implementation of Article 16a of Regulation (EC) No 1698/2005, other modifications on the basis of article 6(1)(a) and 6(1)(c) of Regulation (EC) No 1974/2006.

3. REASONS JUSTIFYING THE AMENDMENT / STRATEGY CHOSEN

As the modification includes three different types of modifications, for improved visibility the justification for each type is included in the following chapter 4 in connection with the description of the modifications.

4. DESCRIPTION OF THE AMENDMENTS PROPOSED:

The Latvian proposal includes three types of modifications: 1) European Economic Recovery Plan related modifications including additional financing; 2) Other financial modifications, and 3) Other modifications and Technical corrections.

4.1 European Economic Recovery Plan (Art 6(1)a. Reg. 1974/2006)

4.1.1 Justification for the amendment and the choice of the strategy

Latvia wants to allocate the whole Recovery package funding to the milk sector.

Latvia argues that due to the effects of the economic crisis which led to the sharp decrease in the milk price and inherent structural problems of the milk market, there is a need to foster competitiveness, cooperation and consolidation of the milk sector

especially in the light of the ongoing market liberalization. Latvia currently has the lowest milk purchasing prices in the EU at less than 16 € cents/kg (July 2009). Sharp drop in the milk price that stems from reduced demand created an overproduction of the milk products and had a great effect on the milk producers and processors. Latvia historically has a fragmented market structure with a large number of the milk producers with small animal herds and a large number of processing undertakings. With this market structure in place the production costs are comparatively high leading to the drop in the competitiveness of the sector. Therefore, the Recovery package should target the milk sector.

Latvia states that other priorities indicated in the Recovery package such as broadband infrastructure, climate change, renewable energy, water management and biological diversity are already successfully implemented in the programming period, either in RDP or in the ERDF financed programmes.

Broadband infrastructure is financed under the ERDF programme and includes within its scope rural areas. Access to broadband Internet is vitally important not only for the development of rural commercial activity, including farming, but also for the receipt of public services in rural areas. Internet access ensures the introduction of the latest technological solutions in manufacturing which, in turn, ensures the increased competitiveness of companies. The justification for the RDP modification relating to the Recovery package includes information that the activity for development of the internet on the whole of Latvian territory by ERDF is planned to open in 2010 with available total financial allocation of 15.8 M LVL (approximately 22.6 M EUR).

The goal of the activity is provide residents, private and public institutions with access to broadband throughout Latvia so that the goal of 100% Internet coverage is attained by 2013. Internet services are provided by the private sector, but in rural areas where the number of potential Internet users is relatively small, the private sector is not interested in developing Internet services. For this reason, support from ERDF will be directly channelled to those territories where the private sector lacks the motivation to develop broadband Internet without additional support. Most often, such territories are in rural areas; therefore, the Ministry of Agriculture is directly interested in the rapid development of the project and in the effective utilisation of these financial resources. During the project preparation phase, the Ministry of Agriculture will utilise RDP Technical Assistance financing to conduct an assessment of Internet availability in rural areas and will additionally closely cooperate with the Ministry of Transport to achieve the set goals. This cooperation will be implemented in the form of the preparation of regulatory enactments. The Ministry of Agriculture is a member of the ERDF Supervisory Committee which ratifies project evaluation criteria. Likewise, the regulatory enactments applicable to the implementation of the project will be ratified in accordance with Cabinet Ministers Regulations No.300, adopted on 07.04.2009, "The Procedural Roll of the Cabinet of Ministers". In conformity with this regulatory enactment, projects must be approved by all interested parties. During the approval process, the Ministry of Agriculture will strive to ensure that funding is allocated as a matter of priority for broadband Internet in rural territories.

Demarcation will be observed during the implementation of both this measure to develop broadband Internet within the ERDF framework, as well as parallel measures within the EAFRD framework that are indirectly related to promoting Internet use.

Renewable energy is already targeted via support to energy production from biomass of agricultural and forestry origins in the current Latvian RDP, where investment of 50 M€ is expected. There are also additional possibilities for support in the farm modernization measure.

