

WORKING DOCUMENT

MEMBER STATE: Spain

REGION: Madrid

1. APPROVED PROGRAM

RDP Madrid (CCI 2007 ES 06 RPO 012) was approved by Commission Decision C (2008) 3834 of 16 July 2008.

Amended by Commission Decision C (2009) 5137 of 29 June 2009, according to Article 70(4b) of Council Regulation (EC) No 1698/2005 and Article 8a of Commission Regulation (EC) No 1974/2006.

Note to the reader:

The co-financing rates in the financial plan are 60% for axis I, III, and Technical Assistance, and 65% for axis II and IV, so to benefit of 10 additional percentage points as approved by Decision C(2009)5137 of 29 June also for expenditure in the 4th quarter 2009. These rates will be revised during the 1st quarter 2010 in accordance with article 8a of Regulation 1974/2006.

2. LEGAL BASIS OF THE MODIFICATION:

- Modification related to the first implementation of Article 16a of Regulation (EC) No 1698/2005; Changes to the total Community contribution for the entire programming period
- Revisions under Article 6, paragraph 1, letter a) of Regulation (EC) No 1974/2006
- Article 6(1)(c) and 9 of Regulation (EC) No 1974/2006 (notification for information of the Rural Development Committee)

This modification proposal was sent via SFC to the Commission on the 15 July 2009, following its approval by the Monitoring Committee of RDP Madrid (meeting of the 9 July 2009).

3. REASONS JUSTIFYING THE AMENDMENT / STRATEGY CHOSEN

- Madrid has decided to use the additional EAFRD amount of EUR 4 972 258 from the "Health Check and Recovery Package" in the reinforcement of measure 121 (specifically of the existing submeasure 121.3 "Improvement of individual irrigation systems"), in order to contribute to the improvement of the capacity to use water more efficiently. The reinforcement of water management actions as new challenge complies with the economic and environmental issues identified in the National Strategy Plan and in RDP Madrid's strategy.
- Madrid has also decided to allocate the additional EAFRD amount of EUR 929 690 from the modulation adjustments (Reg 1782/2003) and the Wine CMO to:
 - measure 322 "Village renewal and development" (EUR 8 667). This measure concerns exclusively carried-over commitments and due to a material error (also linked to the difference in the co-financing rates applicable in the 2000-2006 period and in the 2007-2013 co-financing rate applicable to axis 3) the approved budget was not enough for all the commitments. Therefore, this EAFRD reinforcement is needed.
 - measure 431 "Running costs, acquisition of skills and animation" (EUR 421 023). There is a need to increase the budget available for the running costs of the Local Action Groups, in order to improve the implementation of axis 4.

- measure 511 "Technical Assistance" (EUR 500 000). This measure did not have any budget allocation. It will allow, among other actions: a) tackling the need to carry out studies in order to improve and update the RDP, as well as carrying out the mid-term and ex-post evaluations; b) carrying out ex-ante studies related to actions' implementation, such as improvement of irrigation or land consolidation. This will result in an improvement of the Managing Authority's activities and, therefore, is also coherent with the strategy.
- Regarding the other (small) modifications, they are also in line with the strategy. They are of technical nature and intend to improve the implementation of the programme as well as the understanding of the measures by the beneficiaries, and to update legal references.
- **Coherence with the National Strategy Plan and the Spanish National Framework**

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

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

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

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

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

Furthermore, the allocation of the new funds from "**modulation adjustments**" and the "**Wine CMO**" to Measures 322, 431, are also in line with the Spanish National Framework. Additionally, it is foreseen the allocation of a financial transfer into Technical Assistance.

4. DETAILED DESCRIPTION OF THE AMENDMENTS PROPOSED INCLUDING THE EXPECTED IMPACTS:

This chapter is divided into three parts:

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

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

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

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

4.1.1. Description of the change

The EAFRD amount available for RDP Madrid from the "Health Check and Recovery Package" totals EUR 4 972 258.

