

**WORKING DOCUMENT
RURAL DEVELOPMENT COMMITTEE**

MEMBER STATE: Spain

REGION: Canary Islands

Note for the reader:

Please note that each section of this document is 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.
- 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 for the Canary Islands, C(2008) 3835 of 16.07.2008

2 LEGAL BASIS FOR THE MODIFICATION

This modification proposal was sent via SFC to the Commission on the 13th of July 2009, following its approval by the Monitoring Committee (meeting of the 9 July 2009)

2.1 Changes related to the Health Check and the European Economic Recovery Package

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

Article 6 (1) (a) of Regulation (EC) No 1974/2006, as the additional amount resulting from Council Regulation (EC) No 479/2008 implies a change in the total Community contribution. (To be noted that the Canary Islands will not receive additional funds from modulation adjustments)

2.3 Other changes

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

3 REASONS JUSTIFYING THE AMENDMENT/STRATEGY CHOSEN

3.1 Changes related to the Health Check and the European Economic Recovery Package

As all new challenges related to the HC & EERP were already addressed in the RDP, the Canary Islands authorities have decided to use the additional EAFRD amount of 1.649.870 € in the following already existing measures:

- 1) 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 the Canary Islands. This measure is perfectly in line with the Spanish NSP, which identifies the sustainable use of water resources as one of the specific objectives of Axis 1 measures (70% of additional funds, 1.154.909 €)
- 2) Measure 214, "Agri-environment measures", concretely in sub-measure 214.4 "Integrated production", in order to protect and maintain biodiversity in agricultural systems. This measure is perfectly in line with the Spanish NSP, which identifies agri-environment measures as a horizontal measure within Axis 2 to promote biodiversity (30% of additional funds, 494.961 €)

3.2 Changes related to the increase of available funds as a result of the Wine CMO reform

The Canary Islands authorities have decided to allocate the additional EAFRD amount of 928.800 € originated by the Wine CMO reform as follows:

- 1) 428.800 € (46% of additional funds) to agri-environment sub-measure 214.4 "Integrated production". This sub-measure includes the integrated production of wine grapes (amongst others agricultural products), and therefore allows for maintaining the financial support within wine producing areas. This measure is perfectly in line with the Spanish NSP, which identifies agri-environment measures as a horizontal measure within Axis 2 to promote biodiversity. Integrated production will address also some of the weaknesses identified in the SWOT analysis included in the RDP, like the high use of fertilisers and phytosanitary products, the generation of agricultural waste, as well as the opportunity of growing consumer demand for environment-friendly agricultural products and techniques
- 2) 500.000 € (54% of additional funds) to measure 511 "Technical Assistance", in order to reinforce control actions of the agri-environment measures and to improve the management of the programme (more coordination meetings, more importance of evaluation and continuous monitoring). This will result in an improvement of the Managing Authority's activities and, therefore, is also coherent with the strategy. To be noted that, given the current financial crisis, the Spanish Authorities will not be able to contribute to the increased co financing needs that the additional EAFRD funds imply

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

See section 4.3

4 DESCRIPTION OF THE AMENDMENTS PROPOSED

4.1 Changes related to the Health Check and the European Economic Recovery Package

Table 5.3.6. List of types of operations referred to in Article 16a (3)(a) of Regulation (EC) No 1698/2005 and up to the amounts referred to in Article 69(5a) of that Regulation

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	
Priority: water management						
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	16
					Total volume of investment	1.300.000
Priority: biodiversity						
Axis 2 Measure 214 agri-environment payments	Measure 214.4 "Integrated production"	Protection of species-rich vegetation types, protection and maintenance of grasslands	existing	RDP pages 298 and 455	No. of holdings supported	44
					Total No. of contracts	69
					Total surface supported (No. of has.)	2.887
					Total physical surface supported (No. of has.)	2.887

The only change proposed for the text of measures 125 and 214.4 as a result of the allocation of additional funds originated by the Health Check and the European Economic Recovery Package consists on increasing the total budget of the measure (EAFRD amount, but also national financing, so that co-financing rates do not change), and modifying consequently the figures provided for output and result indicators.

