

**WORKING DOCUMENT  
RURAL DEVELOPMENT COMMITTEE**

**MEMBER STATE:** FINLAND

**REGION:** REGION OF ÅLAND

**1. Approved programme**

The Rural Development Programme for the Region of Åland for 2007–2013, CI2007FI06RPO001, Commission Decision C(2008)719 as amended by Commission Decision C(2009)6413.

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

**3. Reasons and any implementation problems justifying the amendment**

The Åland Islands proposal includes two types of modifications: Article 6(1)(a) of regulation 1974/2006, which require a Commission Decision, and Article 6(1)(c) of regulation 1974/2006 which are notified to the Commission.

As the modification includes two types of changes, for improved legibility the justification for each is included in the following chapter 4 in connection with the description of the modifications.

**4. Description of the amendments proposed**

The Åland Islands proposal includes two types of modifications:

- 1) Health Check and Recovery Package related modifications including additional national financing (Regulation 1974/2006, Article 6(1)(a));
- 2) Other financial modifications (Regulation 1974/2006, Article 6(1)(c))

#### **4.1. Health Check and Recovery Package (Reg. 1974/2006, 6(1(a)))**

Increase of EAFRD financing as provided by Commission Decision 2009/545/EC.

Total financial allocation to the new challenges and economic recovery in Finland is 67.586 M€ The share of Mainland Finland is 66.998 M€ and that of Åland Islands is 587 998 € (~374 200€HC; ~213 800€RP).

##### *4.1.1 Justification for the amendment and the choice of the strategy*

Åland Island authorities propose to allocate the additional funds from modulation (587 998 €) into measure *water management* and *biodiversity* challenges under measure 214, specifically into extra wide riparian zones, organic production, maintenance of wooded meadows and prioritised natural pastures. All of these operations exist in the current Rural Development Programme for the Åland Islands.

All operations selected to receive financing are included in the Annex II of Regulation (EC) No 1698/2005.

According to the Finnish Rural Development Strategy, the priorities for Axis 2 are:

- 1) To maintain valuable, open, cultivated landscape;
- 2) To reduce environmental load to the soil, surface waters, groundwater and air from agricultural sources by the promotion of environmentally-friendly production methods; and
- 3) To preserve biodiversity in agricultural and forest environments.

In addition, in Åland there is added focus on biological diversity, water management and preserving the landscape.

The current Åland Islands RDP contains measures for reduced use of fertilisers, soil management practises and organic animal farming. Furthermore, the permanent set-aside was replaced by nature management fields in the summer of 2009. The Åland Islands authorities decided *not to allocate more funds for climate change adaptation and mitigation from the HC/RP*.

Åland Islands decided *not to target renewable energy*, as energy efficiency and renewable energy is one of the six priorities of the ERDF programme for Åland. The ERDF programme is currently funding the building of the first biogas plant on the Åland Islands.

Similarly, development of information technology is one of the six priority areas of the ERDF programme for Åland. Furthermore, the broadband coverage of Åland Islands far exceeds the European Union average: 95% of the Åland Islands households are covered by broadband of at least 2 megabytes/second. According to the service providers, approximately 75-80% of the Åland Islands households are subscribed to broadband services. Thus *Åland Islands has decided not to allocate HC/RP funds to broadband*.

The average Finnish producer prices for milk are still at a higher level than the European Union average (July 2009: 36.94 cents/litre, source TIKE). In the period of 2008/9, the 55

milk producers from Åland Islands represented 0.4% of the Finnish milk producers but produced 0.6% of all milk in Finland. The number of milk producers has decreased somewhat from 2006 to 2009, but the production per producer has increased in the same time. The average litres of milk sent to the dairies in Åland is 248 000 litres per producer, whereas in the whole of Finland it is 175 000 litres per producer. Thus the milk crisis has not hit Åland Islands and the sector remains relatively competitive, the *Åland Islands authorities have decided not to allocate HC/RP funds into milk sector restructuring.*

As Åland Islands has no institutions of higher education and the measure 124 (cooperation for development of new products, processes and technologies) has so far attracted no applications despite having a budget of €420 000 (total public funding) for the programming period, *Åland Islands will not be allocating HC/RP funds into innovative approaches.*

#### *4.1.2 Description of the amendments proposed to axes and measures*

Total financial allocation to the new challenges and economic recovery in Finland is 67.586 M€ The share of Mainland Finland is 66.998M€and that of Åland Islands is 587 998€

Åland Islands will target the new challenges of *water management* and *biodiversity* with the additional funds from the Health Check and European Economic Recovery Package. Åland Island authorities propose to allocate the additional funds from modulation (587 998€) into measure 214, specifically into extra wide riparian zones, organic production, maintenance of wooded meadows and prioritised natural pastures.

