

**WORKING DOCUMENT**  
**RURAL DEVELOPMENT COMMITTEE**

**MEMBER STATE: Spain**

**REGION: La Rioja**

Note for the reader:

Please note that sections 2 to 6 of this document are sub-divided into three parts:

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

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

## **1 APPROVED PROGRAM**

The Rural Development Programme of La Rioja, C(2008) 3840 of 16.07.2008

## **2 LEGAL BASIS FOR THE MODIFICATION**

### **2.1 Changes related to the Health Check (HC) and the European Economic Recovery Package (EERP)**

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

### **2.2 Changes related to the increase of available funds as a result of the Wine CMO reform and the adjustment of modulation rules**

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

### **2.3 Other changes**

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

### **3 REASONS JUSTIFYING THE AMENDMENT/STRATEGY CHOSEN**

#### **3.1 Modifications "Health Check and Recovery Package" according to article 6 (1)(a)**

The authorities of La Rioja have decided to allocate all the additional HC & EERP EAFRD funds, representing 2.913.175 € to measure 125.1 "Improving and developing irrigation infrastructures". This is justified by the fact that water scarcity is one of the main constraints for agriculture in La Rioja, and in Spain in general. This measure is perfectly in line with the Spanish NSP and the Spanish RD Framework, which identifies the sustainable use of water resources as one of the specific objectives of Axis 1 measures, and proposes measure 125.1, amongst others, as a horizontal measure for all Spanish regions. The rest of HC+EERP priorities are already sufficiently covered in the program.

#### **3.2 Other modifications according to article 6(1)(a) (wine reform + modulation adjustments)**

The authorities of La Rioja have decided to allocate the additional EAFRD funds of 3.377.680 € originated by the Wine CMO reform and the modulation adjustments, to measure 211 "Natural handicap payments to farmers in mountain areas" (1.500.000 € 44% of additional funds), measure 214.3.1 "Integrated production" (1.000.000 € 29% of additional funds) and measure 214.3.2 "Organic farming" (877.680 € 26% of additional funds). This is justified by the following:

- 1) Measure 211: as already mentioned before, one of the general objectives included in the regional strategy was the increase of farm holdings' competitiveness. The allocation of funds to measure 211 aims to increase competitiveness of holdings located in mountain areas and, at the same time, to avoid the abandonment of agricultural activities and its negative impacts on landscape maintenance and soil erosion;
- 2) Measure 214 (integrated production and organic farming): both measures are addressed to preserve biodiversity, as they aim to reduce negative environmental impacts caused by agricultural activities such as agricultural waste, manures, or the reduction of polluting substances. The risk for water and soil quality linked to agricultural waste and polluting substances was indeed identified in the SWOT analysis as one of the main weakness for the natural environment in La Rioja. The allocation of additional funds to integrated production and organic farming will help to tackle this problem.

#### **3.3 Modifications according to article 6(1)(c)**

Minor modifications are proposed to better adjust the program to the current difficult economic situation, to simplify and improve the understanding of the measures by potential beneficiaries, to update some references and to take into account the experience gained during the first year of implementation of the program. More inform on section 4.3

The budget increase for measures 114 and 121 is justified by the following:

- 1) Measure 114: the strategic analysis also identified as a weakness the low level of qualification of farmers, and the lack of a specialised working force. As a result, one of the specific objectives included in the regional strategy was the improvement of the professional qualification of agricultural and livestock farmers by offering appropriate advisory services. This will also contribute to improve the competitiveness of the farm holdings;
- 2) Measure 121: The high fixed costs of the farm holdings in La Rioja have a negative impact on the profitability and competitiveness of the holdings. This was identified in the SWOT analysis included in the RDP as one of the main weaknesses of the agricultural sector of La Rioja. As result, one of the general objectives included in the regional strategy was the increase of farm holdings' competitiveness.

The changes are coherent with the Spanish Rural Development Framework and the National Strategy Plan, as the lack of farm competitiveness and the low qualification of the agricultural work force is a common problem for all Spanish regions.