4.2 Changes related to the increase of available funds as a result of the Wine CMO reform

The only change proposed for measure 214.4 as a result of the additional funds originated by the Wine CMO reform consists on increasing the total budget of the measure (EAFRD amount, but also national financing, so that co-financing rates do not change), modifying the table with indicative budget per sub-measures (page 282 of the RDP), and modifying consequently the figures provided for output and result indicators.

The only change proposed for measure 511 as a result of the additional funds originated by the Wine CMO reform consists on a slight increase of the total budget of the measure, as the new EAFRD additional funds replace partially the national expenditure originally foreseen. More details on section 7.2

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

4.3.1 References to the Spanish Marco

Following Commission's recommendations in the last annual review meeting, all sections of the RDP already reflected in the Spanish Framework or merely reproducing its text have been replaced by a simple reference to the Framework (to avoid duplicities and repetitions with respect to the Spanish Framework Program)

4.3.2 Update of legal references

Following Commission's recommendations in the last annual review meeting, all legal references to regulations recently changed (organic farming, F&V CMO, Wine CMO, direct aids, etc.) have been updated

4.3.3 Advance payments

Advance payments related to investments for all measures, as provided by article 56 of Regulation 1974/2006, as well as advance payments for LAGs running costs, as provided by article 38 of Regulation 1974/2006, are now specifically foreseen in the RDP text.

4.3.4 Reference to the MARM

All the references to the Ministry for Natural, Rural and Marine Environment (MARM) have been updated.

4.3.5 Indicators

Baseline, result, output and impact indicators have been completed and improved, following Commission's recommendations in the last annual review meeting. The program includes now a single table comprising all the RDP indicators.

4.3.6 *Statutory management requirements and GAECs*

For all Axis 2 measures, the RDP text reflects now the national authority's obligation to provide, inter alia by electronic means, the list of statutory management requirements and the GAECs to be respected

4.3.7 *Introduction of new eligible actions in different measures related to the Health Check new challenges*

The eligible actions of some RDP measures have been completed in order to include operations related to HC+EERP new challenges, as shown in the following table:

Measure	New eligible action
Measure 111 "Training, information and diffusion of knowledge"	Provision of training and advice to farmers on climate change issues
	Provision of training and advice to farmers on renewable energies
	Provision of training and advice to farmers on biodiversity
Measure 114 "Use of advisory services"	Use of advisory services by farmers with respect to issues relating to climate change
Measure 121 "Modernisation of agricultural holdings"	Improve of energy efficiency (use of construction materials reducing the heat loss)
	Preventive mechanisms against adverse affects of climate-related extreme events
	Installations for waste water treatment on farms
	Biogas production using organic waste (on farm and local production)
Measure 321 "Basic services for the economy and the rural population"	Installations/Infrastructure for renewable energy using biomass and other renewable energy sources (solar and wind power, geothermal)
Measure 331 "Training and information"	Provision of training and advice on renewable energies

Concerning actions related to biogas production and renewable energy using biomass, the RDP text includes a safeguard clause providing assurance that these actions will have a positive or at least neutral effect on the environment, in particular in terms of biodiversity and carbon emission savings.

4.3.8 *Measure 111 "Training, information and diffusion of knowledge"*

The list of institutions providing training actions has been updated to include municipalities and municipalities' associations. Most of municipalities have agencies to promote local employment and development, being one of their principal activities the provision of training services by specialised trainers. If one particular municipality lacks sufficiently qualified training personnel, it could use the services of other municipalities via the Municipalities' association.

4.3.9 *Measure 112 "Setting-up of young farmers"*

Following Council Regulation (EC) No 79/2009, the maximum amount of support has been increased from 55.000 € to 70.000 €. The support may be given in the form of a single premium up to a maximum of 40.000 €, or in the form of an interest rate subsidy, the capitalised value of which may not exceed 40.000 €. For both terms of support combined, the maximum may not exceed 70.000 €.

4.3.10 *Measure 121 "Modernisation of agricultural holdings"*

The action "shared use of agricultural infrastructures by a group of farmers" is now removed.