Climate change, water management and biological diversity are also already addressed in the current version of the RDP with a number of Agri-environment measures, Natura 2000 measures and forestry measures. In fact, Latvia proposes to reinforce the agri-environment measures of the RDP by transferring part of the existing financing of the programme to these measures and thereby effectively increase the effort to address the new challenges in the areas of climate change, water management and biodiversity- see section 4.2.

4.1.2 Description of the amendments proposed to axes and measures

The amount of the additional EAFRD contribution is EUR 13.26 million from the European Economic Recovery Plan. This additional funding is to be allocated according to the updated National Strategy to milk restructuring. Latvia is proposing to allocate 50% of the available funding to measure 121: *Modernisation of agricultural holdings* and 50% to measure 123: *Adding value to agricultural products*. The additional funding is to be used on the basis of existing measure conditions.

Table 5.3.6 Types of activities according to Article 16a (3)a of Reg. 1698/2005 (Table 27 in Chapter 5.3.5 of the RDP)

Axis/ Measure	Type of activity	Impact	Exist. or new activity	Reference to type of activity in RDP measure	Output indicator – aim
Axis 1					
121	Investment support related to dairy production	Improvement of the competitiveness of milk sector	Exist.	Para. 615 of the RDP	Number of farm holdings supported - 75 Total investments 14,7 M€
123	Improvement of processing and marketing in milk sector	Improvement of the competitiveness of milk sector	Exist.	Para. 655 of the RDP	Number of enterprises supported -5 Total investments 14,7 M€

4.1.3 The expected impacts of the amendments

Amendments to the programme are intended to facilitate competitiveness, cooperation and consolidation of the milk sector. New challenges are also promoted by amendments to the current programme financing.

4.1.4 Assessment

The amendments to the programme are in line with the Latvian Rural Development Strategy and support the achievement of its objectives. The changes are in conformity with the Council Regulation (EC) No1698/2005 and with the Commission Regulation (EC) No 1974/2005.

4.2 Other financial changes (Art 6(1)a. Reg. 1974/2006)

4.2.1 Justification for the amendment

Latvian RDP currently provides for 26 support measures.

Latvia argues that analysis performed together with the social partners, and evaluation of the economic situation in Latvia, effects of the economic crisis, implementation progress of the RDP, and activity levels of the beneficiaries lead to the conclusion to limit the financial allocation of a number for RDP measures.

Latvia also indicates that because of the ongoing reorganization of the administrative apparatus and reduction of the administrative capacity there is a need to streamline the RDP by targeting more successful and effective measures. This should be done in order to ensure continued sound financial management and effective use of Community financing.

Therefore, Latvia envisages to prioritize measures directed to immediate stimulation of economic activities in the rural territory as well as to ensure effectiveness and competitiveness of agricultural holdings.

4.2.2 Description of the amendments proposed to axes and measures

Latvia is proposing the reallocation of the financial resources from Axis 1 and Axis 3 to Axis 2. All in all 97.9 million € of EAFRD funding from Axis 1, and 17.1 million € of EAFRD from Axis 3 is transferred to Axis 2. This means that the share of programme financing in Axis 1 is reduced from 50% to 40%, and for Axis 3 from 20% to 18%. Consequently, share of funding in Axis 2 increases from 30% to 42%. The financial resources of the Agri-environmental measures are increased by 52 M€ Latvia also proposes additional funding for continuation of the LFA scheme until 2013.

The transfer of funds between axes respects the balance between objectives as specified in Article 17 of Regulation No 1698/2005.

The reductions and increases of the financial transfers at the measure level are described below.