#### 4 DESCRIPTION OF THE AMENDMENTS PROPOSED

##### 4.1 Modifications "Health Check and Recovery Package" according to article 6 (1)(a)

###### 4.1.1 *New priorities/ types of operations*

Table 5.3.6 as included in the RDP

Axis/measure	Type of operation	Potential effects	"Existing " or "new" type of operation	Reference to the description of the type of operation in the RDP	Output indicator – target	
Axis 1 Measure 125.1 Water saving technologies	Water saving technologies	Improvement of the capacity to use water more efficiently	existing	RDP pages 177-185	No. of operations supported	347
					Total volume of investment	9.488.000

Actions to be financed: restoration of existing irrigation infrastructures; transformation of irrigation ditches into water pipelines; improvements of the water drainage network; installation of water measure and control devices; IT technology and management software for irrigated holdings. Actions foreseen under measure 125.1 do not address the development of new irrigation infrastructure, only the improving of already existing infrastructures. This is also foreseen in the Spanish Framework

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

HC + EERP money will be spent in the already existing measure 125.1 "Improving and developing irrigation infrastructures". Output and result indicators for measure 125.1 do not change, as the total budget of the measure is not modified (additional HC + EERP funds received are transferred to measures 114 and 121; more info on section 4.3.15 below)

## **4.2 Other modifications according to article 6(1)(a) (wine reform + modulation adjustments)**

EAFRD additional funds of 3.377.680 € originated by the Wine CMO reform and the modulation adjustments, will be allocated to measures 214.14, "Integrated production" (1.000.000 €), measure 214.14 "Organic farming" (877.680 €) and measure 211 "Natural handicap payments to farmers in mountain areas" (1.500.000 €). The only change proposed for these measures is the increase of EAFRD funds and the co-financing rates (always within the regulatory limits), as the national counterpart remains the same. The values provided for output and result indicators are updated accordingly (RDP pages 322, 414)

## **4.3 Modifications according to article 6(1)(c)**

### *4.3.1 Priority criteria*

The text of the RDP includes now for all measures priority criteria with a specific weight ("number of points"). These criteria will be used in case the number of received applications exceeds the funds available for each measure, in order to establish a ranking of preference to allocate the limited funds.

### *4.3.2 Indicators*

The Commission requested by letter of 16.12.2008 additional information in order to improve/complete baseline and target indicators. The Managing Authority provided this information on 27.02.2009, and now the figures of those revised indicators are included in the RDP text.

### *4.3.3 Update of references and official denominations*

The official denomination of some of the bodies involved in the implementation, monitoring and evaluation of the program has changed, and the RDP text has been updated accordingly.

### *4.3.4 Section 4.1 "Justification of the priorities having regard of the Community strategic guidelines and the national strategy plan"*

This section has been updated in order to take into account the changes in the Community strategic guidelines and the national strategy plan as a result of the new challenges related to the Health Check and the European Economy Recovery Package.

### *4.3.5 Section 5.2.1 "Requirements concerning all or several measures"*

This section (p. 195) has been modified to take into account the update of the forecast of ongoing operations/contracts from the previous period: 3 operations for a total amount of 127.169 € has been added for measure 111 "Training, information and diffusion of knowledge", and the forecast for measure 123 "Adding value to agriculture and forestry products" has been modified from 91 contracts and 5.021.648 € to 4 contracts and 848.182 €

The definition of Priority holding has been modified (p.199) to remove the references to the Spanish Law 19/1995, as they impose to the farmer the obligation to reside in the same or nearby county of the holding, which is against the liberties of the EC Treaty.

#### 4.3.6 Measure 111 "Training, information and diffusion of knowledge"

The maximum amount for direction and coordination of pupils within training actions has been increased from 6 € to 15 € per pupil (p. 219)

The maximum amount for investments related to training actions has been increased from 90% to 100% (p. 219)

Both changes are presented in order to take into account the experiences learned from the 1<sup>st</sup> year of implementation of the measure.

#### 4.3.7 Measure 112 "Setting-up of young farmers"

Re-drafting (in italics) of the following entry condition for beneficiaries: "to exercise agricultural activities in the holding *in the same conditions as those that originated the awarding of the aid*, and to maintain the investments subject of support for 5 years since the moment of award of the aid" (p. 224). This is to avoid, for example, that a young farmer set-ups as full-time farmer, receives the aid, but after 2-3 years, he becomes part-time farmer and only 20% of its revenue is originated from agriculture.

New additional entry condition for beneficiaries: "to receive advice from some of the advisory entities recognised under Regional Law 21/2006 (farm advisory services) during 5 years" (p. 225). This means that receiving advice is now a pre-condition to receive the aid.