The RDP originally foresaw that the maximum investment eligible for the aid will be 150.000 €/Annual Work Unit. This limit related to the Annual Work Unit had to be assessed before the farm is affected by the modernisation plan. An exception to this rule is now proposed, in order to assess the limit to the Annual Work Unit once (and not before) the farm has been affected by the modernisation plan in case of setting-up of young farmers.

4.3.11 *Measure 125.1 "Improving and developing irrigation infrastructures"*

In order to finance also smaller investments, the former minimum threshold for investments in order to be considered as eligible of 300.000 € has been removed.

4.3.12 *Measure 214 "Agri-environment payments"*

In order to take into account the latest modifications of Regulations 1698/2005 and 1974/2006, the following elements have been included:

- The Regional Government may put an end to agri-environment commitments, without obligation for the beneficiary concerned to reimburse support already received, provided that:
 - a) support under Regulation (EC) No 73/2009 is newly made available in the framework of which rules are applied which produce global agri-environmental effects equivalent to those of the agri-environmental measure which is closed;
 - b) such support is not financially less favorable for the beneficiary concerned;
 - c) the beneficiary concerned is informed of this possibility at the time he undertakes his commitments.
- The Regional Government may authorize one commitment to be converted into another during the period of its operation, provided that such conversion is of significant benefit to the environment and the existing commitment is substantially reinforced;
- During the period covered by a commitment, parcels for which support is being granted may be exchanged only if specifically provided for in the measure's call for applications (art. 10 of Regulation 1975/2006)

4.3.13 *Measures 311 "Diversification into non-agricultural activities", 312 "Support for business creation and development of micro-enterprises,*

313 "Encouragement of tourism activities" and 321 "Basic services for the economy and the rural population"

Due to the current economic crisis, it is deemed necessary to increase aid intensity for measures 311, 312, 313 and 321. The intensity originally foreseen of 35%, 40%, 45% and 70% respectively, is now to be defined up to 100%

4.3.14 *Measures 321 "Basic services for the economy and the rural population", 322 "Village renewal" and 323 " Conservation and up-grading of the rural heritage"*

In order to take into account the implementation procedures for this measure, municipalities and municipalities' associations are now included as possible beneficiaries.

4.3.15 *Measures 321 "Basic services for the economy and the rural population"*

The following eligible action has been included "Construction, improvement and maintenance of recreational areas in areas not designated as high nature value"

4.3.16 *Measure 322 "Village renewal"*

The scope of the eligible actions is enlarged to include not only traditional rural buildings of historic value recognised by the Regional Authorities, as initially foreseen, but also those of historic value recognised by the local authorities (municipalities)

4.3.17 *Measure 323 " Conservation and up-grading of the rural heritage"*

In order to develop the public amenity value of natural areas, which was one of the objectives of measure 323, the following eligible action has been included "Construction, improvement and maintenance of recreational areas in high nature value areas"

The priority criteria are modified to clarify that projects promoted by the Environment Regional Department will have always preference over those promoted by other entities.

4.3.18 *Measures 411 and 413 "Local development strategies"*

The originally fixed distribution of 70%-30% for private initiatives - public initiatives has been removed, to reflect the current economic situation. This way, the gap created by the lack of private investments could be covered by public initiatives. However, the priority criteria included in the RDP have been also modified so that privately-promoted actions will have always preference over publically-promoted actions.

4.3.19 *Update of table 7 "Indicative breakdown by Rural Development Measure"*

Table 7 is updated to reflect changes in the private contribution for Axis 3 measures. The Managing Authority estimates that, due to the current economic crisis, aid intensity will be of 100% for 50% of Axis 3 operations, and an average of 60% for the other Axis 3 operations. As a result, the global amount of private expenditure is reduced. Detailed figures are provided in section 7.3

4.3.20 Update of the State Aid table

The following lines, that had not been included by mistake at the moment of approval of the RDP, have been added to the table providing information on State Aid assistance in the RDP of the Canary Islands concerning operations which fall out of the scope of Article 36 of the Treaty