Axis 1

Increase of EUR 4.8 million in EAFRD financing for measure 131 *Meeting standards*;

Reduction of EUR 6.7 million in EAFRD financing of measure 111 *Vocational training and information actions*: eligibility criteria will also be reviewed. National Rural network facilities shall be extensively used to ensure the training needs especially in the area of the environment;

Reduction of EUR 11.6 million in EAFRD financing of measure 112 *Setting up young farmers*: eligible project applications from the first call for interest will be approved and the remaining financing will be reduced. At the same time Latvia proposes increased aid intensity rate for the Young farmers within measure 121 *Modernisation of agricultural holdings*;

Reduction of EUR 14 million in EAFRD financing of measure 113 *Early retirement*: the measure will not be implemented with regard to any new commitments. The financing will cover the ongoing commitments from the previous programming period;

Reduction of EUR 9.6 million in EAFRD financing of measure 114: *Use of Farm and Forestry Advisory Services*. National Rural network facilities shall be extensively used to ensure the training and advisory needs especially in the area of the environment;

Reduction of EUR 19.2 million in EAFRD financing of measure 121 *Modernizations of Agricultural Holdings*;

Reduction of EUR 3.1 million in EAFRD financing of measure 125 *Infrastructure related to the development and adaptation of agriculture and forestry*;

Reduction of EUR 32.8 million in EAFRD financing from measure 141 *Support to semi-substance agricultural holdings undergoing restructuring*: eligible project applications from round three will be approved. The financing will cover the ongoing commitments from the previous programming period with no further implementation;

Reduction of EUR 5.5 million in EAFRD financing from measure 142 *Producer groups*: The financing will cover the ongoing commitments from the previous programming period.

Axis 2

Increase of EUR 75.8 million in EAFRD financing for measure 212 *Payments to farmers in areas with handicaps, other than mountain areas*: financing will be increased to continue payments until 2013, as well as eligibility criteria will be reviewed;

Increase of EUR 52 million in EAFRD financing for measure 214: *Agri-environment payments*;

Reduction of EUR 3.1 million in EAFRD financing from measure 223 *First afforestation of non-agricultural land*: eligible project applications from round one will be approved (within the limits of the announced financing) one more round is planned in 2009;

Reduction of EUR 5.7 million in EAFRD financing from measure 224 *NATURA 2000 Payments (to Forest Owners)*. Calculations and evaluation of the implementation have showed that the planned results will be achieved with reduced financing;

Reduction of EUR 4 million in EAFRD financing from measure 226 *Restoring forestry potential and introducing prevention actions*. Evaluation of the implementation of the measure has showed lack of demand. The reduced funding will cover the identified needs;

Axis 3

Increase of EUR 2 million in EAFRD financing for measure 312(311): Support for creation and development of micro-enterprises (including diversification into non-agricultural activities);

Reduction of EUR 10.7 million in EAFRD financing from measure 313 *Encouragement of tourism activities*: eligibility criteria will also be reviewed;

Reduction of EUR 8.4 million in EAFRD financing from measure 323 Conservation and upgrading of the rural heritage;

4.2.2 The expected impacts of the amendments

For measure 212 *Payments to farmers in areas with handicaps, other than mountain areas* the increased financing will allow for implementation of the measure until 2013 within the available RDP budget. Initially the financing was only foreseen until the end of 2010.

The increase in funding for measure 214 allows extending the support to a wider number of beneficiaries and ensures the implementation of the current commitments.

4.2.3 Assessment

The amendments to the programme are in line with the Latvian Rural Development Strategy and support the achievement of its objectives. The changes are in conformity with the Council Regulation (EC) No1698/2005 and with the Commission Regulation (EC) No 1974/2005.

4.3 Other changes and technical corrections (Art 6(1)c. Reg. 1974/2006)

Measure 121 Modernizations of Agricultural Holdings

4.3.1.1 Justification for the modification

a) Increase of maximum total amount of eligible expenditure per applicant

According to the eligibility criteria, physical or legal persons of cooperative societies providing agricultural services may be beneficiaries. The maximum total amount of eligible expenditure per applicant within the programming period is currently up to 2 000 000 EUR.