#### 4.3.8 Measure 113 "Early retirement of farmers and farm workers"

The references to the Spanish Law 19/1995 are removed, as they impose to the beneficiary the obligation to reside in the same or nearby county of the holding, which is against the liberties of the EC Treaty (p. 232)

An exception to the limit of maximum 2 UWA related to the transferor's holding is introduced (p. 235) for intensive mushrooms holdings (maximum of 8 UWA)

An exception is introduced (p. 235) concerning the size of the transferor's holding: the minimum size should be 12 has., unless the transferee is a young farmer (in this case, no minimum size)

Re-drafting (in italics) of the following transmission conditions:

- "The transferor may use the surfaces occupied by buildings only if it constitutes its main residence. *The transferor may also keep a maximum 10% surface of the holding, not exceeding 1 ha. or 1 LU for own consumption*" (p. 235)
- "If the transferor owns partially the holding, he must terminate the contracts related to productive activities of the areas that do not belong to him, *and must lease these areas to the transferee for a period exceeding the number of years remaining until the transferee's normal retirement age, that period being at least of 5 years*" (p. 236)

#### 4.3.9 Measure 115 "Setting-up of advisory services"

Re-drafting (in italics) of the following condition related to the aid intensity for expenditure linked to the contracting of technical and administrative staff for the provision of the advisory services "the maximum amount for contracting personnel shall be 36.000 € for the period of 5 years, *and will be phased out according to the following schedule: 1<sup>st</sup> year 33%, 2<sup>nd</sup> year 27%, 3<sup>rd</sup> year 20%, 4<sup>th</sup> year 13%, 5<sup>th</sup> year 7%, 6<sup>th</sup> year 0%.*" (p. 249). This is justified by the need to fully reflect in the text of the measure the degressive character of the aid requested by art. 16 of Reg. 1974/2006

#### 4.3.10 Measure 121.1 "Modernisation of agricultural holdings: efficiency"

In order to ensure coherence with the Spanish RD Framework, the following entry condition for beneficiaries is now modified (in italics): "Natural persons must be more than 18 years old *and less than 65. Legal persons must be inscribed in the registry of priority holdings*" (p. 256)

In order to take into account the experiences learned from the 1<sup>st</sup> year of implementation of the measure, new sub-ceilings are now introduced in the aid intensity rates (by sector, by area). The maximum aid intensity rates do not change and respect always the regulatory ceilings (p. 256-257)

#### 4.3.11 Measure 125.2.4 "Improving and developing infrastructure related to the development and adaptation of agriculture and forestry: investments to improve land dedicated to livestock activities"

Aid intensities for mountain areas and other areas are increased from 80% and 60% to 100% and 80% respectively (p. 311), in order to take into account the experiences learned from the 1<sup>st</sup> year of implementation of the measure.

#### 4.3.12 Measure 211 "Natural handicap payments to farmers in mountain areas"

The list of municipalities falling under the category of "mountain area" is now updated (p. 329-330) as, at the moment of designing the program, the authorities of La Rioja simply forgot to include some municipalities that indeed complied with the criteria for mountain delimitation. The budget of the measure and the indicators value do not change now, as they were designed for the complete list of mountain municipalities (including those that were forgotten and are now included)

#### 4.3.13 Measure 214.6.1 "Agri-environmental payments: livestock extensification activities"

The list geographical coverage of this measure, that was initially restricted to "Sierra Riojana", is now enlarged to the complete Autonomous Community of La Rioja (p. 397) as, after the 1<sup>st</sup> year of measure implementation, the Managing Authority has realised that there is no environmental justification to limit the geographical coverage of the measure only to "Sierra Riojana"

#### 4.3.14 Measure 41 "Local development strategies"

The geographical coverage (municipalities) of the LAGs has been updated taking into account the results of the LAGs' selection process concluded recently (p. 481-482)

#### 4.3.15 Funds transfer from measure 125 to measures 114 and 121

The total amount of 2.913.175 € allocated to measure 125 as a result of the HC+EERP is redistributed to measures 114 "advisory services" (1.500.000 €) and 121 "Modernisation of agricultural holdings" (1.413.175 €). For both measures the national counterpart is also increased, but to a lesser extent, so the co-financing rates are slightly increased (more details section 7.3).