Measure code	Name of the aid scheme	Indication of lawfulness of the scheme	Duration of the scheme
111	Training, information and diffusion of knowledge	Any aid granted for forestry actions under this measure will be in conformity with Regulation (EC) No 1998/2006 concerning the application of the Articles 87 and 88 of the Treaty in respect of " <i>de minimis aid</i> "	2007-2013
123	Adding value to agricultural and forestry products	Any aid granted for forestry actions under this measure will be in conformity with Regulation (EC) No 1998/2006 concerning the application of the Articles 87 and 88 of the Treaty in respect of " <i>de minimis aid</i> "	2007-2013
226	Restoring forestry potential and introducing prevention actions	Any aid granted under this measure will be in conformity with Regulation (EC) No 1998/2006 concerning the application of the Articles 87 and 88 of the Treaty in respect of " <i>de minimis aid</i> "	2007-2013
321	Basic services for the economy and the rural population	Any aid granted under this measure will be in conformity with Regulation (EC) No 1998/2006 concerning the application of the Articles 87 and 88 of the Treaty in respect of " <i>de minimis aid</i> "	2007-2013
322	Village renewal	Any aid granted under this measure will be in conformity with Regulation (EC) No 1998/2006 concerning the application of the Articles 87 and 88 of the Treaty in respect of " <i>de minimis aid</i> "	2007-2013

4.3.21 Update and improvement of demarcation criteria

Following Commission's recommendations in the last annual review meeting, the following demarcation criteria are now provided:

Demarcation RDP measure 114/POSEI measure III.11 "Quality and innovation programs for livestock organisations": RDP measure 114 does not include within beneficiaries producers' associations, and support provided is related to minimum regulatory standards; POSEI measure III.11 is only addressed to livestock producer's associations, and does not provide support for advice related to minimum regulatory standards.

Demarcation RDP measure 121/POSEI measure III.11: RDP measure 121 does not include within beneficiaries producers' associations; POSEI measure III.11 is only addressed to livestock producer's associations.

Demarcation RDP measure 132/POSEI measure III.11: RDP measure 132 finances certification costs of farmers participating in quality schemes; POSEI measure III.11 finances audit costs, and not the certification of the production.

Demarcation RDP measure 121/Wine CMO: RDP measure 121 may finance modernisation of vineyards, with the exception to the operations linked to varietal conversion, re-planting of vineyards and improvement in vineyards management techniques referred to in article 11 of Regulation (EC) No. 479/2008 and article 22 and Annex VI of the Spanish Decree 224/2009, that will be financed under Spanish support program for Wine.

Demarcation RDP measure 123/Wine CMO: all operations of processing and/or marketing, as well as of development of new products, processes and technologies, related to the products referred to in Annex IV of Regulation 479/2008, will be financed exclusively under RDP measure 123 "Adding value to agricultural and forestry products" until 31.12.2010. These operations will be financed by the Wine CMO from 01.01.2011 onwards.

Demarcation criteria EAFRD/ERDF: Investments carried out by processing and marketing enterprises in the agro-food sector related to e-commerce have been removed from the eligible actions of measure 123, as they will be financed under the ERDF. Measure 322 will only finance renewal of villages with less than 20.000 inhabitants

Note for the reader:

Please note that the Spanish program implementing article 68 of Regulation (EC) No. 73/2009 does not apply to the Canary Islands. Therefore, demarcation criteria with article 68 are not needed

5 EXPECTED IMPACTS OF THE AMENDMENTS

5.1 Changes related to the Health Check and the European Economic Recovery Package

The modifications proposed will reinforce existing priorities in the field of water management and biodiversity, and will consequently enhance the RDP impact on these issues.

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

The allocation of additional funds to agri-environment measures is expected to promote sustainable land management practices and can help to preserve landscapes and habitats. The allocation of additional funds to the technical assistance will help to reinforce control actions of the agri-environment measures and to improve the management of the programme.

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

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, and to update legal references.