Axis / Measure	Priority: Water management				
	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
121.3	Water saving techniques (efficient irrigation systems)	Improvement of the capacity to use water more efficiently.	E	Submeasure 121.3: improvement of the individual irrigation systems	Number of supported holdings = 60
					Total volume of investment = EUR 14 000 000

Water saving is an essential and strategic issue, both in the Spanish National Strategy and in RDP Madrid. The reinforcement of water management actions as new challenge complies with the economic and environmental issues identified in the National Strategy Plan and in RDP Madrid's strategy. Therefore, Madrid intends to reinforce measure 121 with the total amount available for the new challenges, in order to promote more efficient irrigation methods within the holdings. The modification consists in the reinforcement of measure 121 (specifically of the existing submeasure 121.3 "Improvement of individual irrigation systems") with an EAFRD budget of EUR 4 972 258 and a co financing rate of 75%.

4.1.2. Text of the RDP

Actions and eligibilities are the same as described in measure 121.3 of the RDP Madrid approved in July 2008 – there are no changes in the text of the submeasure, except for the increase of the maximum aid intensity, which was increased by 10 percentage points and is now:

- 50% of the total investment
- 60% if the investment is in a LFA mountain area or Natura 2000 or young farmers outside mountain areas and Natura 2000
- 70% for young farmers in LFA mountain areas or Natura 2000.

No other changes besides the financial tables, indicators and the aid intensity as described above and under Chapters 5 and 7.

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

These modifications concern:

- the amount of EUR 929 690 allocated to the Region of Madrid. From this amount, EUR 159 600 comes from CMO Wine and EUR 770 090 from the modulation adjustments.

4.2.1. Description of the change

This EAFRD amount will be allocated as follows:

Axis	EAFRD amount
Axis 1	-
Axis 2	-
Axis 3 (measure 322)	8 667
Axis 4 (measure 431)	421 023
Technical Assistance	500 000
Total	929 690

4.2.2. Text of the RDP

- Measure 322 Village renewal and development – no modification of the text.

- Measure 431 Running costs, acquisition of skills and animation

No modifications to the text, except for the increase of the limit of the running costs' eligibility (from 15% to 20%) of the total public expenditure of the local development strategy, according to Article 38(1) of Regulation (EC) No 1974/2006.

- Measure 511 Technical Assistance

This measure covers management (coordination meetings, information material, specific software for the RDP), monitoring, control and (ex-ante, ongoing, mid-term and ex-post) evaluation costs of the RDP. It also includes the preparation activities of the RDP, the environmental analysis, information and dissemination activities, as well as studies, plans and programmes that contribute to optimise the planning of activities and measures of the RDP, including the acquisition of instruments in order to attain all the objectives above mentioned. It also provides for the ex-post evaluation of 2000-2006 RDP Madrid and LEADER+ Madrid. These activities might be carried out by the administration or by an outsourcing company.

Aid intensity: 100% of total expenditure

Beneficiary: the regional administration

Total cost = total public expenditure: EUR 833 333, of which EUR 500 000 EAFRD.

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

4.3.1. Reasons and implementation problems justifying the amendment

- 4.3.1.1. **Modifications in the national and regional administrations** - the name of the national Ministry of Agriculture has changed to *Ministerio de Medio Ambiente, Medio Rural y Marino*. The regional Directorate General of Agriculture (which was part of the regional Ministry of Economy) has been merged with the regional Directorate General of Environment, which is part of the regional Ministry of Environment, Housing and Territorial Planning. Other regional administrations have also changed their structure and/or name. This has affected most of the designations of the Managing Units and of the Members of the RDP Monitoring Committee and of the Permanent Commission. All these modifications have been included in the RDP text. The most relevant are the following:

- RDP Managing Authority: regional Directorate General of Environment, of the regional Ministry of Environment, Housing and Territorial Planning.