Measure 121 output and result indicators are conveniently updated. Concerning measure 114, the value of output and result indicators is now decreased. According to La Rioja, it is now necessary to correct the figures initially provided, and then to adjust them to the new increased budget of the measure. The net result is a decrease in the indicators value. This is justified by the fact that the initial figures were calculated taking into account the expected total number of payments to beneficiaries under measure 114. However, according to the Common Monitoring and Evaluation Framework for Rural Development, for the indicator "Number of farmers supported" the registration frequency should be per approved application of support. The value of applications approved is necessarily lower than the value of payments to beneficiaries, as there may be several payments for each application of support approved.

#### 4.3.16 Section 10.3 "Complementarity with the measures financed by the other Common Agricultural Policy instruments and Other Community Funds"

The following demarcation criterion with the Fruit and Vegetables CMO is now provided for measure 111 "Training, information and diffusion of knowledge" (p. 547): "All training and information actions will be financed by the RDP. These actions will be excluded from the operational programs of the F&V Producers' Organisations"

The following demarcation criterion with the Fruit and Vegetables CMO is now provided for measure 114 "Use of advisory services"(p. 547): "The use of all advisory actions will be financed by the RDP. These actions will be excluded from the operational programs of the F&V Producers' Organisations"

The following demarcation criterion with the Fruit and Vegetables CMO is now provided for measure 214 "Agri-environmental payments"(p. 549): "All agri-environmental measures included in the RDP will be exclusively financed by the RDP. These actions will be excluded from the operational programs of the F&V Producers' Organisations"

The following demarcation criterion with the Wine CMO is now provided for measure 121 "Modernisation of Agricultural holdings" (p. 559): "RDP measure 121 will finance irrigation within the agricultural plot. The Spanish support program for Wine of vineyards will finance all other actions related to restructuring, reconversion and improvement of management techniques of vineyards referred to in art. 11 of Reg. 479/2008 and in art. 22 of the Spanish Royal Decree 244/2009 of 27<sup>th</sup> of February"

Concerning vineyards with wine processing facilities in the same agricultural holding, the following demarcation criteria between RDP measures 121/123 is now provided: investments in wineries will be supported under RDP measure 121 only if the total wine production does not exceed the winery's wine production covered by the "Rioja" Designation of Origin incremented in 25%. Above this limit, these operations will be funded under measure 123, subject to the demarcation criteria with the wine CMO provided for measure 123.

The following demarcation criterion with the Wine CMO is now provided for measure 123 "Adding value to agriculture and forestry products" (p. 550): "Support for wineries will be provided exclusively by RDP measure 123 until 31.12.2010. From 01.01.2011 onwards, support for wineries will be provided by the Spanish support program for Wine"

Concerning demarcation criteria between the Wine CMO and RDP measure 124, the RDP mentions clearly now that measure 124 will not support investments in processing facilities, winery infrastructure and marketing of wine, including the development of new products, process and technologies.

The following EAFRD-ERDF demarcation criteria are provided (p. 555-556):

- EAFRD will finance infrastructures and roads of agricultural and forestry use. ERDF will finance other roads and bigger infrastructures;
- ERDF will finance the development of Natura 2000 areas in agricultural and forestry areas, as well as big infrastructures preventing forest fires and promoting public use. EAFRD will finance the rest of actions foreseen in Axis 2 of the RDP;
- EAFRD will support SMEs of the agri-food sector. ERDF will finance SMEs of other sectors;
- EAFRD will finance actions to preserve ecosystems and to improve the vegetable cover within protected natural spaces. These actions will not be financed by the ERDF operational program of La Rioja.

According to the authorities of La Rioja (p. 558) demarcation criteria EAFRD-EFF are not relevant as only 490.000 € of the Spanish EFF Operational Program have been allocated to La Rioja, and there are no fishing rural areas in La Rioja.

Note for the reader:

Please note that 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 also the 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)**

No particular impacts are expected, as the money allocated to measure 125 is automatically transferred to measures 114 and 121.

### **5.2 Other modifications according to article 6(1)(a)**

The allocation of funds to measure 211 and 214 will help to improve the professional qualification of farmers and to avoid land abandonment and to reduce the negative environmental impacts caused by agricultural activities such as agricultural waste, manures, and other polluting substances.