The aim of the measure is to modernize agricultural holdings, with a view to improve their economic performance indicators, competitiveness, the quality of agricultural products and diversification of farms in the field of agriculture, promoting the implementation of better animal welfare, labour safety standards and environmental standards as well as mitigating the environmental impact of agricultural activities. Under the current economic circumstances, it is particularly important to reduce the costs incurred in the process of agricultural production. Therefore, it is vital to ensure a modern and effective production process by establishing powerful and highly-productive agricultural production infrastructure, providing particular support to long-term investment in facilities with lifespan exceeding 5 years (for example, grain dryers, facilities for primary processing and storage of fruit, vegetables and potatoes, animal stalls).

All the above considered and after analysis of total eligible costs in already submitted projects, it is proposed to increase the total amount of eligible expenditure per applicant within the programming period.

b) Increased support rate for young farmers

In order to encourage the involvement of young people in permanent agricultural activities which would promote the establishment of economically viable farms and at the same time ensure regeneration of labour in the agricultural sector, it is necessary to increase support rate applied to investments made by young farmers. This is also done in order to counter balance the reduction of financing in measure 112.

4.3.1.2 Description of the amendments proposed

a) Increase of maximum total amount of eligible expenditure per applicant

The amendments provide for an increase of the maximum total amount of eligible expenditure throughout the programming period to 4 000 000 EUR depending on the size of the farm.

b) Increased support rate for young farmers

The amendments provide that in granting public funding preference will be given to young farmers under the age of 40 as on the day of project submission and a 10% higher rate of support will be applied to their investment. Maximum support rate of 55 % will be used

4.3.1.3 The expected impacts of the amendments

The amendments will facilitate successful use of the national and European Union co-financing and investment in long-term investment projects developing agricultural businesses and ensuring producer competitiveness both on the domestic and the European Union market. They will also encourage the involvement of young farmers in agricultural production and regeneration of labour in the agricultural sector.

4.3.1.4 Assessment

The amendments to the programme are in line with the Latvian Rural Development Strategy and support the achievement of its objectives. The changes are in conformity with the Council Regulation (EC) No 1698/2005 and with the Commission Regulation (EC) No 1974/2005.

Measure 123 “Adding value to agricultural products”

4.3.2.1 Justification of the modification

a) Extension of eligibility to non-annex 1 end products

Due to missing state aid clearance the measure was previously limited to Annex 1 products, only. State aid clearance is now in place and the measure can be extended to non-Annex 1 products.

b) Exclusion of provisions on export related projects

Currently under the measure the amount of the eligible costs for projects may be increased depending on the export proportion in the enterprise's sales. Pursuant to the World Trade Organisation (WTO) Agreement on Subsidies and Countervailing Measures and the EU state aid criteria support to activities relating to exports is not allowed. Therefore, Paragraphs No 653 and 655 of the RDP are changed by excluding any provisions relating to activities associated with exports.

c) Differentiation of the eligible costs with creation of two additional categories

Currently, the majority of category II and III animal origin by-products are destroyed in Latvia together with category I animal origin by-products. At the same time category II and III animal origin by-products possess much wider further processing potential, where the final product could be used, for example, as animal feed. Setting a separate amount of total eligible costs for investment in businesses processing category II and III animal origin by-products will encourage the processing of the above products and create an additional value added.

There are more than 500 local producers, many of which are involved in processing of organic products. These producers manufacture region-specific products and ensure the preservation of many jobs and creation of new ones in the rural areas. Setting a separate amount of total eligible costs for investment in businesses of these producers will encourage further development of such businesses.

d) Simplification of "General costs"- description

Taking into account the planned expansion of support under the measure to include also the projects where the final output is any product produced as a result of processing of products listed in Annex I of the Treaty establishing the European Community, the scheme should also be compliant with the EU Regional Support Guidelines (hereinafter – the Guidelines). Paragraph 51 of the Guidelines provides that in the case of small and medium-sized enterprises, support may also be granted to cover the costs relating to preliminary studies and consulting associated with investment (for example, architect,

engineer and consultant fees, legal service fees, feasibility study costs), provided that these costs are distinguished from the costs of receiving patents and licences. So far, no support to cover the costs of receiving patents and licences has been claimed from support administration. Moreover, such further breakdown of general costs would increase the administrative burden on applicants and complicate the support administration.