The following breakdown for the additional EAFRD funding is suggested:

**\* 307 811€water management: (52.35%)**

- organic farming 290 977€
- riparian zones: 16 833€

**\* 280 186€biodiversity: (47.65%)**

- prioritised natural pastures 151 890€
- directed inputs for prioritised natural pastures 120 841€
- maintenance of wooded meadows 7 455€

The annual breakdown of the HC/RP funds is as follows:

<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
126 846€	141 862€	79 170€	107 010€	133 110€

It has been verified that the contribution for Åland Islands and Mainland Finland respect the total and annual amounts allocated to Finland through Commission Decision 2009/545/EC.

#### *4.1.3 The expected impacts of the amendments*

The division of funds was suggested by an informal working group consisting of stakeholders in Åland. The goal is to create an administratively easy system for spending the HC/RP, as well as to replace some of the existing funding for selected water management and biodiversity measures by the HC/RP. Due to cutbacks in the national budget of the Åland Islands, an increase in the Rural Development budget is not an option.

The target indicators have been modified. Table 5.3.6 detailing the HC/RP targets is attached as Annex I to this document.

#### *4.1.4 Assessment*

The amendments to the programme are in line with the Finnish 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.

## **4.2 Other financial changes (Reg. 1974/2006, 6(1(c))**

### *4.2.1 Justification for the amendment*

The amendment to the current programme financing takes into account the smaller than estimated realised financing for measures 112 and 214, as well as the estimate for future financing needs for measures 121, 123 and 212.

### *4.2.2 Description of the amendments proposed to axes and measures*

#### Axis 1

80 000€ in EAFRD financing from Measure 112: Setting up of young farmers is transferred to measure 121: Modernisation of agricultural holdings. The estimates on the private financing and total costs are updated.

320 000€ million in EAFRD financing from Measure 112: Setting up of young farmers is transferred to measure 123: Adding value to agricultural and forestry products. The estimates on the private financing and total costs are updated.

#### Axis 2

1 000 000€ in EAFRD financing from Measure 214: Agri-environment payments to Measure 212: LFA. Indicator tables and sub-measure financing are corrected according to new projections for Measure 214: Agri-environment payments. The sub-measure descriptions remain unchanged.

National top-ups: 7 466€ of additional national financing (top-up) will be added to the existing 906 292€ The new maximum level of additional national financing is 913 466€ Annex II of the Commission decision will be modified accordingly. As the national top-up affects a measure that has been notified to the Commission at the time of programming, new state aid forms are not necessary.

### *4.2.2 The expected impacts of the amendments*

The reduction of funding for measure 112: Setting up of young farmers streamlines the budget according to the new projections on the total spending. By the second quarter of 2009, the payment level of the total budget for measure 112 was only 9.1%. The new budget for measure 112 will be 1.8 M€ in total public funding (720 000€ EAFRD).

The increase in funding for measure 121: Modernisation of agricultural holdings takes into account the future financing needs for the measure. By the second quarter of 2009, the payment level of the total budget for measure 121 was 38.1%. Thus, the increased funding allows for financing for the measure for the entire period. The new level of total public funding for measure 121 will be 3.95M€(1 580 000€EAFRD)

The increase in funding for measure 123: Adding value to agricultural and forestry products takes into account the future financing needs for the measure. By the second quarter of 2009, the payment level of the total budget for measure 123 was 55.27%. Most of the funds (99%) for the measure have been committed to one large project, namely a cooperative vegetable storage and packaging plant. The project has been successful in increasing the levels of hygiene and economies of scale and thus export capacity of the vegetable cooperative. Thus, the increased funding allows for financing for the measure for the entire period. The new level of total public funding for measure 123 will be 2.1M€(864 772€EAFRD)

The increase in funding for measure 212: LFA corrects a misallocation of financial resources caused by miscalculation in the LFA budget. The total public financing should have been 21.7 million euros instead of the current budget of 15.9 million. The Åland authorities suggest increasing the LFA budget up to 19.64 million euros of total public funding (5 248 480€ EAFRD), as the number of eligible farms is expected to decrease by the end of the programming period. Thus the transfer ensures LFA financing for the entire programming period.

The reduction of funding for measure 214 Agri-environment payments does not hamper the operation of the measure. First of all, the measure receives HC/RP funding. Furthermore, the sub-measure level budgets are revised according to projections based on the uptake of the sub-measures during 2007 and 2008. The new total public funding budget for measure 214 will be 26.1 M€(6 974 971€EAFRD).

The increase in national top-ups for measure 214: Agri-environment payments allows the keeping of support levels for sub-measures wooded meadows and extra wide riparian zones at a level which attracts commitments from farmers. Through these sub-measures it is possible to reduce erosion and thereby prevent the leaching of nutrients from arable land to water bodies, groundwater and lakes.

#### *4.2.3 Assessment*

The amendments to the programme are in line with the Finnish 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 1974/2006.