- RDP Paying Authority: regional Ministry of Environment, Housing and Territorial Planning

- 4.3.1.2. Inclusion of **new Members of the Monitoring Committee**, increasing the participation of local actors: for instance, inclusion of a new professional agriculture organisation; and identifying all the Local Action Groups operating within the RDP.
- 4.3.1.3. **Indicators update** – following the requests by DG AGRI for the improvement of indicators.
- 4.3.1.4. **Text clarifications** and Regulation updates – in measure 121 it is clarified that when the beneficiary is a legal person, agriculture must be its only activity. In measure 123 it is clarified that the final product after processing also belongs to Annex I of the Treaty.
- 4.3.1.5. **Correction of minor typing mistakes** – not relevant, except for measure 121, where an indicator has its unit modified from hm^3 to m^3 (hm^3 was a material error).
- 4.3.1.6. **Modification of the definition of rural areas** – exceptionally, rural areas can include a municipality with a population density higher than 150 inhabitants/ Km^2 if the average population density of that municipality and the ones that surrounds it is below 150 inhabitants/ Km^2 .
- With this modification, there is 1 additional municipality included in Madrid's rural areas: Pelayos de la Presa.
- The reason for this modification lies in the socioeconomic situation of the municipality concerned.
- 4.3.1.7. In the measures' descriptions, **modification of some selection criteria / priority criteria**, in order to improve coherence – some criteria were hindering the implementation of the measures or have to be adapted in order to be coherent with the socioeconomic characteristics of the area. These modifications concern measures 112, 121 and sub measure 323.6.
- Measure 112: The following new priority criterion has been added: setting-up when the young farmer has full professional qualification. The following criterion has been deleted: other setting-up (first installation).
- Measure 121: The following criterion has been deleted: other setting-up (first installation).
- Submeasure 323.6: The following new priority criteria has been added: projects coherent with local plans or guidelines, aimed at renewal and improvement of local significant elements; proposals to improve the landscape of the rural villages; proposals to remove negative impact landscape; projects to improve or create public areas (parks, gardens, squares...); number of inhabitants; municipalities with more than one village. In case of draw, the following criteria will be used: projects improving the environment protection; equal opportunities; use of renewable energy; solutions to road network structure problems; eliminating architectural obstacles.
- 4.3.1.8. **Modification of the text on controls (Chapter 11)**, in order to clarify it and adapt it to the text used in the legal basis. For instance, the text has introduced the following words (*in italic*), related to non IACS

controls: "On-the-spot checks shall be, *as far as is possible*, carried out before the final *EAFRD* payment is made. Expenditure controlled shall represent at least 4% of the *public expenditure which has been declared to the Commission* each year and at least 5% of the *public expenditure which has been declared to the Commission* over the whole programming period". Another modification regards the approval of the procedure manuals, which is now the responsibility of the Head of Unit instead of the Director-General, in order to speed up the process.

4.3.1.9. **Modification of the text of some measures:** Clarification included in relation to the fact that forestry products and the forestry sector are not part of the scope of measure 123. Thus, state aid notification is not needed as this measure is being revised.

4.3.1.10. Introduction of a **new submeasure (123.3)** in measure 123, **without modifying the financial allocation for measure 123**

Madrid intends to create a new submeasure 123.3 - Support for investments in agri-food industry (Cooperatives and associative entities in agriculture). There is no financial impact as the budget of measure 123 remains unchanged. Madrid intends to split measure 123.1 into 2 submeasures (123.1 and 123.3), in order to have a separate submeasure (123.3) only aimed at Cooperatives and associative entities in agriculture.

The reason for this division lies on the need to promote and facilitate the access of Cooperatives and associative entities in agriculture to projects of processing and marketing. The National Strategy and the National Framework programme identify these 2 types of enterprises and the specific characteristics of the sector. In Madrid, there are 61 of these enterprises which represent more than 1500 agricultural entrepreneurs, but they have small dimension, are dispersed and have a small implementation of its supply and marketing organisation. However, they have a very important role at local level especially in the wine and olive oil sectors (quality products), and they contribute significantly to add value to the agricultural productions and to maintain population in the rural areas. These enterprises place quality products in the market and contribute to improve the competitiveness of the agricultural sector. Therefore, to promote the competitiveness of these enterprises and to improve the implementation of measure 123, Madrid considers essential to have a separate submeasure for these types of beneficiaries.

The text of those sub measures would be exactly the same, except for the Beneficiaries.