4.3.2.2 Description of the amendments proposed

a) Extension of eligibility to non-annex 1 end products

The amendments provide for changes in Paragraph No 655 of the RDP, deleting the provision saying that the final product must be listed in Annex I of the Treaty establishing the European Community. The amendments include changes in the State aid table in accordance with the requirements of in Annex II. 9.B. of the Regulation (EC) 1974/2006.

b) Exclusion of provisions on export related projects

The provision saying that one of the objectives of the measure is to increase the export value is deleted. The calculation of eligible costs is changed accordingly by deleting the provision on the increased amount of the eligible costs depending on the export proportion in the enterprise's sales.

c) Differentiation of the eligible costs

The amendments provide for deleting the base of total eligible costs of 3 000 000 EUR in Paragraph No 664 of the RDP and supplementing it with two new sub-paragraphs saying that:

- the amount of eligible costs per beneficiary for enhancing the effectiveness of existing companies processing category II and III animal origin by-products not designated for human consumption may not exceed 3 000 000 EUR;

- the amount of eligible costs per beneficiary for enhancing the effectiveness of an existing local producer company processing agricultural products may not exceed 150 000 EUR.

d) Simplification of "General costs"- description

The amendments provide for deleting the patent and licence costs from the list of general costs featured in Paragraph No 666 of the RDP.

4.3.2.3 The expected impacts of the amendments

a) Extension of eligibility to non-annex 1 end products

The amendments will improve the measure and allow the applicants to make better use of the support as well as promote the production of a higher value added products.

b) Exclusion of provisions on export related projects

The amendments will introduce changes to support eligibility criteria, depriving the applicants of the possibility to increase the eligible costs depending on the proportion of exports in the company sales.

c) Differentiation of the eligible costs

The amendments will improve the support eligibility criteria of the measure, allowing better implementation of the provision referred to in Paragraph No 651 of the RDP saying that the measure will improve the horizontal and vertical integration. Processing of category II and III animal origin by-products not designated for human consumption will be encouraged, instead of destruction.

Support to small scale production will promote the creation of additional value added in small agricultural processing enterprises.

d) Simplification of "General costs"- description

The amendments will improve the support eligibility criteria of the measure by reducing the administrative burden on applicants and will simplify the support administration.

4.3.2.4 Assessment

The amendments to the programme are in line with the Latvian Rural Development Strategy and support the achievement of its objectives. The changes are in conformity with the Council Regulation (EC) No 1698/2005 and with the Commission Regulation (EC) No 1974/2005.

Measure 214: Agri-environment payments

4.3.3.1 Justification of the modification

In accordance with Civil law of Latvia, a land owner has priority to use his property at any time including termination of lease agreement with a farmer before the agreed time. The main problem is the fact that commitment land is often leased. Statistical information indicates that only 62% of the utilized agricultural land belongs to the farmer, the rest is under lease agreements. Further information from the "Farmers Parliament" (Latvian farmers' organization) indicates that only 23% of the farmers utilize land that solely belongs to themselves, while 33% rent up to the 50 % of the land, and 41% rent more than 50% of the land.

The experience of Latvia with administration of support during the planning period 2004 - 2006 and 2007 – 2013 shows that farmers often reduce their areas of commitment during the commitment period. This leads to sanctions for farmers.

Examination of the previous practice leads to a conclusion that intentional overstatement of the declared areas when all or part of a holding of the beneficiary is transferred to another person can be ruled out, where unintentional overstatement of the declared areas has occurred in the process of breaking, amending or renewing lease agreements.

Under current conditions there is a real threat to the successful implementation of the AE commitments simply because of the unwillingness of the farmers to take on the risks in the unstable land ownership environment.

Currently RDP requires sanctions for area reductions exceeding 3% of the declared area. However, considering the provisions of Paragraph 3 of Article 44 of the Commission Regulation No 1974/2006 about cases of minor changes to the situation of a holding and when overstatement of the declared areas has been unintentional, Latvia proposes to amend the RDP as to the application of sanctions: to raise the overstatement threshold from 3% to 20%.