## **5. Financial implications of the modification**

The total amount of allowed public funding for the programme is 59 215 725 € consisting of 57 015 134 € of previous allowance and 2 200 591 € of HC/RP-related funding (587 998 € EARDF and 1 612 593 € national funding).

The total programme financing will decrease by 950 929€ This funding decrease consists of an increase in public financing by 2 200 591€ and a decrease in private financing by 3 151 520 € Public financing increases in Axis 2, whereas private financing decreases in Axis 1. The new level of total funding of the programme is 83 812 709€

The level of additional national financing for measure 214 will be increased from the existing 906 292€ by 7 174€ The new maximum for additional national financing is 913 466€

The proposal requires modification of the article 2 and Annexes I and II of the Commission Decision.

Commission Decision C(2008)719 of 15 February 2008 as amended by Commission Decision C(2009)6413 will be amended accordingly.

## **6. Assessment**

The modifications comply with the relevant requirements of Regulation (EC) No 1698/2005 and Regulation (EC) No 1974/2006 and are coherent with the National Strategy Plan for Finland.

**Annex I**

**Table 5.6.3: Effects and output indicators for new challenges**

Measure	Types of operations	Potential effects	Existing' or 'New' type of operation (E or N)	Reference to the description of the type of operation in the RDP	Output indicator – target			
					Number of holdings supported	Total area supported (Ha)	Physical area supported (Ha)	Number of contracts
214	Soil management practices (e.g. catch crops, organic farming, conversion of arable land into permanent pasture)	Contributing to the reduction of losses of different compounds to water, including phosphorus	E	p. 117 organic farming	70	1500	1500	70
214	Construction/management of biotopes/habitats within and outside Natura 2000 sites	Protection for birds and other wildlife, improvement of biotope coverage, reduced use of harmful substances in a sensitive habitat, conservation of protected fauna and flora.	E	p. 123 targeted actions on natural pastures	50	120	120	50
				p. 125 maintenance of wooded meadows	5	25	25	5
				p. 121 prioritised natural pastures	130	1200	1200	130
214	Perennial field and riparian boundary strips and biobeds	Contributing to the reduction of losses of different compounds to water, including phosphorus	E	p. 126 extra wide riparian zones	30	80	80	30

**Annex II**  
**Financial tables**

**Annual contribution from the EAFRD (in EUR)**

Year	2007	2008	2009	2010	2011	2012	2013	2007-2013
Non-convergence regions	2 816 332	2 656 842	2 462 252	2 495 714	2 424 803	2 363 607	2 289 276	17 508 826
Additional funds from Article 69(5a) of Regulation (EC) No 1698/2005 – non-convergence region			126 846	141 862	79 170	107 010	133 110	587 998
<b>Total EAFRD funding (EUR)</b>	<b>2 816 332</b>	<b>2 656 842</b>	<b>2 589 098</b>	<b>2 637 576</b>	<b>2 503 973</b>	<b>2 470 617</b>	<b>2 422 386</b>	<b>18 096 824</b>

**Financing plan by axis, non-convergence regions (in euro)**

Axis	Total public funding (EUR)	EAFRD contribution (%)	EAFRD funding (EUR)
Axis 1	8 456 820	40	3 382 728
Axis 2	43 965 857	26,72	11 747 677
Axis 3	1 694 238	50	847 119
Axis 4	1 643 853	55	904 119
Technical assistance	1 254 366	50	627 183
<b>Total</b>	<b>57 015 134</b>	<b>30,71</b>	<b>17 508 826</b>

**Financing plan by axis, additional funds from Article 69(5a) of Regulation (EC) No 1698/2005 – non-convergence region**

Axis	Total public funding (EUR)	EAFRD contribution (%)	EAFRD funding (EUR)
Axis 1			
Axis 2	2 200 591	26,72	587 998
Axis 3			
Axis 4			
<b>Total</b>	<b>2 200 591</b>	<b>26,72</b>	<b>587 998</b>



## ANNEX II

### State aid referred to in Article 89 of Regulation (EC) No 1698/2005

Code of the measure	Measure	Legal basis	Amount in euro	Duration
214	Agri-environmental payments	Specific notification	913 466	2007-2013

### Annex III

**Table 6.3 of Annex II to Commission regulation 1974/2006**

Measure/Axis	EAFRD contribution for 2009-2013
<u>Axis 1:</u>	
<b>Axis 1 in total</b>	<b>0</b>
<u>Axis 2:</u> Measure 214	587 998
<b>Axis 2 in total</b>	<b>587 998</b>
<u>Axis 3:</u>	
<b>Axis 3 in total</b>	<b>0</b>
<u>Axis 4:</u>	0
<b>Axis 1, 2, 3 and 4 in total</b>	<b>587 998</b>
- Total related to priorities listed in Article 16a(1), points (a) to (f) of Regulation (EC) No 1698/2005	587 998
- Total related to priorities listed in Article 16a(1), point (g) of Regulation (EC) No 1698/2005	0