

MODIFICATION SUBMISSION TEMPLATE

MEMBER STATE: United Kingdom

REGION: England

1. Approved programme:

The Rural Development Programme for England 2007-2013 C(2007) 6320 of 07 December 2007

2. Legal basis for the modification

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

3. Reasons and any implementation problems justifying the amendment

The economic downturn is having a negative effect on RDPE implementation particularly for activity in the rural economy outside agriculture under Axis 3:

- *Potential beneficiaries are taking longer to bring project proposals to full application;*
- *Access to credit finance is a problem. Banks are cautious about their lending practices, preventing potential RDPE customers from obtaining the private match funding required; and*
- *Businesses are wary of investing in diversification.*

There is particular evidence that the limits on aid intensities for certain measures under Axis 3, which are set at the discretion of the Managing Authority in the England programme, have been restricting uptake of RDPE funding during the economic downturn. Increasing aid intensity rates and increasing the size of grant available under RDPE - by increasing the de minimis limit in light of the EU Temporary Aid Framework - are important ways of addressing problems raised by the economic downturn.

The proposed amendments are consistent with the Presidency conclusions following the European Council in December 2009, with regard to maximising EU measures to help with the impact of the economic downturn, in particular the conclusion that:

“In these exceptional circumstances, Europe will act in a united, strong, rapid and decisive manner to avoid a recessionary spiral and sustain economic activity and employment. It will mobilise all the instruments available to it and act in a concerted manner to maximise the effect of the measures taken by the Union and by each Member State.”

4. Description of the amendments proposed

The following amendments are proposed:

- a) *Removal of the maximum rate of aid intensity of 50% for investments under measure 311 (Diversification into non-agricultural activities) and measure 312 (Support for the creation and development of micro-enterprises).*

This will permit investments under measures 311 and 312 to be funded at an aid intensity rate of up to 100%. The actual aid rate will be determined as part of the project appraisal process and will depend on the level of investment required to ensure projects can be completed successfully and will deliver value for money.

The proposed amendment will enable us to optimise our use of those measures in the Rural Development Regulation which permit member states to apply intervention rates on the most flexible basis. Chapter Five of the Programme document will as a consequence be updated with the following text under Measures 311 and 312: “The rates of aid intensity under this measure will be up to 100%, depending on the extent of commercial return and limits imposed by the de minimis rules.”

- b) *Implementation of the EU Temporary Aid Framework under the RDPE to help rural businesses through the economic downturn by offering higher de minimis grant, where appropriate. This requires amendment to Table 9B to make clear that “Any aid granted under this measure will be in conformity with the de minimis Regulation (EC) No 1998/2006 incorporating as necessary, until 31 December 2010, the additional aid linked to de minimis included in the EU Temporary Aid Framework set out in the Commission Communication (2009/C/83/01) and state aid approval N43/2009.*
- c) *Changes to the balance of public and private contribution in table 7.1: The table will be revised, as necessary, once the proposal has entered into force and in the light of evidence and experience.*

5. The expected impacts of the amendment

The amendments together are expected to contribute to achievement of the outcomes of the Rural Development Programme for England by providing more effective assistance to rural businesses through the economic downturn by making available higher de minimis grant and/ or investment at a higher aid intensity rate.

The proposed amendments will improve Programme implementation in the light of difficulties caused by the recent economic downturn and progress towards its existing targets. The proposal does not require any adaptation of the Programme’s indicators.

6 The relationship between the change and the national strategy plan

The proposed amendments will contribute to the objectives of the national strategy plan. In particular they will:

Strengthen the Programme’s contribution to increasing economic productivity and creation of employment opportunities in rural areas, meeting the Lisbon agenda, enabling rural economies to diversify and grow and contributing to the creation and sustainability of thriving, prosperous rural communities. Furthermore they will help to improve the quality of life in rural areas through supporting rurally based business development that generates high quality employment opportunities.

7 Financial implications of the modification

The proposed amendments will have some financial implications for the Programme. The changes to aid intensity rates are likely to change the balance between public and private contributions under the relevant measures. There is no financial implication for the Programme in terms of the allocation to axes or measure.

8 Monitoring Committee

- a) *Removal of the maximum rate of aid intensity of 50% for investments under measure 311 and measure 312*

The RDPE monitoring committee was consulted on this proposed amendment at its meeting on 13 May 2009. [Following discussion, the Committee ... the proposal.] The Committee's working documents and the record of the consultation and decision will be uploaded onto the Commission's System for Fund Management in the European Community 2007-2013 (SFC) and are also available at www.defra.gsi.gov.uk/rural/rdpe

- b) *Implementation of the EU Temporary Aid Framework under the RDPE*

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→ When required (*), indication of the date of consultation of the Monitoring Committee and its opinion on the proposal for the amendment of the programme

(*) See Article 19 and Article 78 of Regulation (EC) 1698/2005