4.3.3.2 Description of the amendments proposed

The amendments provide that no sanctions will be applied to the beneficiary when there are minor changes to the holding and *a reduction of the total declared area* of up to 20%. This situation may be a result of an unintentional act, for example, a result of terminating or amending a lease agreement by the land owners. Changes are not allowed between annual declaration and the payment/control, where the 3 % limit according to Reg. 1975/2006 shall be respected.

4.3.3.3 The expected impacts of the amendments

Improved uptake of the AE-measures due to decreased risk for sanctions in case of minor changes in the holding. Simplification of the administrative procedures due to fewer sanctions to be followed-up. However, reduction of sanctions will not have negative impact on condition of environment because the area committed to the “agri-environment” increases every year. Farmers aren’t interested in a reduction of the area intentionally as accordingly they will lose financial support.

According to the Latvian authorities these amendments are vital for ensuring the implementation of the agri-environment measures, in accordance with the objectives of the rural development programme.

4.3.3.4 Assessment

The amendments to the programme are in line with the Latvian Rural Development Strategy and support the achievement of its objectives. The changes are in conformity with the Council Regulation (EC) No 1698/2005 and with the Commission Regulation (EC) No 1974/2005.

Measure 312 “Support for creation and development of micro-enterprises”

4.3.4.1 Justification of the modification

According to the eligibility criteria of the measure, maximum rate of support per applicant is up to 40% of the total eligible costs.

According to the Latvian Regional State Aid Map 2007-2013 (State Aid N 447/2006) approved by the European Commission, Latvia is entitled to regional investment aid with the ceiling of 50% of gross grant equivalent (GGE) for investment in large enterprises, whereas in investment projects where the eligible costs are below 50 million euro, the

maximum rate of support may be increased by 10 percentage points in case of the medium-sized enterprises and by 20 percentage points in case of the small enterprises defined in Commission Recommendation concerning the definition of micro, small and medium-sized enterprises of 6 May 2003 .

In order to promote business development and encourage applicants to apply for support under the above sub-measures in the existing economic circumstances, amendments to the RDP are required stating that the maximum rate of support under the sub-measures “Support for creation and development of micro-enterprises” and “Diversification into non-agricultural activities of agricultural enterprises” is up to 70% instead of the previous 40%.

4.3.4.2 Description of the amendments proposed

The amendments provide for an increase of the maximum rate of support under the sub-measures “Support for creation and development of micro-enterprises” and “Diversification into non-agricultural activities of agricultural enterprises” to up to 70%.

4.3.4.3 The expected impacts of the amendments

The amendment will clarify the eligibility criteria applied, encourage investments by reducing the share of private co-financing required, will encourage the applicants to apply for support under the specific sub-measures, and promote the development of non-agricultural business and employment in rural territories.

4.3.4.4 Assessment

The amendments to the programme are in line with the Latvian Rural Development Strategy and support the achievement of its objectives. The changes are in conformity with the Council Regulation (EC) No 1698/2005 and with the Commission Regulation (EC) No 1974/2005.

Measure 212 Payments to farmers in areas with handicaps, other than mountain areas

4.3.5.1 Justification of the modification

Due to the postponed modifications to LFA scheme at EU level, the scheme will be prolonged also in LV according to the existing rules. As this was not foreseen originally, LV had allocated LFA support only until the end of 2009. Therefore, the same annual payments are required in order to comply with equitable conditions until the end of 2013, the available financing has to be readjusted for this measure.

Reassessing the eligibility criteria referring to the minimum livestock unit density per 1 eligible hectare (for permanent meadows and pastures or perennial grasses sown into the arable land up to 0,5) is necessary in order to support farms where actual production occurs.

4.3.5.2 Description of the amendments proposed

The amendments envisage defining more accurately **the paragraph No.774 of RDP** striking out currently fixed final date for support.

The table within RDP paragraph No. 786 is amended, striking out information of the second and third column regarding the support rates in 2007 and 2008 and to supplement the table with information on support for the period from 2010 to 2013.