### **5.3 Modifications according to article 6(1)(c)**

The allocation of additional money to measures 114 and 121 will help to improve the professional qualification of farmers and to increase the competitiveness of agricultural holdings in La Rioja.

The rest of minor changes proposed are of technical nature and intend only to better adjust the program to the current difficult economic situation, to improve the understanding of the measures by potential beneficiaries, to update legal references, and to take into account the experience gained during the first year of implementation of the program.

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

## **6 ASSESSMENT**

### **6.1 Modifications "Health Check and Recovery Package" according to article 6 (1)(a)**

The amendments proposed are well justified and described, and are in line with the National strategy plan, notably in relation with the priorities chosen, the Spanish Rural Development Framework, and Regulations 1698/2005 and 1974/2006.

### **6.2 Other modifications according to article 6(1)(a)**

The amendments proposed are well justified and described, and are in line with the National strategy plan, the Spanish Rural Development Framework, and Regulations 1698/2005 and 1974/2006

### **6.3 Modifications according to article 6(1)(c)**

The amendments proposed are well justified and described, and are in line with the National strategy plan, the Spanish Rural Development Framework, and Regulations 1698/2005 and 1974/2006.

## 7 FINANCIAL IMPLICATION OF THE MODIFICATION

### 7.1 Modifications "Health Check and Recovery Package" according to article 6 (1)(a) Table 6.1 Annual contributions from the EAFRD (in EUR, total period)

Year	2007	2008	2009	2010	2011	2012	2013	2007-2013
Non-convergence Region	0	9 742 059	9 825 643	10 118 835	8 316 916	8 272 004	8 209 498	54 484 955
New Challenges – Non-convergence Region	0	0	323 588	552 742	506 670	675 083	855 092	2 913 175
<b>Total</b>	0	9 742 059	10 149 231	10 671 577	8 823 586	8 947 087	9 064 590	57 398 130

Table 6.2 Financial plan by axis. Non-convergence region (in EUR, total period)

Axis	Public expenditure		
	Total public expenditure	EAFRD contribution rate (%)	EAFRD amount
Axe 1	100 862 444	26,96	27 192 515
Axe 2	70 055 695	28,62	20 049 940
Axe 3	8 150 000	25,00	2 037 500
Axe 4	17 350 000	30,00	5 205 000
Technical assistance			
<b>Total</b>	194 418 139	27,74	54 484 955

**Table 6.2 Financial plan by axis. New challenges - Non-convergence region (in EUR, total period)**

Axe	Public expenditure		
	Total public expenditure	EAFRD contribution rate (%)	EAFRD amount
Axe 1	10 805 545	26,96	2 913 175
Axe 2			
Axe 3			
Axe 4			
Technical assistance			
<b>Total</b>	10 805 545	26,96	2 913 175

**Table 6.3. Indicative budget related to new challenges**

Axis/measure	EAFRD contribution 2009-2013
Axis 1	
Measure 125	2 913 175
<b>Total Axis 1</b>	<b>2 913 175</b>
<b>Total Axis 2</b>	<b>0</b>
<b>Total Axis 3</b>	<b>0</b>
<b>Total Axis 4</b>	<b>0</b>
<b>Total programme</b>	<b>2 913 175</b>

## 7.2 Other modifications according to article 6(1)(a)

EAFRD additional funds of 3.377.680, originated by the Wine CMO reform and the modulation adjustments, will be allocated to measures 214.14, "Integrated production" (1.000.000 €), measure 214.14 "Organic farming" (877.680 €) and measure 211 "Natural handicap payments to farmers in mountain areas" (1.500.000 €). The national counterpart remains the same, therefore the co-financing rates for Axis 2 is increased from 25% to 28.62%

## 7.3 Modifications according to article 6(1)(c)

Measure 114 "Use of advisory services"	Original amount	Revised amount
EAFRD contribution	1.125.000	2.625.000
National counterpart	3.375.000	7.111.647
Total public expenditure	4.500.000	9.736.647
EAFRD co-financing rate	25 %	26,96 %

Measure 121 " Modernisation of agricultural holdings "	Original amount	Revised amount
EAFRD contribution	4.717.500	6.130.675
National counterpart	14.152.500	16.609.217
Total public expenditure	18.870.000	22.739.892
EAFRD co-financing rate	25%	26,96 %