- submeasure 123.1: Cooperatives and associative entities in agriculture are removed from the beneficiaries (SME or companies with fewer than 750 employees or with a turnover of less than EUR 200 million)

- submeasure 123.3: The beneficiaries are exclusively Cooperatives and associative entities in agriculture that also qualify as SME or companies with fewer than 750 employees or with a turnover of less than EUR 200 million.

- for both submeasures 123.1 and 123.3 - inclusion of the following eligibility costs related to works and investments initiated prior to the authorisation of the start of investments: acquisition of machinery, including the provision, but not the assemblage, installation and testing.

- modification of the aid intensity for both submeasures 123.1 and 123.3 - the minimum aid intensity is 20% (and the maximum is 40%) of the eligible investments. There can be a maximum increase of 20% (*instead of 5% in the approved RDP*) above the minimum intensity according to the fulfilment of 1, 2 or 3 of the first 3 (*instead of 4 in the approved RDP*) priority criteria.

4.3.1.11. **Targeting modification** in some measures:

* for measures applicable in rural areas (see 4.3.1.6 above); and
* for measure 323: the territorial application of this measure in the approved RDP was rural areas. Now it is proposed to clarify the text and make a specific reference to the rural paths. Rural paths had not been included due to a material error (3 submeasures of measure 323 concern exclusively rural paths).

4.3.1.12. **Update of the transitional commitments** – due to a material error, a part of the transitional commitments of measure 323 had not been mentioned in the RDP text. It concerns the commitments of the environmental education programmes started in 2007 and still ongoing and other projects that were approved and before 2007 and its execution has not yet started. The total amount for these commitments is EUR 2 175 310.54. The budget approved for this measure remains unchanged.

4.3.1.13. **New paragraph in measure 413 "Application of the local development strategy: quality of life and diversification"**, following a request from the Local Action Groups and the Management unit. It concerns the "eligibility of specific operations". The following text is added:

"In non-productive projects, considered as such because of the type of project or beneficiary, the following costs are also eligible:

- technical assistance for the implementation of official quality rules and environmental management systems;
- feasibility studies over local resources.
- as far as global promotion activities (tourist services, typical products, support and organisation of promotion exhibitions, seminars and sport and cultural activities) are concerned, the following expenditure is eligible: personnel costs, stationery, renting equipment and insurance.
- as far as specialised training courses and activities for socioeconomic agents of the municipality are concerned, the following expenditure is eligible: instructors' expenditure, teaching and stationery material, rent and/or maintenance of premises, pupils' insurance, travelling costs in technical visits and study visits, as well as a percentage on the previously mentioned costs to cover the organisation and coordination costs."

4.3.1.14. **Demarcation with CMO wine**

The proposal includes demarcation criteria in order to prevent any double funding or any possibility of double financing with measures included in the RDP: No aid under Measure 121 will be given to the types of operations for "restructuring and reconversion" that can be financed in the Art. 11 of Regulation 479/2008. Support for wineries will be provided by RDP measure 123 and not CMO Wine.

4.3.1.15. **Demarcation with article 68**

The managing authority has been asked to provide a demarcation with article 68, which would be included in the RDP at the time when Article 68 measures will enter into force, given that some measures of the RDP could finance similar actions to those included in the Spanish program implementing article 68 of Regulation (EC) No 73/2009.

The Commission reminded that provisions of art. 2.2 of Reg. 1974/2006: "Where support under Regulation (EC) No 1698/2005 may exceptionally be granted in accordance with Article 5(6) of that Regulation, for measures falling within the scope of the support schemes listed in Annex I to this Regulation, Member States shall ensure that a beneficiary may receive support for a given operation only under one scheme. To that end, Member States, when including measures containing such exceptions in their rural development programmes, shall describe in those programmes the criteria and administrative rules they will apply for the support schemes concerned".