The amendments specify **RDP paragraph No. 787** involving the new terms (mention these) for receiving the support.

The amendments modify **RDP paragraphs No. 787 and No. 790** on the total and public funding increasing to 206 410 752 EUR. Financial tables will be modified accordingly.

4.3.5.3 The expected impacts of the amendments

The amendments will allow to continue LFA payments until 2013 within the framework of available financing, adjusting set rates according to categories, as well as improve the eligibility criteria for receiving the aid and terms. It will also specify that support is only granted to farmers who do provide the minimum required livestock unit density per 1 eligible hectare for permanent meadows and pastures or perennial grasses sown into the arable land.

4.3.5.4 Assessment

The amendments to the programme are in line with the Latvian Rural Development Strategy and support the achievement of its objectives. The changes are in conformity with the Council Regulation (EC) No 1698/2005 and with the Commission Regulation (EC) No 1974/2005.

Amendments concerning advance payments

4.3.6.1 Justification of the modification

The current economic situation in Latvia, and in the world, has led to decreased opportunities for receiving funding to ensure the operation and development of businesses. This has directly affected also the use of the national and European Union co-financing and project implementation. Therefore, it is necessary to provide beneficiaries with an opportunity to receive (pre-financing) advance payments to finance the activities planned within a project.

4.3.6.2 Description of the amendments proposed

The amendment provides for an opportunity for an applicant to receive advance payments (pre-financing) to finance the activities planned within a project. Reference to compliance with the provisions of the Community legislation is inserted into **Paragraph No 503 of the RDP**.

4.3.6.3 The expected impacts of the amendments

The amendments will facilitate successful use of the national and European Union co-financing and investment in long-term investment projects developing agricultural businesses. They will ensure producer competitiveness both on the domestic and European Union market.

4.4.6.4 Assessment

The amendments to the programme are in line with the Latvian Rural Development Strategy and support the achievement of its objectives. The changes are in conformity with the Council Regulation (EC) No 1698/2005 and with the Commission Regulation (EC) No 1974/2005.

Financing

Table 6.1 of Annex II to Commission Regulation 1974/2005

	2007	2008	2009	2010	2011	2012	2013
convergence regions	152 867 493	147 768 241	142 542 483	147 766 381	148 781 700	150 188 774	151 198 432
Additional funds from Article 69(5a) of Regulation (EC) No 1698/2005	-	-	7 800 000	5 460 000	-	-	-
Total EAFRD funding (EUR)	152 867 493	147 768 241	150 342 483	153 226 381	148 781 700	150 188 774	151 198 432

Table 6.2 of Annex II to Commission Regulation 1974/2005

Table 6.2.1 Financing plan by axis (in euro)

Axis	Total public funding (EUR)	EAFRD contribution (%)	EAFRD funding (EUR)
Axis 1	457 443 049	85%	388 826 592
Axis 2	452 216 450	90%	406 994 805
Axis 3	208 964 434	85%	177 619 769
Axis 4	2 891 9820	90%	26 027 838
Technical assistance	48 993 529	85%	41 644 500
Total	1 196 537 282	-	1 041 113 504

Table 6.2.2 Financing plan by axis, additional funds from Article 69(5a) of Regulation (EC) No 1698/2005

Axis	Total public funding (EUR)	EAFRD contribution (%)	EAFRD funding (EUR)
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Axis 1	14 733 333	90	13 260 000
Axis 2	-	-	-
Axis 3	-	-	-
Axis 4	-	-	-
Total	14 733 333	-	13 260 000

Table 6.3 of Annex II to Commission regulation 1974/2005

Measure/Axis	EAFRD contribution for 2009-2013
Axis 1	6 630 000
Measure 121 <i>Modernizations of Agricultural Holdings</i>	
- Related to priorities listed in Article 16a(1), point (e) of Regulation (EC) No 1698/2005	
Axis1	6 630 000
Measure 123 <i>“Adding value to agricultural products”</i>	
- Related to priorities listed in Article 16a(1), point (e) of Regulation (EC) No 1698/2005	
Total	13 260 000