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

6.1 Changes related to the Health Check and the European Economic Recovery Package

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

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

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 Changes related to the Health Check and the European Economic Recovery Package

Table 6.1 Annual contributions from the EAFRD (in EUR, total period)

Year	2007	2008	2009	2010	2011	2012	2013	2007-2013
Outermost Regions	0	29 218 428	28 570 099	28 797 270	22 707 716	22 562 491	22 353 965	154 209 969
New Challenges - Non-Convergence Regions	0	0	970 512	679 358	0	0	0	1 649 870
Total	0	29 218 428	29 540 611	29 476 628	22 707 716	22 562 941	22 353 965	155 859 839

Table 6.2 Financial plan by axis. Outermost region (in EUR, total period)

Axis	Public expenditure		
	Total public expenditure	EAFRD contribution rate (%)	EAFRD amount
Axis 1	209 323 127	34.83	72 907 245
Axis 2	62 484 187	75.00	46 863 140
Axis 3	37 214 640	45.00	16 746 588
Axis 4	18 233 079	85.00	15 498 117
Technical Assistance	4 054 080	54.14	2 194 879
Total	331 909 651	46.55	154 209 969

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
Axis 1	1 358 717	85	1 154 909
Axis 2	582 307	85	494 961
Axis 3	0	85	0
Axis 4	0	85	0
Technical Assistance	0	0	0
Total	1 941 024	85	1 649 870

Table 6.3. Indicative budget related to new challenges

Axis/measure	EAFRD contribution 2009-2013
Axis 1 Measure 125.1	1 154 909
Total Axis 1	1 154 909
Axis 2 Measure 214.4	494 961
Total Axis 2	494 961
Axis 3 Measure 321 - Related to priorities listed in Article 16a(1), points (a) to (f) of Regulation (EC) No 1698/2005 - Related to priorities listed in Article 16a(1), point (g) of Regulation (EC) No 1698/2005	0 0
Total Axis 3 - Related to priorities listed in Article 16a(1), points (a) to (f) of Regulation (EC) No 1698/2005 - Related to priorities listed in Article 16a(1), point (g) of Regulation (EC) No 1698/2005	0 0
Axis 4 - Related to priorities listed in Article 16a(1), points (a) to (f) of Regulation (EC) No 1698/2005 - Related to priorities listed in Article 16a(1), point (g) of Regulation (EC) No 1698/2005	0 0
Total Axis 4 - Related to priorities listed in Article 16a(1), points (a) to (f) of Regulation (EC) No 1698/2005 - Related to priorities listed in Article 16a(1), point (g) of Regulation (EC) No 1698/2005	0 0
Total programme	1 649 870
Total under Axis 1, 2, 3 and 4 related to priorities listed in Article 16a(1), points (a) to (f) of Regulation (EC) No 1698/2005	1 649 870
Total under Axis 3 and 4 related to priorities listed in Article 16a(1), point (g) of Regulation (EC) No 1698/2005	0

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

Measure 214 "Agri-environment payments"	Original amount	Revised amount[#]
EAFRD contribution	19 485 518	20 414 318
National counterpart	6 495 173	6 804 773
Total public expenditure	25 980 691	27 219 091
EAFRD co-financing rate (no change)	75%	75%

[#] without taking into account additional HC+EERP funds also allocated to measure 214

Measure 511 "Technical Assistance"	Original amount	Revised amount
EAFRD contribution	1 694 879	2 194 879
National counterpart	2 293 072	1 859 201
Total public expenditure	3 987 951	4 054 080
EAFRD co-financing rate (no change)	42,50 %	54,14 %

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

	Original private expenditure	Revised private expenditure	Original total expenditure	Revised total expenditure
Total Axis 1	No changes			
Total Axis 2	No changes			
Measure 313	6.000.000	1.200.000	12.000.000	7.200.000
Measure 321	0	752.849	3.376.040	4.128.889
Total Axis 3	6.000.000	1.952.849	43.214.640	40.199.482
Measure 413	12.216.162	2.260.902	23.520.671	13.565.411
Total Axis 4	17.786.367	5.694.816	36.019.446	23.927.895
Total program	291.128.124	274.989.422	621.799.375	609.252.897