5. EXPECTED IMPACTS OF THE AMENDMENTS

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

This new challenge complies with economic and environmental issues identified in the National Strategy Plan and in RDP Madrid's strategy. "). The reinforcement of measure 121 will contribute to improve the capacity to use water more efficiently. Another consequence of this reinforcement will be a better coordination with measure 125, as users will be able to carry out the irrigation investments inside their holdings (under measure 121) as a complement to the common irrigation systems financed under measure 125 (outside the holdings).

Output indicators:

Number of agricultural holdings beneficiaries of investment support: 160 (instead of 100)

Total investment (thousand EUR): 51 500 (instead of 37 000)

Result indicators:

Number of holdings introducing new products and/or new techniques: 90 (instead of 30)

GAV increase in the supported holdings (EUR): 5 000

Additional result indicators:

Area supported that contributes to the decrease of the annual consumption of irrigation water per ha: 3 000 (instead of 1 000)

Reduction of annual consumption of irrigation water (m³): 30 000 000 (instead of 20 000 000 hm³)

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

Madrid will use the EAFRD amount of EUR 929 690 in order to correct a material error related to the carried-over commitments (measure 322 - Village renewal and development); ensure a better implementation of the RDP (measure 431 – Local Action Groups); and improve the Managing Authority's activities according to article 75 of Regulation No 1698/2005 (measure 511 - Technical Assistance).

These modifications will not produce a particular impact on result and impact indicators.

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

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

The inclusion of submeasure 123.3 - Support for investments in agri-food industry (Cooperatives and associative entities in agriculture) intends to improve the competitiveness of the agricultural sector.

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

6. ASSESSMENT

- I. Taking into account all the above, the amendments are in line with the National Strategy Plan as well as with the regional programme strategy.
- II. The changes are in conformity with the Council Regulation (EC) N° 1698/2005 and with the Commission Regulation (EC) N° 1974/2006

7. FINANCING

7.1. Annual Contribution from the EAFRD (in EUR)

	2007	2008	2009	2010	2011	2012	2013
Non convergence regions	0	13 255 453	13 082 769	13 171 106	10 397 868	10 337 804	10 254 860
Additional funds art 69 (5bis) of Reg (EC) No 1698/2005			440 488	899 038	908 473	1 204 334	1 519 925
TOTAL EAFRD	0	13 255 453	13 523 257	14 070 144	11 306 341	11 542 138	11 774 785

	Total 2007-2013
Non convergence region	70 499 860
Additional funds art 69 (5bis) of Reg (EC) No 1698/2005	4 972 258
TOTAL EAFRD	75 472 118

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

Non convergence region:

Axis	Public contribution (in EUR)		
	Total public	EAFRD contribution rate (%)	EAFRD amount

Axis 1	49 992 783	60	29 995 670
Axis 2	31 453 846	65	20 445 000
Axis 3	20 156 945	60	12 094 167
Axis 4	11 484 651	65	7 465 023
Technical Assistance	833 333	60	500 000
Total	113 921 558	61.88	70 499 860

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

Axis	Public contribution (in EUR)		
	Total public	EAFRD contribution rate (%)	EAFRD amount
Axis 1	6 629 677	75	4 972 258
Axis 2	-	-	-
Axis 3	-	-	-
Axis 4	-	-	-
Technical Assistance	-	-	-
Total	6 629 677	75	4 972 258

Summary table – total period, non convergence region:

Axis	Public contribution (in EUR)		
	Total public	EAFRD contribution rate (%)	EAFRD amount
Axis 1	56 622 460	61.76	34 967 928
Axis 2	31 456 846	65	20 445 000
Axis 3	20 156 945	60	12 094 167
Axis 4	11 484 651	65	7 465 023
Technical Assistance	833 333	60	500 000
Total	120 551 235	62.61	75 472 118

7.3. Indicative budget related to operations referred to in Article 16a of Regulation (EC) 1698/2005 between 1 January 2009 and 31 December 2013 (article 16a (3b) up to the amounts specified in Article 69 (5a) of Regulation (EC) 1698/2005)

Axis / Measure	EAFRD amount
Axis 1	4 972 258
- measure 121.3	4 972 258
Total Axis 2	-
Total Axis 3	-
Total Axis 4	-
Total programme	4 972 258